



Focus on Budgeting

Preparing a budget is the first step to getting control of your finances. Along with some handy tips for saving and details of some traps to avoid, you will be on your way to financial security.

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For many of us, it's hard enough just paying the bills, and the thought of saving money is a dream.

Others have the money, but may not be sure where it all goes each week.

Your financial planner will need to know your budget and savings capacity in order to prepare your financial plan. It is a good idea to prepare this beforehand.

How do you prepare a budget?

You can find budget planners on the internet or as part of personal finance software packages. You can also drop into your bank and ask for one or simply grab a pen and paper and draw up your own. Or better still, you'll find a budget planner on www.infocus.com.au to get you started.

You first need to list all of your income, including salary and interest on bank accounts and investments. Don't forget to include other income such as child support and Centrelink payments. The next step is to list all of your expenses. Finally, assess your findings.

Your budget will show you whether you have money left over to save, whether there are areas that you can tighten up so that you can save, or whether your outgoings exceed your earnings so much that you need to pick up a part time job, consolidate your loans or talk to your financial planner.

Work out a budget

A budget helps you to clarify what money is coming in and what money is going out and determine if you need to increase your income or cut back on your spending.

Spend less

If you spend less, you can save more. This simple principle is the key to building your wealth. Ask yourself each time you are about to visit the cash register: 'Do I need this, or do I just want this?'

As well as being selective on what you spend money on, you can also be clever. Saving a dollar here and there can make thousands of dollars difference in a year.

Start Saving

The best incentive to save is to have a goal. If you have something to work towards, then the deprivation to get there along the way doesn't seem quite so bad. Another good trick is to organise a direct debit from your account into a savings plan on a regular basis or organise with your payroll department to put an amount of money from your pay straight into a separate account, that way it will be gone before you are even tempted to spend it.

If you put your savings into a separate account, look for one with a good interest rate so that your money can benefit from compound interest (interest on your interest). Try to find an account where the interest is calculated daily rather than monthly or yearly to maximise the amount you earn on your money.

Scary Savings Facts:

If you gave up:	Approximate Cost:	Yearly Saving:
A cup of coffee on your way to work	\$4.50 x 5 days x 52 weeks	\$1,170/year
Smoking	A pack a day @ \$20/pack	\$7,300/year
Buying your lunch at work (start making your own)	\$12.00 x 5 days x 52 weeks	\$3,120/year
Giving up just these three things will save you:		\$11,590/year

Tips for spending less

- Change to energy efficient globes and you can not only save loads per globe each year, but can also reduce the impact on the environment.
- Eat fruit and vegetables that are in season. When they're not in season they will cost you more.
- Use generic brands for grocery staples like sugar and flour, there's no difference - other than the price.
- Put on a jumper rather than turning up the heater full blast; heaters, especially fan heaters, eat up electricity.
- Don't just renew your insurance. Shop around each year to confirm you're still getting the best premium for your level of cover.
- Dry your clothes outside rather than using a dryer.
- Find out what your bank fees are. If you make multiple ATM withdrawals or use other institution's machines, then you can be up for hefty monthly fees. Limit your withdrawals or switch accounts to a flat monthly fee.

Tips for card control

Credit cards can be convenient, but they can also be a major temptation to spend what you don't have.

- Pay off your cards each month to avoid interest. If you can't, start to pay off more than just the minimum payment to reduce the overall amount you pay.
- Remember: interest free doesn't apply to cash advances.
- Don't buy things on credit that you cannot afford to pay in cash now.
- Get a debit card rather than a credit card, you can only spend what you have.
- Shop around for a card with low fees and a low interest rate.
- Pay for everyday items with cash eg. groceries, petrol.
- Consolidate your cards into one low interest card.

Be Realistic

The important thing when you are saving is not to be overly ambitious. Be realistic. Starting a savings plan will mean you need to be stricter on your spending habits, but not restrictive. You still have to enjoy life.

You could live on baked beans and buy clothes in op-shops, but you are probably not going to feel good about it. Like a sensible eating plan (rather than the grapefruit diet) you need to take a sensible, realistic approach to saving; this way you will be able to maintain the good habits over the long term, for example:

- Rather than give up going to the movies, go on half price nights or use movie money.
- If you enjoy getting your hair done regularly, don't opt for the bowl-cut at home or a cut-price packet mix! Go to a hairdressing college or a salon in the suburbs (generally cheaper than inner city salons).

Put your savings to work - get advice

Your financial planner can help you structure your accounts and investments to make saving money easier, to make your savings grow faster and to ensure that your investments suit your own individual needs. By investing your savings cleverly, you can ensure that while you continue to save, the money you already have is also growing for you. Your financial planner can not only help you work out what your financial goals are, but recommend the right investments to make your money grow.

Depending on your goals and your risk profile, your investments may include cash and fixed interest for short term goals or growth assets like shares and property for long term goals. Your financial planner can even recommend investments that will reduce your tax, meaning you have more money to save!

You have worked hard to save your money, now make your money work hard for you!

To find out more about budgeting or how to invest your savings, contact MyLife Financial Planning today on 03 9017 4114.

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