

How to save money even when the budget is tight

Saving and budgeting takes a little bit of dedication and time to get right, but the development of good savings habits can become second nature over time and help make a real difference to you're here and now and future.

Here are some questions to ask yourself, if the answer is yes to any of them, don't worry you're not alone.

- Do you ever run out of money before the end of the month?
- Do you worry about the possibility of unexpected expenses that you can't afford?
- Do you just wish you didn't have to worry about money?

If your finances aren't in the best shape now, that doesn't mean they have to stay that way. If you're not happy with your current financial situation it's time to make some changes to your spending and saving behaviour to help achieve better results.

Plus, with the interest being paid on some savings accounts now being better than anything seen for 15 years (some accounts are offering up to 7-8% interest*), it will pay to spend some time getting your finances in order and your savings in the correct place.

To help kick start the saving process, we've put together six helpful habits for you to consider getting into:

1. Control your debt

Debt is not necessarily always a negative, in some cases debt can be a positive stepping stone to help get you closer to a more prosperous future. For example, a mortgage is a form of debt - purchasing a home could be a necessity for you. Similarly, borrowing money to enhance your education in a way that could allow you to get a better paid job. You might even be borrowing money to set up a business.

On the other hand, using credit cards, for example, to cover extra, day to day spending is generally considered a bad use of debt, as the repayment terms and interest payments can often be onerous as well as expensive if it's not paid back on time. Before you start saving, it's a good idea to try and get any expensive debt under control first —or to even pay it off completely.

If you have different debts, sort your credit card interest rates from highest to lowest, then tackle the card with the highest rate first. You can consolidate the debts – which means you merge a number of debts into one, usually by taking out a personal or consolidation loan but be careful to check the interest rate and the terms and conditions. Make sure that you won't be adding to your debt or taking longer to pay it off.

To make a dent, you'll need to pay off more than the minimum balance and if you find that you keep spending on your credit card it might be a good idea to destroy the card, so that you're not tempted to use it again.

If you're worried about money or if you're struggling financially, there's lots of free help available. We recommend [Money Helper](#) or a debt charity like [StepChange](#).

2. Don't let your emotions affect your financial decisions

For many people, money habits are tied to emotions and how we feel. It's easy to fall into the trap of spending money when disappointed, or angry, or even happy. While emotions are important, they aren't helpful when it comes to making financial decisions.

Develop a habit of taking your time and making level-headed, rational decisions about money rather than allowing your spending, saving, and investing habits to be dictated by the way you're feeling at a moment in time. One good tip is to practice the '24-hour rule.' This means you have in your mind what it is you want to buy, you can even load up your shopping cart online, but you wait 24 hours before making the actual purchase. After the 24 hours you can go back and see if it's something you actually want. Just waiting that short amount of time can make a powerful difference.

3. Try paying yourself first

You may have heard of 'Pay yourself first' but what does it actually mean? Well, it's a popular savings technique that helps you to prioritise paying your own savings first and treating saving like a bill that should be paid no matter what.

So, as soon as you get paid, you pay a portion of your salary into your savings account - like you would an essential bill. Even if it's a small amount, it's great to start somewhere - and saving something is better than nothing.

The important thing is that you're building a new habit around saving. After you've paid your bills and yourself, the rest of your earnings can be yours to spend on what you like.

4. Spend some time with financially savvy friends and family

Sometimes the people you spend your spare time with can have a positive impact on your financial habits.

If people around you are always purchasing the latest tech gadgets, dining out, taking luxurious trips, and putting things on finance - then it's important not to be tempted to keep up with them, as it will derail your good intentions and may drive you into further debt.

However, if you're spending time with people who are more committed to saving and investing than to possibly frivolous spending, you may be more likely to stick to your goals and improve your financial situation.

5. Make your money work harder

Your money probably isn't working as hard for you as it should. Let's face it, we've been used to poor returns on savings accounts for so long, but with interest rates rising, there are better saving deals available for our money.

According to Coventry Building there's a whopping £268 billion* sitting in easy and instant access accounts paying no interest.

There are plenty of websites available that will search for the best paying accounts for you - Money Saving Expert or Money Supermarket are just a couple. Once you find an account that you're comfortable with, all you have to do is contact the provider and open it. Most of the time this can be done online.

And don't forget, banks are still offering incentives to switch current accounts. Some banks will pay you cash or vouchers worth up to £175 - £200 to switch your current account – extra money for minimal effort – yes please! Just be aware of the pros and cons before you do anything. For most people, switching bank accounts won't make much difference but it can lower your credit score temporarily. The more frequently you switch, the more this can have a negative impact on your credit score.

6. Check on benefits

A lot of people assume that they're not entitled to benefits and it's a common misconception that benefits are only available if you're out of work. You might be surprised at the help that is there once you start to delve a little deeper.

Even if you're earning a high salary, you could still be eligible for some help, it all depends on your personal situation.

To make sure you're not missing out, the website [EntitledTo](#) is a good place to start and you can also head to the [Governments website](#) to browse any financial support that may be available to you.

To help with saving, there's also the Government's [Help to Save scheme](#). If you're entitled to Working Tax Credit or receiving Universal Credit, you can get a bonus of 50p for every £1 you save over 4 years.

How to build new habits into your daily life

Often people tend to find that their positive intentions slip for a couple reasons. Either they attempt to do too much too soon, or they don't quite understand how habit forming is structured – and how to use it to their advantage.

In the meantime, if you want to start making some changes, consider the following:

- Know your why – what's your reason for making the changes?
- Set realistic, measurable goals that are achievable.

- Break up bigger goals into smaller actions.
- Don't make too many changes at once.
- Use rewards as a motivator (within reason) to treat yourself once you meet your goals.

Soon enough, these good habits will become hard to break.

* <https://www.moneysavingexpert.com/savings/best-regular-savings-accounts/>

* <https://www.independent.co.uk/money/ps268bn-of-household-savings-sitting-in-zerointerest-accounts-b2259324.html>