



In simple terms budgeting is creating a plan on how to spend and save your money, it is the fundamental step in achieving financial literacy, which should lead to financial security and greater choices. This may help you meet your personal and financial goals in life.

Money personality

It's important to understand how you behave with money and how you can change any bad habits, as this is the first steps towards developing good money skills. Take the money personality quiz [here](#).

How did you get on, are you a:

- Super Saver
- Careful spender
- Smart spender
- Casual debtor
- Potential serious debtor

Your attitude to money

- What's your attitude to money?
- Expanding on the quiz, are you a spender or a saver?
- How do you feel about money?
- Do you worry about money?
- Do you feel like you waste money?
- What are your current money habits?
- Do you know the difference between 'needs' and 'wants'?

Understanding your own finances will help you feel more confident about your cash. This will help you to understand when to spend and when to save.

Your money habits

Helpful and unhelpful money habits

Help identify your helpful and unhelpful spending habits with this simple exercise:

HELPFUL VS UNHELPFUL

'I think then spend'

'I plan for what I need or want'

'I watch the pennies'

'I've got a budget'

'I think of the future'

'I stay in control'

'I spend then think'

'I make it up as I go along'

'I'm never sure what I've got'

'I don't know how much comes in or goes out'

'I live for now'

'I'm all over the place'

Your money personality could affect the kind of financial decisions you make.



How you feel about money + Your money habits = Your money decisions

Knowing your attitude to money will help you understand yourself when it comes to money and the financial decisions you make every day, and hopefully make you think differently when making financial choices.

Why should you budget?

By putting together a budget plan you'll have a clearer picture of what will be coming in each month and what's going out and what money you have spare. It's a good idea to start by working out your monthly income, outgoings, debts, discretionary spends and any large expenses you have coming up in the future. It is important to review your budget on a regular basis or at the very least when you have a change in circumstances to see where you can make savings and ensure that you are getting the best value for items such as your energy bills, car insurance and mortgage if you still have one.

Your correctly produced budget is a very precise tool for analysing your finances. It will be able to answer 2 questions, 'Do I spend more than I earn?' and 'What can I afford to spend?' Do a money makeover [here](#).

Work out your budget – what money do you have coming in, what do you need to pay for and what's left for savings. Use our budget calculator [here](#) to help you manage your money.



Tips on how to produce an accurate budget

- Allocate some time as this is not a quick task, it'll probably take a few hours to complete.
- Get together all bank statements for at least the last 3 months, preferably 12.
- Decide who your budget is for, just for you or for your whole household.
- Be as accurate as possible with your figures, don't underestimate your expenditure, if you're unsure, go larger rather than smaller.
- Distinguish between credit card debt and spending.
- Ensure you include annual expenses as well as monthly spending, for example, your car mot, service and tax as well as fuel, birthday, holiday and Christmas costs.
- Remember you may save money on your monthly costs whilst you're on holiday, for example, on food and fuel.
- Set yourself a daily spend limit based on how much disposable cash you have each month.
- Whatever you have left at the end of the month move into a saving account or plan.

Review your current spending

When looking at your budget there are several ways you can reduce the current amount you are spending, this may include looking at how much you spend on your weekly food shop to decreasing your monthly utility bills or reducing your annual general insurance or even your mortgage repayments. More information can be found below.



You may be able to save £100's on your utility bills. An easy way to keep track of the best deals available is to use an app like [lookaftermybills](#) [here](#) or [uswitch](#) [here](#) or join a cheap energy club through [money savings expert](#) by clicking [here](#).

Below are some tips on how to reduce the amount you spend

- **Getting the best price?** - check that you're not overpaying for your utilities and other bills, where can you make savings, for more information use the link [here](#).
- **Are you paying too much for your weekly shop?** Plan your meals ahead and go shopping with a list, this will ensure you only buy what you need and won't waste food or money.
- **Look at your general insurance,** Switching to Police Mutual Car insurance click [here](#) and Home Insurance click [here](#) could save you money
- **Review your mortgage** - check with your provider or an independent mortgage advisor.
- **Keep up to date** - for all the latest deals and guides, sign up to the free weekly moneysaving email [here](#).
- **Money advice Service** - For free and impartial money advice call **0800 138 7777**



Are you spending too much? How to stop!

Think:

- Do I need it?
- Can I afford it?
- Will I use it?
- Is it worth it?
- Have I checked if its cheaper anywhere else?

If the answer to any of these questions is NO - then don't buy it!

If you are unsure if you are spending too much complete the demotivator tool [here](#) to see how much you are spending on non-essentials.

If you are spending more than you earn or if you just want to spend less and save more, here are some tips on how to reduce the amount you spend.

- Before making a purchase - sleep on it
- Work out what the item costs in work time
- Focus on your debt/savings
- Check if you're leaking money via unused subscriptions and payments
- Reduce the amount you spend on food by planning meals ahead
- Leave credit/debit cards at home
- Avoid temptation – don't go shopping
- For every new item you buy, get rid of an old thing (either by selling it or giving it to charity)
- Make a shopping list and stick to it
- Try online grocery shopping
- Keep a list of your debts/savings targets in your purse/wallet
- Think of a credit card as a debt card
- Give yourself pocket money or an allowance and stick to it
- Save your loose change
- Take a packed lunch to work
- Avoid take-away food and make your own at home

Keeping track of your spending

With us moving more towards a cashless society it can be harder to keep track of your spending, in order to know how much money you have spent and have left, make sure you check your bank balance on regular basis.

Moving to a more digital era (cashless) makes it easier to manage your money. Most banks have apps available that provide you with transaction info including checking your a balance whenever you want from a mobile device. Also most banks now offer a text notification service if your account balance falls below a certain amount of credit.



Budgeting Apps

There are now a number of budgeting apps that can be accessed through your smart phone. Many of these apps can now connect electronically to your bank accounts to make it easier to manage your spending and budgeting effectively without having to flip through a number of different mobile banking apps. Click [here](#) for more information.



Money basics

When budgeting it's important to know which bank account and credit card are best for you. Read our let's talk money basics guide [here](#).



Savings for a rainy day and for future goals

The easiest way to start saving is to make it a habit and think ahead. Set direct debits up, so you automatically add a little bit each month to your savings. This will ensure you won't be tempted to skip a month and don't have to remember to make the payment.

Before you know it, you'll have built up a lump sum of savings. This could be by putting your money into a savings account, a cash ISA or setting up a savings plan. Set yourself saving goals, saving little and often.

Do it on pay day - the best time to put a bit of money aside is just after you've been paid, so set up a standing order from your current to your savings account a standing order to go out on, or just after pay day.

You'll be surprised how quickly a few pounds each month builds up.



So how much money should you save?

If you've got money left over at the end of each month then great, that's how much you should save. If there's usually nothing left at the end of the month, use the tips above to try and reduce your outgoings, this may enable you to then save.



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