

Managing Your Budget

If you want to get on top of your finances, a budget is a really good way to start. It's just a record of **money you have coming in** (from things like your salary/wages or benefits) and **payments that you make** (such as your rent or mortgage, insurance and Council Tax, as well as living expenses, and regular and irregular spending).

A great way to work out your budget is budget planner. This allows you to record all of your incomings and outgoings. It then analyses and adds up your figures, and gives a breakdown of where your money goes each month across the following broad categories:

- household bills
- living costs
- financial products
- family and friends
- travel
- leisure

You could use the table below to help you with your budgeting:

Income per week		Outgoing money	
	£	Accommodation (£ per month)	£
		Food (£ per month)	£
		Laundry (£ per month)	£
		Socialising (£ per month)	£
		Mobile Phone (£ per month)	£
		Entertainment (cinema, exhibition visit, DVD, SU societies) (£ per month)	£
		Household cleaning (£ per month)	£
		Books (£ per month)	£
		Clothing (£ per month)	£
		Toiletries (£ per month)	£
Total:	£	Total Income £ Spending £	£

Alternatively, you can set a budget up using a spreadsheet on your computer or just write it all down on a piece of paper. Your bank or building society may also give you access to an online budgeting tool which takes information directly from your transactions.

Once you've made yourself an accurate budget, you can work out whether you have enough money coming in to keep up your current level of spending. If you don't, you might have to see what non-essentials you can cut down to on to save money every month. It's important to prioritise keeping up with paying for essentials - such as bills, accommodation and food - before you allocate spending for nights out and shopping trips. Leisure time is important, but you may have to adjust your social life to suit your budget - such as having drinks at home with friends instead of nights out on the town, or picnics in the park instead of visits to restaurants. You could also try walking or cycling instead of getting the bus or the tube.

Loans

Sometimes you may feel like you need to borrow money to keep on top of your bills and other expenses. Lots of people have to borrow money at points in their lives, and if you plan for it and borrow sensibly, it shouldn't be something you feel like you have to worry about.

Borrowing sensibly

If you're considering borrowing money, make sure you've thought through the reasons why. What are you borrowing the money for? If it isn't for something essential, then you should seriously consider whether or not you can afford to do it. Borrowing isn't something you should do without thinking it through - if you're just borrowing to get the latest phone or designer clothes, you should definitely reconsider.

However, if for example, you're borrowing for a deposit when renting a room, or perhaps you've just had an unexpected utility bill come through - these are times where borrowing may be unavoidable. This section outlines the best ways to borrow money to make sure you can manage the repayments.

Where to borrow money

Payday Lenders

You may have seen payday loans advertised on TV, the internet or local high street, offering fast cash with very few questions asked. Payday lenders usually offer loans to people with only a very short period of time to pay them back, a very high rate of interest and very high penalties if you don't pay back on time. When you agree to the terms of a payday loan, you usually must accept that the lender can take the money you owe straight out of your account if you have not paid it back by the agreed date, with the penalty charges on top. This can leave you penniless very quickly. It is strongly advisable that you seek out other ways of borrowing money and **avoid**

payday lenders at all costs, as they are an easy way for debt to spiral out of control.

Credit Unions

Credit Unions are local organisations (or 'community banks') which are owned and run by their members. They aim to encourage their members to save regularly, provide loans at a low cost, and to provide help and support with managing money. Credit Unions usually will let you borrow up to six times what you have in your account, and their interest rates will be much lower than payday lenders. They're also good for people who have had problems with a poor credit rating in the past, as credit unions will often lend to people who would not qualify for a loan at a high-street bank.

You may not be able to get a loan until you've been saving with a Credit Union for a short time - the rules will differ at different Credit Unions. If you're anticipating an expense you'll have to borrow for, opening an account and putting a small amount of money aside every week will go a long way towards helping you when you need to take out a loan.

To join, usually you'll need to live or work in a specific area. You can find a credit union near you using this website: <http://www.findyourcreditunion.co.uk/>

Banks

If you have a bank account, you may be able to get a loan from your bank. Often they have quite strict rules for who is allowed a loan, so you might not qualify, especially if you're a student or unemployed. Different banks will have different offers and interest rates, so you shop around and try and find the best deal.

Overdrafts

If you have a bank account, you may also be able to set up an overdraft, where the bank lets you borrow extra money that you don't have in your account, usually up to £500 - but sometimes more, especially if you're a student. However, most overdrafts will charge you interest, which means you'll have to pay back more than you borrow. Banks will charge you if you use your overdraft without permission or borrow more than you're eligible for, so be careful. All the money you spend in your overdraft will have to be paid back, so think carefully before you spend!

Credit Cards

You might be able to qualify for a credit card from a bank, or store card from a high-street shop, which can allow you to make a one-off purchase to be paid off over time. It's important to remember all your spending on a credit card will have to be paid back - so don't go on any shopping sprees. They often have interest rates which will mean you'll pay an extra 10 - 15% on top of the original amount you borrowed. If you do borrow with a credit card, make sure you're

adding the repayments into your weekly budget to make sure you have enough to pay the bill.

Friends and Family

You might have family or close friends who would be willing to lend you the money you need. This can be a tempting option - unlike borrowing from anywhere else, family members or friends might decide not to charge you any interest on top of the amount they are lending you.

However, if you do decide to borrow money from a friend or family member, it's important you plan and agree how and when the money will be repaid - in installments for example, by a certain date. It's important to stick to these and prioritise paying off your debt in the same way you would if you'd borrowed money from a bank. If you don't, you may risk falling out.

Avoid borrowing money from anyone you don't know well - such as a 'friend of a friend'. They may turn out to be an illegal lender or 'loan shark'. These people may seem friendly at first, but may be less friendly if you have any problems paying back the loan on time.

What to do if you're in trouble

If you realise you have bills or loan repayments that you can't pay, don't panic. You should be able to work out a solution that allows you to pay when you can.

- Don't ignore the problem. The first thing you should do is contact the lender or company you owe money to and explain that you are struggling. They are more likely to be sympathetic and help you with a payment plan if you are up front about the issues you're having.
- Don't borrow money to pay off bills without getting advice first. Especially if you'd be taking out a loan to pay off another loan - this can just lead to a spiral of debt that can be difficult to get out of.
- Work out a budget using the advice in this guide, so you know exactly how much money you need for essentials, and how much you have leftover to spend on repayments. You can come into AKT and get help with this if you need it.
- If you have more than one debt to pay off, tackle priority debts first - such as rent, utility bills, council tax or tv licenses. These are most important and more likely to have severe repercussions if you don't pay them off on time. Other debts, such as store cards or credit cards, bank overdrafts, or personal loans still need to be paid off, but they can be tackled later.

Rainbow Starter Packs

The Rainbow Starter Pack is managed by the Albert Kennedy Trust and is has been set up to help working young people to access the necessary funds and resources to move into independent living.

To join, you'll need to set up a Credit Union Account with Santander Credit Union. You can then receive a loan of up to £600 to meet the cost of a deposit for accommodation.

To qualify for the loan you must:

- Be either working, or at university / college
- Have saved a month's repayment towards the cost of moving on
- Set up and manage an achievable monthly budget to include repayment of the loan and savings
- Inform AKT of any changes in circumstances
- Sign a loan agreement with AKT, have a bank account and set up a standing order and savings arrangement
- Attend quarterly update meetings with AKT

You'll be expected to pay back the loan of £600 by standing order. Plus, you'll need put at least £10 per month in the Santander Credit Union account.

In return, you'll receive help with financial budgeting and receive double of the amount you've have saved at the end of the savings period.

AKT will also provide a grant of up to £1,000 to meet the cost of rent in advance which will not need to be repaid. You'll also be given the opportunity of producing a wish list of key items to help you move in e.g bedding, kitchen utensils, etc.