

Guide to your Personal Survival Budget

What is your Personal Survival Budget (PSB)?

All responsible lenders have a duty of care to their customers to ensure that an applicant is not currently in financial distress and can reasonably afford the additional burden of a new loan repayment.



A Personal Survival Budget (PSB) is a table that sets your own retained income against your own committed outgoings and calculates one of three possible results.

1. Your retained income exceeds the value of your outgoings. No drawing will be required from your new business to meet your outgoings and the surplus is large enough to cover the additional monthly repayment of a potential start-up loan.
> Ideal outcome. Your personal finances are unaffected by the new business and can cover the additional burden of the start-up loan.
2. Your retained income exceeds the value of your outgoings. No drawing will be required from your business to meet your outgoings though the surplus is NOT large enough to cover the additional repayment of a potential start-up loan.
> Positive outcome. Your personal finances are unaffected by the new business. However, the business will need to generate the necessary profit to be able to cover the monthly repayment of a start-up loan. Some evidence of Validation will be required (see BizBritain Guide to Validation).
3. Your retained income is less than the value of your outgoings. You will be reliant upon your new business to provide a drawing to wholly or partially cover both your outgoings and the additional monthly repayment of a start-up loan.
> Critical outcome. Your new business will need to generate profit from the outset. Clear evidence of customer demand or Validation will be required to demonstrate the likelihood of this.



Understanding the Personal Survival Budget (PSB)

The following are vitally important concepts and definitions which may affect the outcome of your start-up loan application. Please consider them carefully before completing your PSB.



PSB

Is designed to show your own financial position 'right now' as the business starts. Income that will no longer be received once the business starts, must not be included in the Income side of the PSB. Payments that will no longer be made once the business starts, must not be included in the outgoings side of the PSB



Retained income (if any?)

Your own income that is independent from the new business, that you will continue to receive once the business starts. Perhaps you work elsewhere on a part-time basis, or receive a pension, investment or property income? You may be in receipt of a benefit payment that is unaffected by your new business? You may of course, have no retained income at all. Income that belongs to spouses, partners or other household members must NOT be included in your PSB.



Outgoings

These must be yours alone. Again, the outgoings of spouses, partners or other household members must NOT be included in your PSB.

TIP - Consider HOW your outgoings are actually paid?

- > Are you 100% responsible for all of your 'family' outgoings?
- > Are you 100% responsible for some of your 'family' outgoings, whilst others are 100% responsible for the remainder?
- > Do you share all of your expenses on a 50/50 basis with a spouse or partner?

Example PSB Calculation

Consider the example PSB shown below-

- > Note how the sole and shared expenses are input and note how the 'applicant' has considered what he will no longer receive and also what he will no longer need to pay.

ITEM	NOTES	AMOUNT (£)
Employed Managers Salary	Resigned job to start new business	0
Property Rental Income	£1000 shared on 50/50 basis with wife who co-owns our rental property	500
Part-time wages	Barman local pub, will continue with this as part of my back-up plan	350
PSB INCOME TOTAL		850
Mortgage	£800 shared with wife on 50/50 basis	400
Utilities	I will continue to pay these	200
Broadband & TV	Wife pays these	0
Council Tax	£200 shared with wife on 50/50 basis	100
Shopping	£200 shared with wife on 50/50 basis	100
Car Loan	Wife's car therefore she pays for this	0
Monthly Train Ticket	£100 but no longer required since I resigned from my job to start business	0
PSB OUTGOINGS TOTAL		800
INCOME less OUTGOINGS	850-800	50 surplus

In the above example, the 'applicant' can retain enough independent income to meet his own portion of the 'family' PSB without drawing from the new business. The £50 surplus however, will not be sufficient to cover a typical start up loan repayment and so he will need to show that the business is capable of generating the profit to be able to do this.



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