



## Balancing act

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### **THE household money juggle can be difficult but ANTHONY KEANE finds out how to get back to basics with 20 top tips to make your finances run smoothly.**

Saving money is hard, spending is easy.

Many of us seem to spend every dollar we earn while others spend more than they earn.

Most experts recommend investing at least 10 per cent of your weekly household income. Yet this will sound impossible for people who find it tough to find just one spare dollar but there are tricks to help cut household expenses and build up a nest egg. YourMoney asked the industry experts for 20 ways to achieve this.

#### **You choose**

Having a budget is crucial, says Impact Financial Coaching principal Allan Ward.

"Before you can reduce household spending you need to know how much you are currently spending," he says.

People should run their household like a business, making sure they make a profit by earning more than they spent, he says.

"Separate expenses into discretionary and non-discretionary spending: that is, money you have to spend and money you choose to spend.

"Examples of things you have to spend include mortgage repayments, such utilities as gas and electricity, and food shopping. Things you choose to spend on include eating out, clothes and entertainment," he says.

#### **Know your spending**

While everyone chooses how they spend their money, many people have no idea where it all goes.

Savings & Loans senior manager financial planning Phil Butterfield says understanding how you spend will help you save.

"Record everything you spend or make a list of the past 12 months' bills. Find a way to understand where your spending is going."

#### **Ignore the Joneses**

Trying to keep up with the Joneses only costs money.

"And, after all, they're probably just trying to keep up with you," Mr Butterfield says. "Understand the difference between something you need and something you want."

#### **Shop smart**

Apart from mortgage or rent payments, groceries often are the biggest household expense and offer plenty of opportunities to save.

AMP financial planner Mark Borg says always go to the supermarket armed with a shopping list to avoid unplanned purchases.

"Plan weekly menus before shopping to avoid a fridge full of wilted vegetables at the end of the week. Also plan to shop only once a week or fortnight rather than several times as this will reduce impulse buying," he says.

MyBudget director Tammy May suggests finding out where local wholesalers are for meat, fruit and vegetables because they could offer big savings.

### **Bye bye, buying lunch**

"Start packing lunches for work and school, and avoid picking up that sneaky coffee on the way into work," Ms May says. Taking your own lunch just one day a week for a year could save you more than \$500.

### **Banish plastic**

Community CPS Australia chief financial officer Wayne Matters says carrying plastic cards was a temptation that many people could do well to avoid.

"Leaving credit and ATM cards under lock and key and forcing yourself to visit a branch each time you want to withdraw cash is a terrific discipline," Mr Matters says.

Anyone who does use a credit card should pay it off in full each month to avoid high interest costs.

### **Bank fees begone**

People with several bank accounts and credit cards should consolidate them, which would help to reduce fees and charges and make it easier to keep track of spending.

### **Haggle**

Ms May says people should negotiate with their electricity, gas, phone and water providers.

"Look into what the competition is offering, and if it is a better deal then use it as a key negotiating tool," she says.

"Make sure you pay these bills on time, set reminders, because there can often be late fees."

### **Conserve**

The best way to cut your electricity bill is to use less electricity.

Mr Butterfield says if you are not in a room, power could be saved by turning off the light, the television, the vacant phone charger and the computer.

Price comparison website goswitch.com.au chief executive Ben Freund says many people did not realise they had a choice of energy provider.

"Energy is the same regardless of where you buy it from, so there is no reason to pay more than you have to," Mr Freund says. "Five minutes online could translate into a saving of a couple of hundred dollars."

### **Save water**

Being green is good for the wallet as well as the environment.

"Try to save water where possible. Use the laundry water on the garden and put a plastic tub in the sink so you can tip the dishwashing water out on the pot plants," Ms May says.

### **Dial down the costs**

Vodafone spokesman Declan O'Callaghan says people should analyse their mobile telephone spending. "Use two recent bills to understand how often you use your phone, what you use it for, and how long you are using it," he says.

"This will help determine whether you need a plan or a prepay cap and how much per month you have to spend to get the best value for money."

### **School savings**

Children love bought lunches but household budgets do not. Hundreds of dollars a year can be saved by sending lunches and snacks to school.

The president of the Secondary Schools Association, Jim Davies, has another tip: "An ideal way for parents to reduce household spending is to encourage their children to maximise the use of their school student identification card by seeking out student discounts for various leisure activities".

"This helps to gain access to cheaper movie tickets, as well as other holiday events and activities," he says.

### **Cut car expenses**

Avoid filling up the petrol tank when prices are at their highest and instead try midweek when prices are usually at their lowest.

Mr Butterfield suggests walking or riding a bike for shorter journeys. "Do you need to drive to the corner shop for the paper?"

### **The internet**

The cost of internet access has decreased over recent years and if you haven't reviewed your plan recently, you're probably paying more than you should. Online shopping offers many bargains.

### **Interest-free deals**

"It does sound good and it can work but there is a catch and many MyBudget clients, unfortunately, have found themselves owing or paying lots of money by buying items this way," Ms May says.

"What is not pointed out is that if the item is not paid for in full during the interest-free period, then the interest charges, normally at a very high rate, will kick in," she says.

### **Insurance**

Protecting your family with life insurance and other personal insurances is wise but you don't have to overpay.

Lifebroker chief executive Chris Eade says some life policies seem enticing because they do not ask for medical information.

"However, they are much more expensive – up to 100 per cent in some cases," he says.

Financial Planning Association spokeswoman Kerrin Falconer says building and contents insurance also is important.

"There is plenty of competition out there, so shop around to get the best deal," she says.

### **Superannuation**

Holding life insurance and income insurance through superannuation can save money, Allan Ward says.

"Having the premiums paid by the fund reduces the strain on your cashflow but it also erodes your retirement savings. For some people, this is the most cost-effective way to ensure they have the cover they need while at a vulnerable stage of life," he says.

### **Refinance debts**

"Refinancing your higher interest rate debts into a loan with a lower overall rate makes good sense," Mr Ward says.

"Ideally, you should continue to make the same level of repayments into the new loan, knowing that the lower interest rate will help you save interest and repay the loan sooner.

"A trap is where short-term debt is refinanced into a 25-year home loan and the new repayments are spread over the full 25-year period.

"Even at a lower interest rate you'll pay a higher amount of interest over a 25-year period than at a higher rate over a three-year period."

### **That's entertainment**

Tammy May suggests entertaining at home: "Have a barbecue or dinner party and invite guests to bring a plate. And make the most of free entertainment on offer."

## Forced savings

Pay yourself first by direct depositing a portion of your income into a separate account and keep the rest in the usual account.

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