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Budgeting Part 2: Working out your Spending

Created by Coventry University

Barrow Cadbury Trust

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Working out **your spending**

You are now going to work out your spending.

Step 1

- Find some recent bank and credit card statements if you have any or check your online banking.
- If you don’t have a bank account, you should look through any receipts you have or make a note of any payments you make each month.

- Note down your rent or mortgage and any other regular monthly bills you pay – For example child maintenance, council tax, utilities, phone, broadband, streaming services, direct debits and standing orders – and enter these into your budget planner.
- You may not have all these different expenses, so only note down the ones that you do.

Step 2

- Divide the rest of your day-to-day spending into the sections shown in the budget planner.
- Don’t include annual or one-off payments here, such as paying for holidays or furniture, we’ll come to these later.
- Try to estimate which sections any cash you’ve spent best fits into.

Step 3

- Spending can change a lot month to month. You might need to adjust some figures if they seem higher or lower than in a usual month.
- Most of us underestimate our spending, so try to estimate your spending at the higher end of what you think is typical.
- It's important to work out your spending as accurately as you can, to avoid any nasty financial surprises.
- If you have bank statements from a few recent months, you can compare what you have spent on different things to decide what is typical.

Step 4

- Make a list of your annual or irregular spending, such as Eid gifts, Zakat payments, Qurbani, sending money to family, furniture, household appliances, holidays or car repairs.
- Work out how many times a year you make each of these payments.
- Then multiply each of these payments by the number of times it happens in a year, then divide the total by 12.

For example:

If you spend £100 on gifts for both Eids, you should multiply this figure by 2 and divide it by 12.

120 x 2 ÷ 12

This gives you a monthly figure of £20.

Step 6

- Add all of these different types of spending up to give you a total spending figure.
- 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 spending figures to give a total household spend.
- Once you have your total income and total spending figures, work out the difference between the two by subtracting your spending from your income.

- This should show you how much you’re spending compared with your income in a typical month. If the amount is positive, you should see your bank balance rise over time and if it’s negative your bank balance is likely to fall.
- After a month check whether your bank balance is behaving as the budget planner suggests. If not, check your lists of income and spending as you might have missed something.