Tracking your finances

We've all been there, right? When there just seems to be a bit too much month for your money. Those last few days until payday, when all you can think of is the promise of a large caramel latte and a Boots meal deal as a reward for surviving on noodles for a week. But it doesn't have to be that way. Understanding where, and when, your money evaporates from your account is the easiest way to spread your wealth throughout the month - and hopefully even beyond.

The modern financial world is magical - direct debits, standing orders, contactless payments and Apple Pay all designed to ensure we don't feel the weight of spending 'real' money (even though it still comes out our bank account). But doesn't that make it all seem a little....impersonal? Without handing over a wedge of cash, we can tap away and not be concerned until we have a glance from behind our fingers at the banking app on a Monday morning. How does one even spend £28 in McDonalds anyway? Pretty darn easily, it would seem.

We've complied some of the key steps to wrest back your financial control:

- **Make a spreadsheet**

Yes, we know it sounds dull, but if you can divide your spending into necessary, lifestyle and discretionary, you're in a far stronger position to understand your money. There are some things that you prioritise - rent or mortgage, council tax, insurance, savings - and these are your necessities. After that coms lifestyle spends - gym membership, Spotify, Netflix, online subscriptions. Finally, it's the money that seems to disappear without a trace. The obscene amounts that, when pushed on what you think you spend and the reality of what you do, are exactly why you've got £3.28 in your current account 12 hours before your salary hits.

If you're a more modern individual than I, there are a selection of free apps rather than firing up Excel each month. Banking apps such as Monzo provide a month and year end summary of your spending, whereas Snoop is a budgeting tool which can link across your accounts using open banking.

- **Make a budget**

This follows on from point 1. Once you have segmented your finances, having the discipline to stick a finite budget is the next step. We've previously written about the 50:30:20 rule, where 50% of your salary is directed to essential outgoings, 30% to discretionary spending and 20% to savings. This is generally a good guide because, if you plan to spend exactly what you earn, you'll have no wiggle room for the unexpected. To paraphrase Mike Tyson, "everyone has a plan until their boiler breaks down". You can only plan so far so having a contingency pot is essential.

You also have to remember to leave room for special occasions - birthdays, Christmas, a rough Tuesday when you just can't face cooking and Dominos is calling.

- **Have visibility of your spending**

This one might seem pretty self-explanatory, but having access to your online accounts is key to knowing where the outflows are. Yes, those Monday morning reviews of just what transpired after 10pm on Saturday night are quite essential - even though you might not be able to justify it in the cold light of day.

But this applies across the board to things such as your utility suppliers, mobile phone contracts & the gym that you joined saying you'd DEFINITELY go at least 4 times a week, but you've had a mince pie in your hands more recently than a dumbbell. The first 2 of these are regular payments that, depending in where you are in your contract, you may be vastly overpaying. Always make sure that you're on the best available rate and don't be shy to call up and threaten to leave if you don't get a good deal. And paying for a service you simply don't use is throwing money away - so either get the Lycra on or cancel that direct debit!

- **Separate your spending**

Once you have your budget, have separate accounts for your direct debits and fixed expenses, one for your savings and another for your discretionary spending. You may even want to have a completely separate bank for this latter one, where you can transfer money on a weekly or monthly basis to give yourself a regular spending fund.

This system will help you avoid overspending on the fun stuff, when there remains essentials still to be paid for.

- **Look for ways to lower your expenses**

Again, this seems pretty straight forward, but you'd be amazed at the numbers of people who don't make this a priority. The apathy towards making active decisions is the reason why we have the current pension system, otherwise no one would save!

But once you've started parts 1-3, the passion to be the new Martin Lewis should be burning brightly inside you. We don't want you to become a hermit or be a slave to your budget - far from it - so it's about balance and being more prudent when you spend. Take advantage of apps such as TopCashBack, which reward you for spending you may already be doing. Supermarkets like Tesco offer cheaper products for Clubcard holders - and it's free to get one.

The key to this stage is a bit of planning. If you know what you'll be spending your money on, you can look at the best deals around.

We will continue to offer support through our visits and via the DAM Community Hub, where we will regularly update with hints and tips on how you can improve your financial wellbeing. However, as always, the power is in your hands.

*The apps, websites and supermarkets mentioned have no affiliation to DAM and are not to be taken as an endorsement by us.

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