A repayment can look manageable on payday and still cause trouble when a bill rises, your hours are cut or the car needs attention. The useful question is not only, “Can I pay this in an ordinary month?” It is, “Can I keep paying it in a difficult month without missing essential bills or using money I have set aside for an emergency?”

That is the purpose of a **repayment test**: you check the proposed payment against a realistic difficult-month budget before you commit. It is not a guarantee that nothing will go wrong. It is a way to see whether the payment leaves enough room for your household to cope when life is less tidy than the spreadsheet.

Below is a practical way to do that, including how to protect emergency money, work out the true cost of a financial goal, and set a minimum emergency-fund balance you will not plan to spend.



Start with the money you cannot safely skip

Begin with take-home income: the amount that actually reaches your bank account after tax, National Insurance, pension deductions and any other regular deductions. If your pay changes from month to month, use a cautious figure rather than your best month. For example, look at several recent payslips and build your budget around a lower, fairly typical month.

Next, list your **essential bills**. These are costs you need to meet to keep a roof over your head, maintain basic services and get to work or school. Your list might include:

- housing costs, such as rent or a mortgage;
- council tax and essential household bills;
- food and basic toiletries;
- transport needed for work, education or caring responsibilities;
- insurance or healthcare costs you rely on;
- childcare needed so you can work; and
- minimum payments on existing borrowing and any agreed arrears plans.

Do not treat every essential as a perfectly fixed number. Energy use, food prices, travel and childcare can vary. If a nursery invoice has extras for meals, nappies or additional sessions, include the amount you actually pay, not just

the headline fee. The same goes for parking, uniforms, school trips or other costs that arrive irregularly but are predictable over a year.

Build a difficult-month budget, not a best-case budget

A **difficult-month budget** should be cautious without assuming disaster on every line. Think about what could reasonably go wrong in your household: a smaller payslip, a higher energy bill, a car repair, an extra childcare day or a delayed reimbursement. You might test one setback at a time, then check what happens if two smaller pressures land together.

Use real figures where you can. Bank statements and bills are more useful than a guess you made six months ago. For annual or quarterly costs, convert them into a monthly amount. If car insurance is £600 a year, for example, allow £50 a month. That does not make the bill disappear; it helps you avoid treating the money as spare when the renewal arrives.

Monthly budget item Ordinary month Difficult-month test Take-home income Use a typical recent figure Use a lower plausible figure if pay varies Essential bills Use current bills and realistic averages Allow for likely rises or seasonal changes Irregular essentials Monthly share of annual costs Add a reasonable repair or replacement cost Proposed repayment Full amount due each month Check it still fits after the changes above

The figures below are only an illustration, not a recommended household budget. Suppose monthly take-home income is £2,500. Housing costs are £1,000, other essential bills are £850, and regular allowances for food, travel and irregular essentials total £400. That leaves £250 before any new repayment. A proposed £180 repayment appears to fit, but it leaves only £70 of breathing room. If a difficult month adds £100 of costs or reduces income by £100, the repayment no longer fits without drawing on savings or falling behind elsewhere.

This is why “there is money left at the end of the month” is not enough on its own. Ask what that leftover money is already meant to cover.



Run the repayment test

Use this sequence before agreeing to a new monthly commitment:

1. **Work out your cautious income.** If you have variable earnings, base the test on a lower plausible month, not overtime or a bonus you cannot rely on.
2. **Subtract essential bills.** Include the real cost of housing, utilities, food, travel, childcare and existing commitments.
3. **Allow for irregular costs.** Turn annual bills into monthly amounts and include foreseeable repairs or renewals.
4. **Apply a bad-month change.** Reduce income, increase a relevant cost, or test a specific setback that could affect your household.
5. **Subtract the proposed repayment.** Check what remains after paying it, not just whether the direct debit can technically be made.
6. **Check your emergency-fund floor.** The repayment should not depend on repeatedly taking money below that floor.

If the figures only work when everything goes right, the repayment is fragile. If they work in your difficult-month budget and still leave reasonable room for unexpected costs, it may be more manageable. If the test shows a shortfall, consider a lower repayment, a later start date, a different option or getting independent guidance before you commit.

Keep goal savings separate from emergency money

Emergency savings and goal savings have different jobs. Emergency money is there for an unexpected problem: a boiler failure, urgent travel or a gap in income. Goal savings are for a known future cost, such as a deposit, a car, a course or a planned home repair. Mixing them can make a plan look healthier than it is.

Set up an **instant-access savings account** for emergency money if that suits your circumstances and account terms. Keep a **separate savings pot** for a named goal. Clear labels help: “boiler and urgent repairs” is more informative than “savings”, while “new pram by September” gives a goal pot a purpose and a deadline.

Make the emergency-fund floor explicit. This is the minimum balance you want to preserve for essential needs, rather than money available to spend on the goal. The right floor depends on your household: consider how secure your income is, whether you have dependants, what essential bills cost and how quickly you could replace income. There is no single figure that suits everyone.

For example, if your essentials are £1,800 a month and you decide your minimum emergency reserve is £1,800, that amount is the floor in your plan. It does not mean £1,800 will cover every emergency; it means you have chosen not to count that balance as available for the new purchase or repayment. Review the floor if your circumstances change.

Name and date the goal, then price the whole thing

A goal becomes easier to test when it is specific. Write down what you are saving for, when you need the money and what the full target is. “Save more” is hard to plan. “Build a £2,400 moving-cost fund by next December” gives you something you can calculate: **£2,400 in 12 months = £200 a month**.

Research the true total cost before choosing a monthly saving amount or taking on a repayment. The advertised price may leave out setup costs, delivery, interest, fees, maintenance or the items you need to use the purchase safely. With a car, that might mean insurance, tax, fuel, servicing and parking. With a home move, it might include removal costs, deposits, connection charges and basic repairs. For childcare, look beyond funded hours and check provider charges, meals, nappies, extra sessions and any late collection fees.

Add a contingency for costs that are uncertain. It should be based on what could realistically vary, not an arbitrary number presented as universal. If you are unsure about a bill, ask the provider for a breakdown or compare recent quotes. A goal that is underpriced can leave you reaching for credit or dipping into your emergency fund at the last moment.

Try the plan before you commit

If the proposed repayment or savings amount looks affordable, test it for a few months before taking on a long commitment, where that is possible. Move the amount into the goal's separate savings pot on payday, as if the payment had already started. Then check whether you can still meet bills, handle ordinary surprises and keep your emergency balance above its floor.

This trial will not reproduce every future change, but it can reveal whether the amount is too tight. If you have to move the money back most months, the plan is not working as written. That is useful information, not a personal failure: adjust the amount or date before signing up.

Also check the terms of any proposed borrowing. Look at the total amount repayable, fees, interest rate, whether the rate can change, what happens if a payment is late and whether you can repay early without a charge. Do not judge affordability by the monthly payment alone. A longer term may make each payment look smaller while increasing the total cost.

Where to get help and check your figures

MoneyHelper provides free, impartial information on budgeting, borrowing and dealing with money worries. GOV.UK is a useful place to check official information on benefits, support and government services that may affect your household budget. Money Trumpet can also be a starting point for practical personal-finance information, but compare any guidance with your own figures and check the details of financial products directly with the provider.

If you are already struggling to meet essential bills or existing repayments, do not take on new borrowing just to make the budget appear balanced. Contact your creditors early and seek free debt advice from a reputable organisation. If you are at immediate risk of moneyhelper emergency fund missing housing or utility payments, prioritise getting advice about those essentials.

A final bad-month check

Before agreeing to a repayment, ask yourself:

- Does it fit after essential bills in a lower-income or higher-cost month?
- Have I included the sneaky extras and irregular costs, not just the headline amounts?
- Will I keep my emergency-fund floor intact?
- Do I know the full cost, including fees and ongoing expenses?
- Can I manage the repayment without relying on credit, overtime or a perfect month?

If you can answer yes with figures rather than hope, you have made a more useful affordability check. If not, pause and change the plan. A repayment is only affordable when it can be paid in an ordinary month and still leave your household able to manage a difficult one.