

Budgeting

An essential part of financial planning, at a time of significant change in one's personal circumstances, is the need to carry out a budgeting exercise. This form can be used to estimate both income and expenditures, and, once this has been established, an investment strategy can be put in place to meet your changing financial circumstances.

Financial planning – budgeting

There is nothing particularly complicated about budgeting. It just requires you to set out, and estimate, the amount and the timing of your income and payments.

It is at first important to establish details of the various incomes that you are entitled to; these may include pension, lump sums and state benefits.

Once you have done this, you can prepare your budget listing your income against your outgoings. In preparing your budget you should try to take into account both short-term and long-term objectives.

You may find that once your budgeting exercise has been completed your outgoings will be larger than your income. Unless you prepare a budget planner you will not be aware if you have a problem, or the extent of it.

Try to look at longer term issues, such as the possibility of additional monies arriving in the future, perhaps a pension, or maturing endowment policy or future employment income.

If it looks as though you will have difficulty in paying your regular household costs, such as mortgages, utility bills and council tax then it is important that you contact these parties immediately to discuss options available.

The budget planner, once prepared will be essential in determining what sort of investment strategy you will need to pursue. If the budget planner says you need to produce income, then your investment strategy can reflect this.

It may also be wise to consider the repayment of expensive debts, such as credit cards, store cards, overdrafts and personal loans; these interest rates could be relatively high. You should also check if any of these loans have redundancy insurance policies attached to them.

Continued overleaf...



Your budget plan

Use this form in terms of your whole household, not just for you. Include the income of your partner. Review this on a weekly, monthly or annual basis to suit you. But remember to account for all income and expenditure as if it were being paid on that basis, e.g. if you have 1 holiday each year and you pay for it all in 1 month of the year, split the total cost up and show it in the budget plan for each week/month/year whichever you are using.

Income (before tax)	Before retirement	After retirement
Employment		
Part-time employment		
Investments		
Pension(s)		
Total income		
Expenditure		
Taxes		
National Insurance		
Pension Scheme contributions		
House insurance (including contents)		
Life insurance		
Any other insurance, except car		
Rates inc. water and council tax		
Rent or mortgage repayments		
Heating and lighting		
Club subscriptions		
Theatre, cinema		
Classes, courses		
Holidays		
Personal spending		
Hairdresser, beauty treatments		
Cigarettes, tobacco, confectionery		
Beverages		
Football pools, gambling, lottery		
Charities, donations		
Pocket money		
Gifts and cards - birthday, Christmas		
Chemist - sundries		
Household equipment		
Furniture, carpets, repairs, renewal		
Food and drink - home/away		
Pet food/vet costs		
Clothes - dry cleaning, repairs, replacement		
Fares		
Car tax/insurance		
Car maintenance		
Subs to motoring organisations		
Petrol/oil		
Recreation, entertainment		
Papers, periodicals, books		
Hobbies, sport		
Telephone		
Stationery		
Miscellaneous		
Dentist		
Private health treatment - BUPA, PPP etc		
Decoration, household repairs		
Total expenditure		
Net income		

If you have any questions about your Scheme pension, please contact the AA Pensions team using the details below.