

4-Step

Household Budgeting Tool



This resource was developed by Lexedio, on behalf of UHI North, West and Hebrides, as part of Highland Multiply – a project supported through the Highland Council and funded by the UK Government through the UK Shared Prosperity Fund. It is designed to support adult numeracy and does not constitute financial advice.

This tool is designed for people who need or prefer to work things out using pen and paper, so you may want to print it out.

You will follow four household budgeting steps, which aim to help you understand and improve your short- and long-term financial situation:

Step 1: Calculate your monthly income

Step 2: Calculate your monthly expenses

Step 3: Calculate your monthly disposable income

Step 4: Action plan to manage your money

Before starting the process, it is recommended that you:

- Have recent payslips and bank statements ready to review your income and outgoings.
- Convert any monies that occur weekly, 4-weekly, annual, or at other frequencies, to monthly. See the notes section at the end, which explains how to do this.

You will need to group some income and expenditure types, and add them up before entering them into the tool e.g., gas + electricity. This will also be the case if you want to budget for more than one person in your household.

Make sure you have some note paper ready to list and categorise all your monies coming in and going out.

Step 1

Calculate your monthly income

Pay after tax and other deductions
incl. sick pay, maternity pay

Benefits
incl. child benefit, universal credit etc.

Income from pensions
incl. state and private

Other income
incl. child support received

Total income

- Add up all income sources above

Step 1 complete

Go to step 2 

Step 2 Calculate your monthly expenses

Mortgage or rent

incl. service charges

Home insurance

incl. buildings and contents

Utilities and services

incl. gas, electricity, window cleaning

Council tax and fees

incl. garden waste collection

Phone and internet

incl. landline, mobile contracts

Media subscriptions

incl. TV licence, streaming, gaming

Financial products

incl. loan and credit card repayments

Subtotal

- Add up all expenses above

Grocery shopping

incl. food, toiletries, cleaning products

Travel expenses

incl. petrol, bus/train fares, car tax

Clothes and shoes

incl. shopping, laundry services

Health, beauty and fitness

incl. gym, hairdressing, dental

Leisure and recreation

incl. going out, clubs, hobbies

Luxuries

incl. gambling, takeaways, treats

Other

e.g. pet care, childcare, tuition fees

Subtotal

- Add up all expenses above

Total expenses

- Add the two subtotals together

Step 2 complete

Go to step 3 

Step 3

Calculate your monthly disposable income

Total income
from Step 1

—

Total expenses
from Step 2

=

Total disposable income

- Deduct total expenses from total income

Step 3 complete

If your total disposable income is a positive figure (i.e., you have money left after paying expenses):

Go to Step 4a

If your total disposable income is a negative figure (i.e., your total expenses are more than your income):

Go to Step 4b



Step 4a

Action plan to manage your money

Choose one or more actions:

This month's commitments:

If you are paying off debt - do it faster

Consider making extra payments to reduce interest costs and improve financial security.

Develop an emergency fund

Aim for at least 3 to 6 months' worth of essential expenses in a savings account to cover unexpected costs like car repairs.

Invest in future goals

Allocate some of your disposable income towards investments, retirement savings, or educational opportunities that align with your long-term aspirations.

Budget for things that bring you joy

Set aside money for leisure activities, hobbies, or experiences while ensuring your spending aligns with your values and priorities.

Something else (state below):

Step 4b

Action plan to manage your money

Choose one or more actions:

Ensure you can pay for essentials

Prioritise needs over wants and cut back on non-essential expenses until you can afford them.

Communicate with providers and debtors

Contact lenders if you're struggling to meet payments; they may offer flexible options. Negotiate rates if you can.

Seek advice

Speak to recognised financial advisers and support organisations (see notes). If you have debt, they could help you create a realistic debt management plan.

Increase your income

Look for ways to increase your income until you have enough disposable income e.g., doing overtime, selling things you no longer need, renting out a room.

Switch or cancel

Research your utilities and service providers to ensure you are getting the best deals. Cancel subscriptions you don't need.

Do your research

Search online for ways to save money e.g. spending hacks

Notes

How to convert different payment frequencies to monthly amounts:

- **Weekly:** Multiply by 52, then divide by 12.
- **4-weekly:** Multiply by 13, then divide by 12.
- **Annual:** Divide by 12.
- **Other frequencies:** Multiply by the number of occurrences per year, then divide by 12.

Where to find support with money

Here are some of the organisations supported by the Scottish Government that can help with information about debt and money. They will not charge you for advice and information.

Advice Direct Scotland

<https://moneyadvice.scot/>
0808 196 2316

Citizens Advice Scotland

<https://www.cas.org.uk/>
Money Talk Team 0800 028 1456

National Debt Line

<https://nationaldebtline.org/>
0808 808 4000

StepChange Debt Charity

<https://www.stepchange.org/>
0800 138 1111

Keep on learning

Why not continue developing your numeracy skills on one of the many courses on offer through UHI North, West and Hebrides?

Visit: <https://www.nwh.uhi.ac.uk/en/courses/>