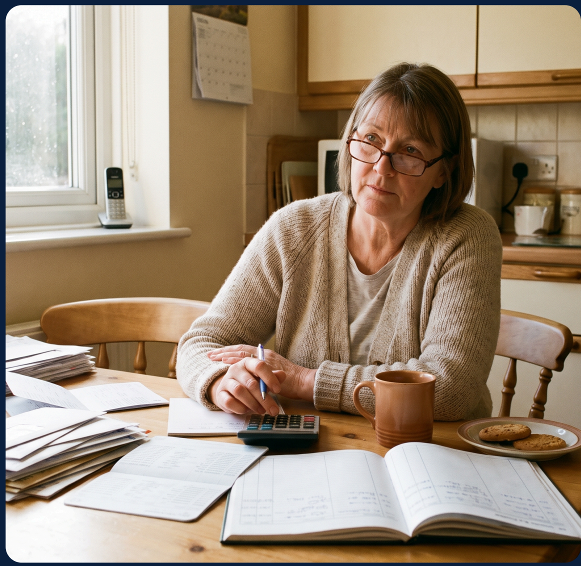
Guide to your Personal Survival Budget



All responsible lenders have a duty of care 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.

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The three possible outcomes

Ideal, positive and critical: what each result means for your application.

02

Understanding the PSB

The definitions that matter: retained income, outgoings, and whose money counts.

03

A worked example

A completed PSB showing how sole and shared expenses are input, line by line.

RESULTS

The three possible outcomes

01

Ideal outcome

SURPLUS COVERS REPAYMENT

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.

Your personal finances are unaffected by the new business and can cover the additional burden of the start-up loan.

02

Positive outcome

SURPLUS, BUT NOT ENOUGH

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.

Your personal finances are unaffected by the new business. However, the business will need to generate the profit to cover the monthly repayment. Some evidence of validation will be required (see the bizbritain Guide to Validation).

03

Critical outcome

RELIANT ON THE BUSINESS

Your retained income is less than the value of your outgoings. You will be reliant on 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.

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.

DEFINITIONS

Understanding the Personal Survival Budget

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

The PSB	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.
Retained income (if any)	Your own income that is independent of the new business and that you will continue to receive once the business starts. Perhaps you work elsewhere part-time, or receive a pension, investment or property income, or a benefit payment unaffected by your new business. You may of course have no retained income at all. Income belonging 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, while others are 100% responsible for the remainder?

Do you share all of your expenses on a 50/50 basis with a spouse or partner?

WORKED EXAMPLE

Example PSB calculation

Note how the sole and shared expenses are input, and how the applicant has considered what they will no longer receive and what they will no longer need to pay.

ITEM	NOTES	AMOUNT (£)
Employed manager's salary	Resigned job to start new business	0
Property rental income	£1,000 shared on a 50/50 basis with wife, who co-owns the rental property	500
Part-time wages	Barman at local pub, will continue with this as part of my back-up plan	350
PSB INCOME TOTAL		**850**
Mortgage	£800 shared with wife on a 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 a 50/50 basis	100
Shopping	£200 shared with wife on a 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	0
PSB OUTGOINGS TOTAL		**800**
INCOME LESS OUTGOINGS		**50 surplus**

In this example, the applicant retains enough independent income to meet their 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, so they will need to show that the business is capable of generating the profit to do this.

NEED HELP?

Talk to an advisor today.

If you are in any doubt at any stage, we will walk you through every step, from enquiry to cleared funds.

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