

I've never run out of money, why do I need to budget?

A budget helps create financial stability and reduce stress. Your budget creates a plan for your income and spending and allows you to track it so that you can reach your financial goals- which can be anything you want. It ensures you have enough money for your needs and wants and don't overspend, which may lead into getting into debt.

How can automation help me budget?

When you automate your finances through things like standing orders or direct debits you are setting up your bill payments and savings accounts to be paid automatically from your main bank account (can be done online or through your banking app) - most commonly monthly. You're putting your money on autopilot. By automating your finances, you're making sure you pay your bills on time and avoid costly late payment fees.

What should you do if you don't stick to your budget?

If you don't stick to your budget for one month, it's best not to ignore the problem: it's better to reflect on what and why you've been spending. Ask yourself: "Is there anything I can cut back on for the next month? Have I changed my expenditures or have prices gone up?" This should reduce the feeling of panic and help you reset for the following month. That may mean cutting down on some expenditures or finding ways of increasing income, like working extra shifts. If concerned, you can also seek guidance. There are recommended organisations to speak to below.

What is the average salary in the UK?

In 2023, the average (median) UK person earned £640 per week or approximately £33,280 per year.

When do I get paid?

As an employee, you could be paid daily, weekly, or monthly. If you are paid monthly, you may be paid on the last day of the month or a few days before this date. If you are unsure as to when to expect your pay, take a look at your employment contract or contact a member of your HR/People team who will be able to help you. If you are self-employed when you get paid will depend on when your invoice is settled. This may vary, and you may find you have to remind your client to pay your invoice if they do not do so on time.

Why is my net (take home) pay important?

It is the amount that gets paid into your account after deductions are taken away, so it's the amount that matters most when you plan your spending and calculate your budget.

Does everyone have to pay the same amount of income tax?

Income tax rates are progressive in the UK, meaning the more you earn, the more you'll need to pay. If you earn less than £12,571 this year, you will not pay any income tax. Above that, how much you pay depends on three "tax bands", or ranges of income. Earners in these bands pay 20% on the lowest incomes, then 40% and, for the highest earners, 45%. When you go up a band, you only pay the higher level on your higher earnings, not your whole salary.

What does my tax get spent on and by who?

Your taxes get pooled together and are then used to help fund public services. These include the NHS, education, the welfare and defence systems, as well as investment in public infrastructure such as transport and housing.

Is there an easy way to calculate your estimated take-home pay?

Thankfully, yes! There are several online calculators that can give you an estimate of your salary deductions and your take-home pay. This can be helpful when applying for jobs as you need to know what you will have left to budget with. Here are some places to go: [The Salary Calculator](#), [Listen to Tax Man](#) and [the Government website](#).

What happens if I don't pay the right amount of tax?

You may not pay the right amount of tax for a number of reasons. One of the main reasons is if you are on the wrong tax code. If this happens and you have overpaid tax, HMRC may contact you to let you know you are owed a refund. If you have underpaid tax HMRC may contact you to discuss ways for you to pay it back. This could be through additional payments through future payslips or by making a one-off payment. None of this is automatic, so if you suspect your tax payments are wrong, you should contact HMRC. If you deliberately avoid paying tax, there may be fines or even imprisonment.

What is a tax code?

If you are at work you will be issued a tax code. A tax code is made up of a series of numbers and letters. . It tells you and your employer how much of the personal allowance you are entitled to and therefore how much tax you should be paying. The standard tax code in 2022 is 1257L - 1257 because this year the personal allowance is £12,570. If you are not on this tax code you should take a look at the GOV.UK website to understand what your tax code means. If you think your tax code may be wrong you will need to contact HMRC to explain your situation and ask them to change it. Your employer cannot change your tax code for you.

Do I have to pay UK tax if I work abroad?

If you work and live abroad for more than 3 months in a year you are likely to pay tax in the country you have moved to. Managing your personal tax across multiple countries can be complicated so if you are planning on doing it you may wish to speak to your employer, if you are travelling at your employer's request or if you are relocating and expect to find a new job you should look for a local accountant or advisor in the country you are moving to, to make sure you pay the right amount of tax wherever you are.

How often do I pay tax?

If you are in employment tax will be deducted from each payslip through the PAYE (Pay as You Earn) system. If you are self-employed the deadline for paying tax is 31st January each year. If you do not pay your tax bill on time and are self-employed you may end up paying interest and penalties on top of any tax you owe.

Do I have to pay tax on my bonus?

Yes! If you get a bonus this is treated as additional income and will be taxed in the same way as the rest of your salary. HMRC will calculate your tax based on the total amount of money you receive - salary and bonus.

Do I have to pay into a pension?

If you are over the age of 22 and are earning more than £10,000 you should automatically be invited to take part in your workplace pension. This is known as auto-enrolment. Your workplace pension can be a valuable way to save for your future retirement as both you and your employer will contribute money to your pension. If you have what is known as a 'salary sacrifice' pension, you will also get money back from the government that goes into your pension. You can choose not to pay into your pension. You should tell your employer if you want to stop making payments. However, your employer must give you the option to rejoin the pension at a later date. Even though retirement might feel like a long way off, it is important to weigh up the impact of not paying into a pension today versus the impact on your retirement planning. A pension is also tax efficient because you do not pay tax now on income that you divert into a pension.

What is an investment?

An investment is something you buy with your money with the goal of getting back more money than you put in. But there is also a chance that you could lose money on any investment.

What can I invest in?

The most common investments are property, stocks, bonds, commodities like gold or currencies like the pound or the dollar. But people can invest in all sorts of things, ranging from collectibles such as classic cars to pieces of art. Recently, more people have started to invest in crypto.