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Budgeting Part 1: Working out your income

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Barrow Cadbury Trust

Thank you to our **project partners**

Working out **your income**

1 Budgeting

- Helps you take control of your finances.
- Helps you to make decisions about your finances.
- Lets you control your spending and focus it on the things you care about.
- It helps you make sure you have enough money to pay your current and future bills without having to borrow unexpectedly.
- Budgeting helps you decide what your goals and spending priorities are – what you want and to plan for how to achieve them.

The Prophet Muhammad (peace be upon him) explicitly mentioned Allah's dislike of wasting wealth.

'Verily Allah likes three things for you and He disapproves three things for you. He is pleased with you that you worship Him and associate nor anything with Him, that you hold fast the rope of Allah, and be not scattered; and He disapproves of your irrelevant talk, persistent questioning and the wasting of wealth.'

(Sahih Muslim, 1715a)

Work out your income

Start by working out your current income in a typical month.

Step 1

- Work out your monthly income. This should be the amount you receive after tax.
- You can find it by looking on a recent pay slip, benefit statement or a recent bank statement.
- If you receive money weekly, you can convert this into a monthly amount by multiplying it by 52 and dividing by 12.

For example:

If you receive £100 per week, multiply it by 52

100 x 52 = 5200

Then divide it by 12 to give you a monthly figure

5200 ÷ 12 = 433.33

So your monthly figure if your income each week is £100 would be £433.33.

Step 2

- Add any additional income to this monthly figure, such as other benefits you receive, income from investments, or child maintenance payments.
- If these amounts are irregular, estimate how many times a year each happens. Convert these amounts into monthly figures by multiplying each by the number of times a year you receive it and divide by 12.

For example:

If you receive a payment of £400 three times a year.

400 x 3 = 1200

Then divide it by 12 to give you your monthly figure.

1200 ÷ 12 = 100

So the amount you can add to your monthly income figure is £100

Step 3

- Add the monthly income and additional income from Step 1 and Step 2 together to give you your total income.
- If you live on your own, this is how much cash you have available each month.
- If your finances are shared with someone else, such as a partner, it is usually best to create a household budget by repeating these steps for each household member. You can then combine these income figures to give a total household income.

For example:

If your income is £1000 per month and your partners income is £1000 per month.

Add the two together to give you your total household income

1000 + 1000 = 2000

So you total household income per month would be £2000