

Personal Survival Budget

PSB – is the baseline amount which you need to sustain your lifestyle and also to be paid as a ‘salary’. This shall be a key debit from your business account. This budget is the summary of your personal expenses – not direct business expenses.

Aim:

To calculate the key costs which you shall need ‘cover’ in order to maintain your personal amenities + activities.

Calculate your PSB this as an annual expenditure.

Objective:

- Identify the weekly, monthly, quarterly + annual living costs
- Tabulate these in the form of a budget spread sheet
- Calculate the annual total for your PSB

Methodology

Use previous records of expenditure to identify reliable figures of your living costs expenditures.

Evaluate your preferences, habits and wishes in terms of how you are prepared to live your personal life.

Clearly this expenditure is a pressure on your business account and the smaller this budget is you more feasible your business plan can become.

However being able to lead an enriching and healthy life style is key to your ability to be creative, enterprising and ultimately successful in your professional life.

So it has to be a considered balance between being frugal and being happy. With effective practice and good fortune your enterprise shall develop and grow in terms of creative and financial success. This shall enable you to increase your salary and so elaborate the quality, luxury and fulfilment of your personal life.

It is however important to accept that the two ‘budgets’ combine into a single financial strategy – whereby the success of your professional & personal life and the related expenses are inextricably linked.

Balance and compromise are key mindsets when compiling your Personal Survival Budget - *See the attached worked example.*

You shall need to apply a level of personal branding to PSB document. But keep this tasteful and simple so as not to confuse the information or startle the bank manager.

This exercise shall go forward to being part of an overall business plan.

An example of a Personal Survival Budget

To begin with, add up all your personal expenses over the year.

This can be difficult.

Remember, there are 52 weeks in the year, 12 calendar months, but 13 x 28-day periods. We include Class 2 National Insurance in the PSB, as this is a personal tax for being self-employed.

At the bottom of the spreadsheet *there* is room for 'other no business income'. This could be a salary from a part-time job, income from a spouse, or perhaps rent collected from a lodger. If money is coming in from sources unrelated to your business, then subtract it from your total personal expenditure.

For example, if you're in full-time work, your salary should be covering all your basic personal outgoings. So enter your total salary (after tax) in the 'non-business income' at the bottom of the PSB table, and then deduct this amount from your personal expenses total. You should find your earnings from the job can cancel out the calculation. This means you won't need to 'draw' money from your business in the beginning, if you're starting off as self-employed in your spare time. 'Drawings' are monies taken from your business to live on.

If you find that your personal expenses are not completely covered by your salary, and you have a 'minus' figure, then if your calculations are accurate you must have credit-card debts or you are living in overdraft!

Eventually, if you reduce your hours and work part-time you will have to 'draw' money out of the business to live *on*. If, for instance, you have a part-time job and are also self-employed, then it may end up as a 50/50 situation: half your livelihood is subsidised from wages and the other half from self-employment.

Don't be daunted by the figures. Remember if you plan to be self-employed or you have a mix of employed and self-employed work, and you're on a low income, there may be subsidy in the form of benefits either from HMRC (tax credits) or your local council (Housing Benefit).

This exercise is the first step in understanding money management.

PERSONAL SURVIVAL BUDGET

expenditure	Annual £	Quarterly £	Monthly £	4 weekly £	Weekly £	Total £
Mortgage or rent			600			7,200
Council tax + water rates	1,000					1,000
Gas Electricity			30			360
Personal + Property Insurances	200					200
Food + Housekeeping						1,560
Clothing			50			600
Telephones + Communications subscriptions			50			600
TV Licence	140					140
Entertainment						520
Newspapers, magazines, clubs. Etc.			10			120
Car – Tax						
Car – Insurance						
Car – Service + Maintenance						
Car – Fuel, Oil, Maintenance						
Dependents - gifts	122					122
Savings Plan			20			240
Debit + Loan Repayments						
Travel cards			100			1,200
Class 2 National Insurance Contributions						
+ other						
+ other						
TOTAL EXPENDITURE						14,000
ESTIMATED INCOME (NON-BUSINESS)						
Income from partner						
Income from part-time job						
+ other						
TOTAL INCOME (NON-BUSINESS)						
ANNUAL SURVIVAL INCOME REQUIRED						14,000