Lockdown your budget before the economy opens up

It’s time to spring clean your saving and spending priorities

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As we prepare for the great unlocking, there are many things I am looking forward to doing — but wasting money isn’t one of them.

As lockdown restrictions ease, economists expect the “coiled spring” of pent-up consumer spending will help the UK economy bounce back. But I want to hang on to the good money habits I’ve been forced into under lockdown and be mindful of bad habits that have cost me in the past.

So where to start? Revisiting my budget.

Everybody needs a budget, no matter how wealthy they are. Yes, even Elon Musk! Just think of the money he’s wasting reprinting his business cards with his new job title (no wonder he’s no longer the world’s richest man).

Budgeting is a core life skill, yet it’s something that is rarely taught. We work it out via trial and error, perhaps influenced by how our parents handled their money. Yet it’s all too easy to make expensive mistakes — just look at sky-high overdraft charges, or people being stung with buy now, pay later deals.

Teaching young people about budgeting is the key theme of Global Money Week, and all kinds of virtual events will take place around the world next week.

In the UK, financial literacy charity MyBnk is leading the charge. It estimates that more than 20m Britons cannot manage their money; 11.5m have less than £100 in savings (including half of all twenty somethings) and nearly 9m are in serious debt.

MyBnk is campaigning for financial literacy to be taught in primary and secondary schools and has produced a range of excellent free quizzes, videos and jargon busters for teachers and parents who are home-schooling.
For wealthier people, not budgeting puts us at risk of spending too much, while saving and investing too little. Ahead of Global Money Week, here are some tips to inspire you:

**Overcome your fear**
To budget successfully, you have to drill down into your data. With digital banking, this has never been easier — but financial anxiety is a block for many.

“The more you look at the numbers, the less emotional they become,” advises Ellie Austin-Williams, who blogs as This Girl Talks Money. “Learn to see money as a tool and make it work to your advantage.”

After graduating, I went through a period of not wanting to open the post or check my bank balance (like most students, I had a huge overdraft). But I learned to love the calm feeling of control that came from studying the numbers and making a plan.

An OECD survey of nearly 120,000 15-year-olds globally found that those who kept track of their bank balance electronically were more likely to perform well in financial literacy tests.

**Separate needs and wants**
Splitting essential spending (rent, mortgage, bills, insurance, etc) from non-essential spending is the cornerstone of budgeting.

Knowing the difference makes it easier to set targets for saving and “guilt-free” spending (another tip is to transfer this to a digital bank card to set a natural limit). And keep an eye on direct debits. Every time I go through mine, there is always something that can be culled.

**Plan ahead**
My lockdown savings have been a triumph of planning over convenience. For example, having a fortnightly online supermarket delivery requires a very different mindset from frequent “top-up shops” I made before the pandemic — not to mention what Jo Ellison, editor of How to Spend It, calls the “Pret tax” of convenience food.

However, even she was aghast when I showed her the wipe clean seven-day meal planner which has pride of place on our fridge. As we have embraced the joys of batch cooking, there’s also a list of what’s in the freezer. This saves us money and helps us eat more healthily — but planning ahead can also help boost your longer-term savings.
‘Pay yourself first’
One of the most-shared budgeting tips, siphoning off savings the day you get paid, is a natural brake on non-essential spending.

Ahead of Isa season, I’ve increased my contributions to regular savings and investments (you can start a regular savings plan for as little as £25 per month on most platforms). It’s also worth investigating if you can pay more in to your pension.

This is also an effective strategy to pay down debt — especially if you’ve shifted a balance to one of the few remaining 0 per cent deals.

“Automate, automate, automate,” is the advice of Kathy Ogunbona, better known as @TheColourfulAccountant on Instagram. “Setting up direct debits and standing orders gives me one less thing to think about.”

Set up ‘sinking funds’
Plenty of my followers put a set amount every month towards various future spending needs. The classic one is an emergency fund, but other categories include holidays, car maintenance, home improvements, or as an alternative to pet or health insurance.

Money blogger Fiona Chapman says sinking funds for birthdays, Christmas and holidays will help you spread the cost “and avoid overspending, credit card abuse and panic buying”.

In the 1980s, my parents did this by stuffing cash into different envelopes on payday. Today, many people use digital banking tools to ring fence sums of money (Monzo calls them pots, Starling calls them goals).

Although the money is still in your current account, it won’t show in your balance, so beware of overdraft charges if you overspend.

Embrace tech tools
All of the banks have upped their online game since the arrival of digital challengers, so it’s never been easier to analyse your data, categorise your spending, and set limits or nudges so you don’t go crazy with contactless. For example, I’ve set up a text alert if my credit card balance goes over £1,000, or if my current account balance drops below £500.

My Instagram pal Julie Helary has taken this further, using Open Banking apps to link all her accounts together — including credit cards. “Apps like Yolt and Emma use AI to understand your spending history,” she says. “When lockdown lifts, you can set up a budget for ‘eating out’, for example. A notification is sent as soon as you approach your overall or category
budget, taking account of upcoming payments. This can help with facing the issue instead of burying your face in the sand.”

Make a spreadsheet
Many Open Banking enabled apps allow you to export data to Google spreadsheets. I’ve recently started using Google’s free monthly and annual budget sheets, and have customised these using the excellent free tutorials on the Michael Saves YouTube channel.

Investing apps have also improved hugely in recent years, and can help you track how all that money you’re saving is growing.

Talk to your partner. And if you have children, don’t hide your budgeting from them — the more exposure they have to good money habits, the better. A sobering statistic from the UK’s Money and Pensions Service is that most people’s financial attitudes are formed by the age of seven.