

PERSONAL BUDGET

A personal budget is a plan in which individuals or family money is spent over a period of time. A personal budget is used to plan their money in order to avoid spending more money than they earn. A personal budget is a plan in which individuals could use so they can make the right decisions, choices and use of their income and expenditure. By using a personal budget it can help the individual or family make sure that they have enough money for their expenditure. You can plan your personal budget on a weekly, monthly or an annual basis. The personal budget will include the following:

Income

The budget will need to show the amount of income you earn for the following budget? E.g. weekly, monthly or annual. The income will only be the amount you have to spend once your salary deductions have been made. You should only put the amount of income you would likely get because your income could vary from time to time e.g. do overtime, earn extra cash, unexpected bills or emergencies. The types of income that you could have could be the following:

• Wages or salary, after deductions.	• Borrowed money, such as loans or credit to buy goods.
• Regular allowances.	• Gifts and inheritance.
• Fees earned.	• The sale of personal items.
• State benefits.	• Grants.
• Interest from savings.	• Return on investments.

Expenditures

Once you have assessed your income then you should then work out your levels of expenditures. You will need to put down the kinds of expenditures your personal budget needs to pay out. You will need to make sure that your expenses

don't go over the amount of income you earn. The expenditures that you might have to pay could be things like the following:

• Accommodation e.g. rent or mortgage.	• Major purchases e.g. house or holiday.
• Food and clothing.	• Leisure activities.
• Travelling expenses to work or for social or leisure purpose.	• Insurance purchases e.g. car or motor bike.
• Short term savings.	• Medium term savings.
• Household expenses e.g. gas electricity.	• Special occasions e.g. birthdays
• Long term savings.	• Loan investments and repayments.

Budget

A budget will help you live with the amount of income you earn and at times you could have more money or less money than you expected? The best thing in which you should consider is surpluses and deficits. Before you think about doing a personal budget you should find out if

1. If you want a personal budget
2. Do you need a personal budget
3. Can you do without a personal budget

Surpluses

This means that you had more income than you expected, or it could be due to spending less for whatever reason. You may think that it's a good idea to spend it but I would suggest that it would be better in the long run if you save it as you could need it in the short or long term.

Deficits

Deficits means that you had less income than you expected and you might not be able to cover all of your expenses e.g. you might not get paid for overtime. This could become a big problem but then you could borrow money for a short

period of time but then you will then need to pay this back and this means that you would have to pay out more for your expenses.

In your personal budget you may choose about how you want to spend your money, you might want to choose between expensive goods or cheaper goods, it depends whether you are in such a financial problem that you need to buy cheaper goods for a while instead of expensive goods. Setting up a personal budget can help individuals or families set aside spending and savings and can help them avoid financial stress if they stick to their plan.

Irregular and regular payments

The income that you get could either be regular or irregular. Irregular payment means that the income that you get is not always going to be the same every time that you get paid e.g. your job could be cash in hand or your job might not have set hours. A regular payment is where you get a set amount of payment every time that you get paid. You would get a set wage and sometime you could get more money than your set payment e.g. you could do overtime or you could receive a bonus.

Loans

When you are considering a personal budget then you should think about the types of loans that are available to you. A loan can either be secured or unsecured and there will also be a number of conditions attached to a loan. Below are some types of loans that could be available from banks.

Personal Loans.

If you want to make a major purchase, or pay off some debts and you're 18 or over, a Personal Loan could be the answer. A Personal Loan could help you take control of your finances and reduce your monthly outgoing by allowing you to put all your borrowing into one loan. You could use your loan to pay off all your borrowing, which means you won't have to worry about making separate payments to each lender.

Select loan.

A select loan gives you special discounts on standard loan rate and you can use the loan to get a better deal on whatever you want to buy. It could even help you pay off any credit cards or other loans you might have and save on the interest charges.

Gold service loan.

A gold service loan means that you can benefit from the interest rates on the loan with savings on the standard loan rate. With a gold service loan you can enjoy life more, you could buy a special gift, or take a holiday you've always wanted.

Standard loan.

With a standard loan you get the flexibility to buy almost anything you want and spread the cost to fit in with your budget. This loan is a simple way to pay for larger, most expensive items like new furniture. A standard loan is quick and easy and with a standard loan you can make lump sum repayments at any time you want and pay off your loan sooner.

Car loan.

A car loan can help you cut the cost of motoring. You can use this loan to buy a new car, replace your existing car or to buy a second car. With this loan you would be able to have free insurance cover against your car.

Platinum loan.

With this platinum loan you can get almost anything you want, You can also spread the cost with fixed repayments and also the option to off lump sums from your account whenever you choice to.

Secured loan.

A secured loan means you can give up security for the money you borrow in the form of your home, you can spread your repayments over a long period, which

should make your monthly repayments easier to manage. If you are planning a large purchase and you want to spread your repayments over a long period of time then the secured loan is the best option.

Professional studies loan.

When your career calls for professional qualifications, the professional studies loan gives you the practice support you need. To ease the financial pressure, you can take money out as when you need it and delay repayments for up to 6 months after you finish your course.

Graduate loan.

After you have gained your degree and you need extra financial support to help you make your way through then a graduate loan is what you need. A graduate loan lets you borrow money with fixed monthly repayments. With this loan you also have the optional of an initial 4 months repayments 'holiday' to make it even easier to manager your finances.

Career development loan.

The career development loan can be used to finance vocational study or training courses of two years duration, or longer if the course has a year's supplied experience built in.

All of the above loans will include APR (annual percentage rate) Leaders must quote an APR as well as the applied rate. The APR is intended to help customers compare the true cost of loans offered by different banks. The APR takes into account the applied rate, any other coasts associated with the loan (such as application fees) and the term of the loan.

Saving accounts

There are a number of different types of financial services available and many have different options attached. Below are some types of financial services that are available from HSBC plc.

Select current account.

The select current account can save you money, get all the banking services you expect. The services that are on offer are:

- £50 interest free overdraft.
- High interest on your savings
- Discounts on standards loans with a select loan.
- Card protection worth up to £12 a year.

This select current account can save you money in many ways from an interest free overdraft to discounted rates on a personal loan. Savings with the select loan are all yours for £4.00 a month.

Gold service account.

If you want to get more out of life then the gold service current account is right for you. The account gives you world-wide travel insurance

This account also offers other key features such as

- Commission free travellers cheques and currency.
- £100 interest free overdraft.
- Gold service current account card.
- Discounts on standards loans.
- The gold current account usually charges £8.00 a month.

Platinum current account.

The platinum current account could be for you if you want the best. It brings you some of the best offers available. The current account offers the very best benefits and savings on a whole range of banking and other services. With this account you could enjoy world wide travel insurance and even have AA protection cover. The Platinum account usually charges a total of £12 a month.

Consideration

Once you have decided that you want to use a personal budget then you should think about the following questions?

1. What are you earnings, and how will they affect your spending and saving habits.

2. What are your financial asserts and liabilities.
3. How much would you need to put aside for your fixed or regular expenses e.g. rent, insurance and mortgage.
4. How much should you kept for variable expenses e.g. food, entertainment and clothing.
5. How much money should you save for unexpected emergency e.g. natural disasters, medical.

A personal budget suits different types of people and a personal budget is more common among younger, single people as it becomes more complicated for working adults.

A student's budget would include the following:

• Lunch.	• Rent
• Bus fare.	• School activities.
• Entertainment.	• Clothing.
• Savings.	• Medical.

A family budget will include the following:

• Rent, mortgage.	• Transportation.
• Food	• Health.
• Clothing.	• Insurance.
• Household maintenance.	• Gifts.
• Debts and credit payments.	• Gas and electricity.
• Entertainment.	• Borrowed money.
• Savings.	• Children's pocket money.

A personal budget will help you cover more expenditure or build on your savings. When you begin to plan your personal budget you should think about your short, medium and long-term goals.

Short term goals

Your short term goals should be achievable in a couple of months and they could be things like paying of debts, paying for holidays, paying for days out or expensive outfits.

Medium term goals

Your medium term goals should be achievable from one to five years. The medium term goals could be things like education expenses, long-term holidays or buying a car.

Long term goals

Long term goals would take the longest and the long-term goals are based on the future. The long-term goals could be things like retirement age, long term investments or to buy a house.

Setting up a personal budget

Once you have viewed all of your options and you have decided that you want to set up a personal budget then you should begin to set the personal budget up. You can do this using plain paper or use computer software such as Excel. When you have decided what type of application that you are going to use for your personal budget then you should:

1. Put all of your income and expenditures down two columns.
2. Put the amount you would spend on each of your type of expenditures in the next column.
3. Calculate your cost and then subtract your expenditures from your income.
4. The total left would be the amount you have left to spend.
5. Once you have done one month then carry on and do the rest for an annual term.
6. Keep your personal budget safe and remember to refer to it at all times.

Advantages and disadvantages

When setting up a personal budget there are advantages and disadvantages and there are also advantages and disadvantages of those who do not use a personal budget. The advantages of using a personal budget is that you will be in control of how you spend your income, you can see 'what if' scenarios and using a personal budget makes your finance more easy to control. Even though there are advantages to using a personal budget there are also disadvantages, the disadvantages are that it takes up a bit of time to do your personal budget and it could be difficult for those who ain't familiar with software or the whole personal budget. The personal budget is a much quicker form to keep all of your expenses on record. Some people decide that a personal budget is too complicated and too much hard work so some do not have personal budgets. The disadvantages of not having a personal budget is that you do not know where all of your money is going and you also don't realize how difficult it is to keep track of where all of your income has gone. The advantage of not having a personal budget is that you do not need to go through all of the hassle of setting the personal budget up and some people would prefer it if they didn't know where all of their money has gone. There are different reasons why people set up a personal budget and there are reasons why some people decide not to set up a personal budget. The personal budget works differently with different people and it also has different effects and outcomes.

Below are two examples of a personal budget for a student and an employed adult.

Looking back at the student's personal budget it shows that in May the student went £8 over. The student's income was £310 and the student's expenditures total was £318. The decision that the student made was to take £10 out from the savings. I think this was a good idea as the student had savings put away but without the savings then the student would have had to think of other ways to get the money e.g. borrow it from somebody.

Looking back at the adult's budget it shows that the adult's budget was fine and that the adult didn't have any surpluses or deficits. This shows that the adult had enough income to cover all of the expenditures for the year.