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Beginner's guide

Budgeting 101

By Moneyboat





Budgeting made simple

For many of us, the thought of budgeting can feel overwhelming or restrictive – almost like it’s something that’ll stop us from enjoying ourselves. But budgeting doesn’t have to be complicated, and it definitely doesn’t mean giving up all the things you enjoy. It can also help you to plan for the future and reduce feelings of financial overwhelm.

At its heart, budgeting just means knowing exactly how much money is coming in each month and how much is going out – putting you in control. It’s a powerful tool to help you spend wisely, save regularly, and make sure your money works as hard for you as you do to earn it.

In this guide, we’ll break budgeting down into easy-to-follow steps, covering everything from the basics of tracking your income and expenses, to the popular 50/30/20 rule – a straightforward way to balance spending, saving, and having fun. And to help get you started without any fuss, we’ve included a handy [checklist for creating your first budget](#) and a [free budgeting tool](#) to help you build your first budget right now.

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Before we get started

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Getting started with budgeting

Budgeting is one of the simplest and most effective tools to help you take control of your finances. It allows you to know what's coming in and what's going out, helping you to decide how you want to spend or save your money. Think of it as a map for your financial voyage – a way to make sure every pound you earn is working towards your goals.

To help you get going, we'll cover the basics of budgeting and the 50/30/20 rule, as well as providing a [checklist for creating your first budget!](#)

Basics of budgeting

At its core, budgeting is just balancing your income with your expenses. But it's not just about cutting back – it's about being intentional with your money too. A good budget is a reflection of your goals and priorities. It shouldn't be seen as denying yourself, but rather making sure that your money is working for you in the best way possible.

The first step is to understand exactly what comes in and what goes out each month. This means tracking your income against all of your expenses. Income should include things like your salary, freelance work, side gigs, and any benefits. And expenses should be tracked whether big or small – things such as rent, utilities, food, transport, and anything else you regularly pay for.





An easy way to do this might be to just use the notes app in your phone or a piece of paper. Write down what you have coming in as well as those necessary expenses mentioned above. Then you can add up your expenses and take that away from your total income. It sounds like a basic exercise but it's the easiest way to get a quick glance at your budget. You can also do the same with a spreadsheet. Most spreadsheet software has ready made budgeting templates, but you can use the one we've put together for you [here](#), if you'd prefer.

We've also got a [checklist for creating your first budget](#) at the end of this section!

What if my budget doesn't balance?

If your budget doesn't balance and your expenses are more than your income, don't panic. There are ways in which you can bring down the numbers in your expense column. Go through each expense with a fine-tooth comb to work out what's necessary and what isn't. Following the 50/30/20 rule in the next section could help to guide you, and we've also pulled together the tips below:

Take a look at how much you're spending on bills and utilities. Can you speak with your providers to see if there are cheaper plans they have? Or you might be able to shop around to find better deals. Take a look at our article on '[How to save money on your bills](#)' for more ways to do this.





Are you able to bring down the cost of certain necessities such as your food shop? We're all much more switched on to the ways of making food shops cheaper but it's always a good idea to revisit them when looking to budget. Take a look at our articles on '[How to save money on food shopping](#)' and '[How to save money on food](#)' for that refresher.

Subscriptions can also take away from your budget each month. From music streaming to meal kits, there's almost too many subscription types to mention. To help you find and cancel any subscriptions you don't want or need, you can read our article on the process [here](#).

Introducing the 50/30/20 rule

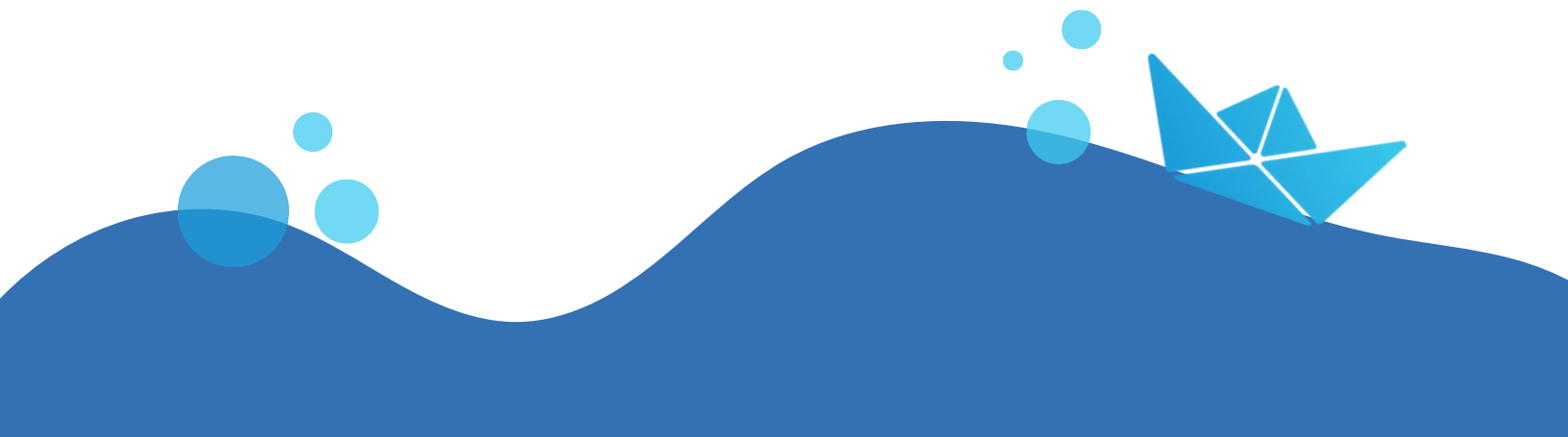
The 50/30/20 rule has become a popular way to budget in recent years. It's a simple way to get started and involves dividing your income in parts to cover different types of outgoings. We've outlined the rule below to give you some guidance:

50% for needs

These are the essentials, the things you can't live without. Think rent, bills, utilities, groceries, and transportation costs. These are the necessary costs that keep you comfortable and secure, and they should take up the biggest chunk of your budget.

30% for wants

This is the fun stuff, the things you want but might not necessarily need. This could be eating out, streaming subscriptions like Netflix, or spending money on hobbies and entertainment. These expenses are important too, but they should only come after you've covered your essentials.





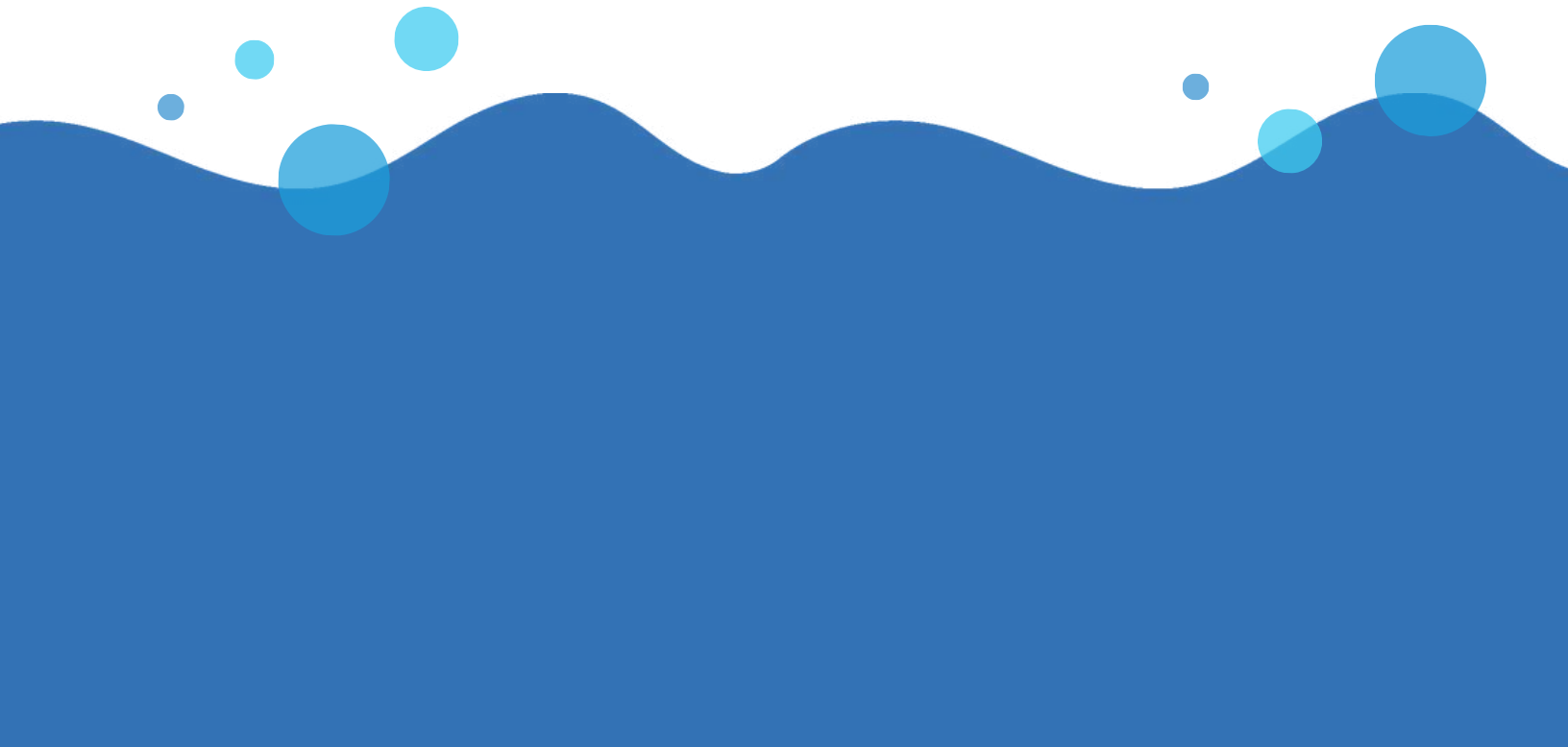
20% for savings & debts

This section is all about your future. It's where you set aside money for emergencies, long-term goals like retirement, or paying off loans and credit card debt. If you don't have debt, this is a great amount to build an emergency fund with or invest in your future.

Make it work for you

The beauty of the 50/30/20 rule is its simplicity. It helps you quickly assess whether your spending is balanced and whether you're prioritising your outgoings effectively. Don't obsess over the exact percentages too much though. It's perfectly fine if they don't match!

Everyone's financial situation is different, and the goal is to find a balance that feels right for you. The key is to ensure your most important saving goal is given the attention it deserves – whether that's covering your needs, building an emergency fund, saving for a little bit of luxury, or creating a nest egg for the future!



Checklist: Creating your first budget

Ready to create your first budget? Don't worry, it's easier than it sounds, and this checklist will guide you through the process step by step.

We've also created this [budgeting spreadsheet](#) which can help to get you started.

1

List your income

Write down all the money you earn in a month. Include your salary and any other sources of income.

2

Work out the difference

Add up your income and then your expenses. Take them away from each other and you'll see if you're spending too much.

If numbers aren't your thing, we've created a budgeting spreadsheet to do the calculations for you. [Get it here](#).

3

Set limits

Using the 50/30/20 rule, you should look to set a spend limit of 50% of your income on needs, 30% on wants and 20% on savings/debt repayments. This doesn't need to be exact: make sure it works for you!

4

Track your expenses

Look at your bank statements to see where your money goes. Be honest and thorough – every routine coffee and online subscription counts!

5

If you budget doesn't balance

Don't panic if your expenses are more than your income. Go through each expense with a fine-tooth comb to work out what's necessary and what isn't.

Try to reduce what you don't need – easier said than done but a crucial step when working with a budget.

6

Review regularly

Check in every month to see how you're doing and tweak your budget if your circumstances change.

Remember, it's okay if your budget doesn't work perfectly at first. The goal is progress, not perfection.

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Next steps

Creating a budget is a brilliant first step – but the real magic happens when you keep coming back to it. Your income, spending habits, and priorities might change over time, and that's completely normal. The key is to check in regularly and tweak things when needed.

Keep checking in with your budget

Even if your budget doesn't feel perfect straight away, that's okay. Think of it as something you build and improve over time, not something you have to get right from day one.

By keeping your budget realistic, flexible, and in line with your goals, you'll give yourself more freedom to enjoy the present – while feeling more prepared for the future.





Discover more resources

Your journey doesn't stop here! We've created plenty of free tools and resources to support you:

- [Visit our blog here](#) for helpful articles, guides, and tips tailored to your financial goals
- Read our full [Personal Finance 101 guide](#) for a deeper insight into making the most of your finances
- Explore external resources, like [StepChange](#), [Citizens Advice](#), or [MoneyHelper](#), for free support and advice

The more you know, the better equipped you'll be to make confident financial decisions.

