

Three steps to building a budget

A short guide from Christians Against Poverty

Why build a budget?

Building a budget is an essential step to taking control of your finances. A balanced budget will help to give you a clear picture of how much money you have coming in each month, what you're spending and where you're spending it. It can also help you with saving for the future.

1. Start with your income. How much money do you have coming in?
2. Know where your money is going. How much are you spending and what are you spending it on?
3. Balance your budget. Work out if you're spending more than you have coming in and see where you could make changes.

We've provided a basic budget template at the end of this document to help you get started.



Start with your income

Write down how much money you have coming in each month, including:

- Wages
- Benefits
- Pensions
- Gifts from friends and family
- Income from lodgers/property/non-dependants

You might want to look at past bank statements to help with this. Remember to include any one-off income that you might receive over the course of a year, but not necessarily every month.

Quick Tip: For irregular income, work out how much you receive in a year and divide it by twelve to get the monthly amount.



What's your expenditure?

Next, you need to figure out what you spend your money on. Go through your bank statements and break down your spending into categories:

- Home costs, such as rent/mortgage payments, household bills such as gas, electricity and water, and building/contents insurance.
- Living costs, such as food, clothing and health care.
- Travel and vehicle expenses, including fuel, maintenance such as your annual MOT and repairs, road tax and insurance, and public transport costs.
- Costs related to family and pets, such as vet bills, pet insurance, childcare, pocket money and school trips.
- Leisure, including meals out, hobbies and subscriptions.
- Future needs, such as birthdays, Christmas, holidays, home improvements, pension, investments and life insurance.
- Giving, such as charitable donations.
- Debt repayments, including personal loans and hire purchases.

Just like with your income, it's important to think about your expenditure across the whole year. Christmas, for example, only comes around once a year but can be an expensive time, and so it's important to factor it into your monthly budget so you know you're setting aside enough to purchase those presents with confidence. Divide the amount you spend by twelve to get a monthly amount (e.g. if you spend £200 on Christmas, this would be about £16.75 per month).

Balance your budget

Knowing where your money is going is a great start, but balancing your budget is the most important part of this process. With all your expenditure totted up, is it more than your total income? If so, there are a few things you can do to balance your budget.

Look back over the things you listed in your expenditure. Colour code anything that is a 'want' in one colour and anything that is a 'need' in another colour. 'Needs' are things you realistically can't live without, such as food and paying your rent. 'Wants' are things that you enjoy but aren't essential, such as meals out or TV streaming subscriptions.

Are there any areas where you could cut costs, cut back or cut out?

Cut costs means finding a way to do something cheaper, such as switching to a different internet provider or trying different brands of a product in the supermarket. Cut back means doing something less, such as taking a packed lunch to work rather than buying lunch out. Cut out means getting rid of something altogether, such as cancelling memberships and subscriptions that you no longer use.

This isn't about cutting out all the things that bring you joy. It's okay to compromise so that you can still have a few luxuries. What's most important is being honest with yourself about what you can realistically achieve with your money and prioritising the things that are most important.

The information in this guide is taken from our money coaching workshops. These are run in partnership with local churches across the UK and designed to help people take control of their money through practical financial education and holistic support tailored to their individual needs.

Find a free money coaching workshop near you at capuk.org/trymoneycoaching.

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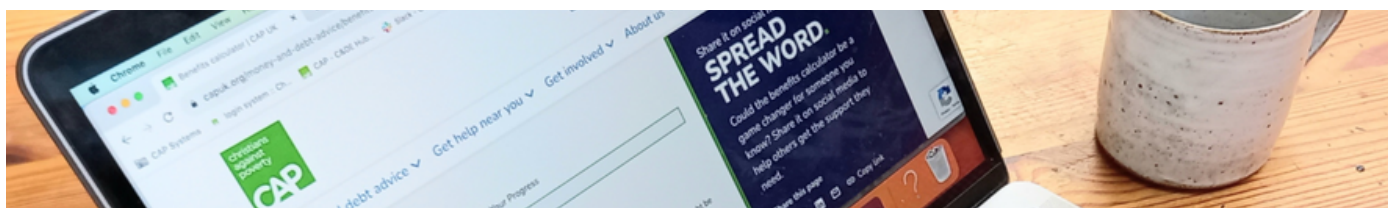
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Income	Amount	Monthly Amount
e.g. take home salary, Universal Credit, state or personal pension, child benefit		
Total Income:		

Expenditure	Weekly Spending	Monthly Spending (weekly spending x4.35)	Regular Payments (monthly)	Savings (monthly)
Household bills e.g. rent or mortgage, council tax				
Living e.g. food, clothing, haircuts, takeaways				
Travel e.g. petrol/diesel, vehicle tax, public transport fares				
Family and pets e.g. school meals, childcare, pet insurance				
Future needs e.g. holidays, pension, life insurance, presents				
Giving e.g. charitable giving, religious giving				
Debt repayments e.g. personal loan, hire purchase, other debt repayments and fees				
Total expenditure:				

Total income:	Total surplus income:
Minus total expenditure:	



Have you used our free benefits calculator?

To help maximise your income, take a few minutes to complete the benefit calculator on our website capuk.org/calculator and check if you're missing out on important financial support.

Many people don't imagine they'd be entitled to any benefits - particularly if you're employed, of working age, or already receiving an income. But collectively, people have found over £100 million of additional annual income in the past 12 months. You could be entitled to benefits you don't know about too.

capuk.org/calculator

Identifies UK-wide benefits as well as benefits specific to devolved nations

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