



A Guide to Money Management

How to make the most out of your money



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Foreword

At some point in their life, everyone is required to make decisions about money - how they earn it, how they spend it, and whether they save or invest it.

The thing is, we may not always be making the right choices and this could be because we don't always know what options we have when it comes to managing our money.

Within this guide, we aim to help you understand how to better manage money, by educating you on what money management is and teaching you the basics of budgeting and saving.

We would like to thank Sherad Dewedi, Simone Lewis and Gemma Brook for their input.



1. Budgeting



What is budgeting?

Budgeting is simply making a plan which looks at the money you have and expect to have and the things you will need to use it for within a certain period of time.

Why are budgets important?

Budgets are important because they help you ensure that you have enough money to cover the cost of important and necessary things - such as bills - and don't spend more of your money on things that you don't need. They are also very helpful for when you have a money goal - such as buying a new phone or video game - and need to know how long it will take you to purchase it.



Budgeting Terms

Goals

Goals in budgeting relate to what you want to achieve. For example, whether you want to save for a long time to purchase a specific item, or you want to have peace of mind that important payments are covered such as a regular xbox live subscription.

Needs vs wants

When budgeting, it's important to understand what is necessary vs what is wanted. We refer to this as needs and wants. Needs are things that you cannot do without such as bills and food. Wants are things that you desire, like new trainers or games.

Budget Cycle

A budget cycle is the length of time you want to plan for. It could be monthly, annually, weekly or two weekly.

Income

Income refers to money that you receive, either via a gift, pocket money, a wage or other.

Expenses

These refer to things that you either have to or want to pay out.



Budgeting

Scenario...

You received £150 for your birthday through gifts from family members. This is the most money you've had since the summer as you don't have a part time job during school terms (you can receive up to £10 per week in pocket money from your parents if you help out with housework during the week, but this isn't guaranteed unless you do help).

You really want to buy a new pair of trainers - a Nike pair worth £90. The issue is, it's only three weeks until the half term holidays and you know you're friends are planning a number of meet ups. If you bought the trainers, you'd have £60 left. But, you also know whilst you're out shopping, you'll probably see other things you want to purchase. This doesn't leave much for meeting up with your friends. You really don't like doing housework and you know you can't ask your parents for extra money without doing it. You're stuck what to do.

TASK

Spend five minutes in groups of three considering the above scenario and the different outcomes - or solutions. You might want to consider things such as:

- What are the different goals?
- How much income could you have in each scenario?
- When is the best time to purchase the trainers?
- What do you need and what do you want?



Task Worksheet

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Budgeting

By now, you should have a good idea of the different outcomes associated with this task. So, it's time to start creating your budget. You'll need to refer to the answers from the task to help you plan.

TASK

In the same groups of 3, use the budget planning guide on the following pages to create a budget plan. There is a planner sheet included to help.

Do three of these, each with a different budget cycle and goal.

EXAMPLE:

Expenses			Income		
Date	Amount	Description	Date	Amount	Description
1 July	£5	Snacks	1 July	£15	Allowance
8 July	£5	Snacks	7 July	£20	Chores
15 July	£5	Snacks	15 July	£15	Allowance
17 July	£50	Mobile Phone	18 July	£30	Birthday
19 July	£30	Savings	19 July	£100	Wages
20 July	£20	Birthday Party	28 July	£10	Paper Round



Guide to Budgeting

STEP ONE - Choose a Budget Cycle

This is how long your budget must last. It can be daily, weekly, every two weeks, monthly, or when you receive wages. This cycle should broadly be linked to your income or expense cycle (being paid every week and having weekly expenses, for example). For the purposes of our examples, we are using a weekly budget.

STEP TWO - Plan One Month Ahead

It is very useful to plan one month ahead. You can then see what income you expect to receive, and what expenses you expect to pay out. (Use the income and expenses form at the end of this workbook)

Fill in the following:

- What dates the cycle covers.
- Estimated income: Income you expect to receive from all sources, such as for completing jobs and chores, as well as gifts like allowances, birthday money, etc.
- Estimated expenses: All expenses, whether you are going to pay for the total cost this budget cycle, or you are keeping money aside for an expense that is less regular.
- Special events: These include things like birthdays, school events, holidays etc., where you will expect to spend money.

NOTE:

The money put aside for monthly expenses must be kept somewhere you will not spend it. When it is time to pay that expense, you will have the full amount to pay it.



Guide to Budgeting

STEP THREE - Complete the budget worksheet

Using the Budget Worksheet at the back of this workbook complete the following:

- Dates of the budget cycle
- Expected income
- Expected expenses

You can use the information from your monthly income and expenses worksheet.

STEP FOUR - Monitor and amend

The thing with budget planning is that they are plans based on what you expect to happen during your budget cycle and that you hope will be possible. But because things aren't always that straight forward, plans can change. So, it's important to review your plan on a regular basis, making necessary amendments when things change such as an unexpected gift you needed to purchase or a spontaneous social event occurs.

STEP FIVE - Reflect

At the end of each month (or week) look back over your plan and see how you are doing and the things that happened during the week. Review what improvements can be made if you didn't hit your target and adjust the following week based on the new plan.

It could be that you can spend more next week because you saved extra, or that you need to spend less because you now don't have enough money to cover a bill or event.



Helpful Tips

Things to think about before spending money

Always think if the item is a need or a want.

Do not buy the first thing you see. Have a look online to compare prices, and/or go into the shops to see if you can buy at a cheaper price.

If it is not a need, think about waiting until there are sales. You will usually buy the same item for less money, or may even find something else you prefer.

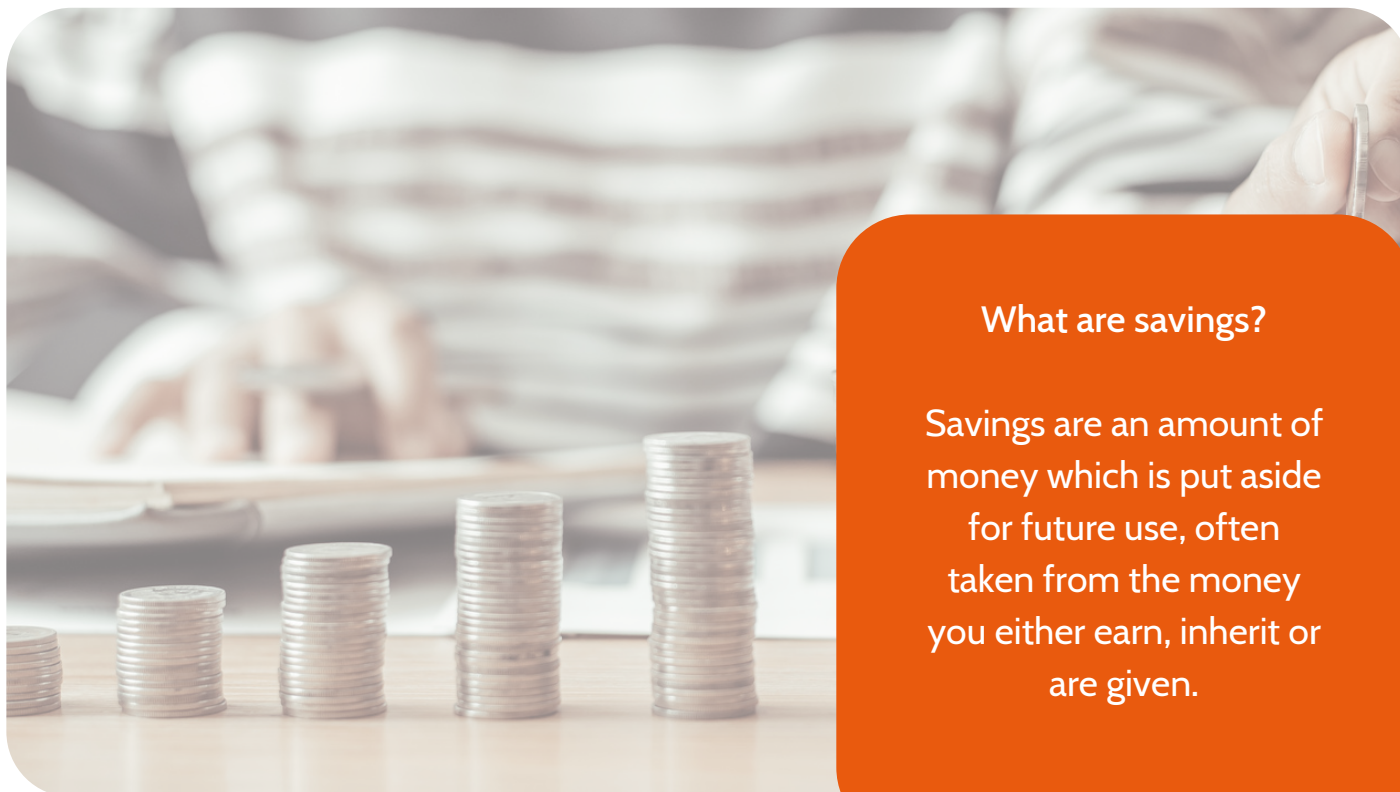
Sleep on it. It is quite likely that an item available today will be available tomorrow. Just because you are excited today may not mean it is a sensible purchase.

Buying a brand or designer name, does not always mean you will get value for money, or that the item is of better quality. However, you should compare, as the higher the cost, the higher the quality TO A POINT.

More you save, the more your money will grow. You will receive interest (more on this later).



2.Savings



What are savings?

Savings are an amount of money which is put aside for future use, often taken from the money you either earn, inherit or are given.

Why are savings created?

Savings are often created based on financial and personal goals, priorities or values. These could be:

- Short term - holidays, furniture, expensive items, Christmas presents etc
- Long term - deposit for first home, child education/support fund, new car, baby fund etc.
- Values based - some people need to have an emergency fund to ensure they have adequate finances should anything happen to their income.



Savings

The different ways to save

A piggy bank

Piggy banks are good for small saving amounts, particularly if all of your income is given as cash. You can usually purchase these for a couple of pounds. They work by allowing you to put cash into a locked piggy bank. The downside is, with the cash to hand so easily, you could be tempted to dip into the funds.

A savings account

You should have a separate bank account for more long term savings goals, especially values based savings. They not only remove the temptation to dip into the funds, but most banks offer interest based on the amount you save. It's small, but every little adds up.

If you do not have a savings account, your parent or legal guardian can open a child's savings account on your behalf. The account will be in your name, but your parent or legal guardian will manage it, until you are old enough to do this yourself. If you are under 13 years of age, a parent or legal guardian may have to open one for you.

Limited access Cash ISA

ISAs are individual savings accounts, but they differ from traditional savings accounts because the interest you receive isn't subject to tax. You can only have one active Cash ISA per year and usually, you're only allowed to input a certain amount each year. You can open an ISA with a bank or financial institute in the same way you open an account, but you'll usually need to make a deposit when opening. It's best to get a limited access one for long term goals, so it's harder to take money out spontaneously.



Savings

What benefits are there to saving?

Interest

Banks love it when you put your money into a savings account they offer. They say thank you by giving you a reward called interest.

It is not much, but the more you save, the more interest you will receive. Start saving now, to receive bigger gains.

It is important to note that your money is safe, and the amount of interest you earn depends on how much is in your savings account, and the interest rate your bank pays.





Expenses				Income			
Description	Expect	Actual	Diff	Description	Expect	Actual	Diff
TOTALS				TOTALS			



Thank you

If you'd like more bespoke resources, feel free to reach out to us via hello@shenward.com.

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