

[BUDGET]

MONEY MATTERS: Managing your family's finances may not be at the top of your 'things I love' list, but turn the page and with the help of our advice, you might just find a way to have that holiday you've been dreaming of.



For more smart ideas to improve your family's lifestyle, visit homelife.com.au/craft-diy/diy.

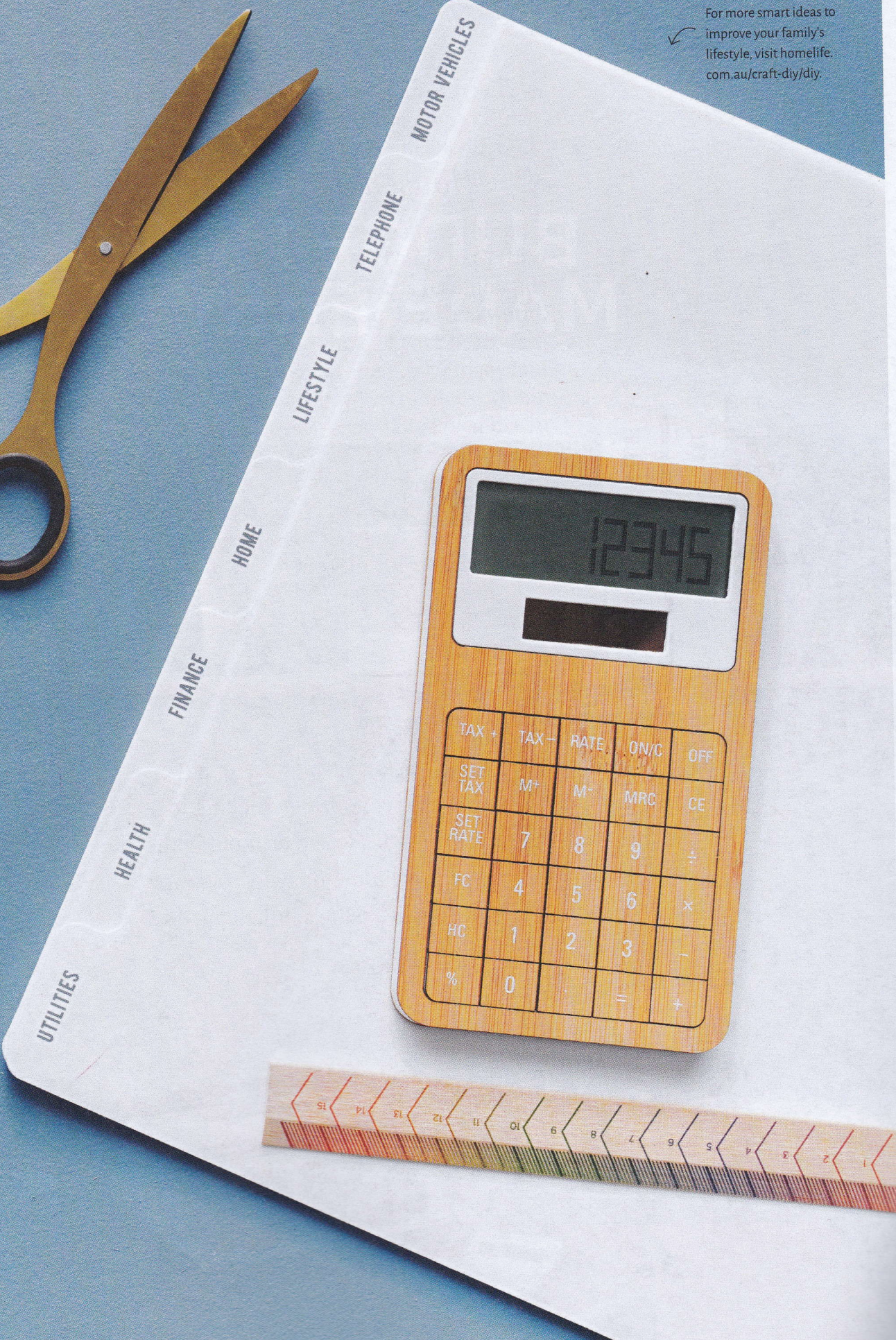
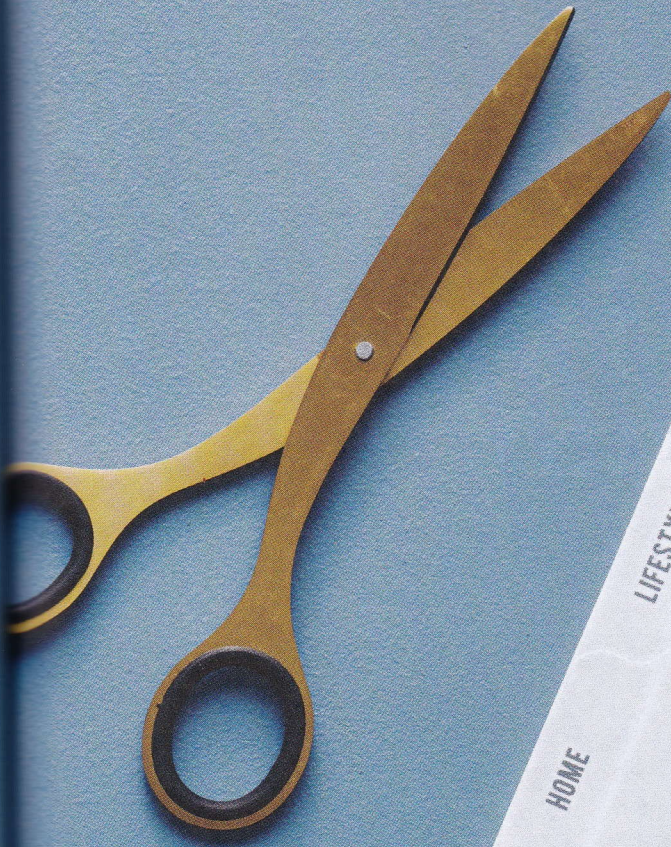


PHOTO: DAVID BRET / EVERETT COLLECTION; AND MORE FOR FOLKBY FOLK, SEE PAGE 141

BUDGET

Money matters

Household

BUDGETS MADE EASY



Calculating everyday costs doesn't have to be a migraine-inducing exercise, nor does sticking to a budget mean no nice things. It's worth crunching the numbers so you can have a little money left over for treats like the family holiday or life's little luxuries.

Words DEBBIE ELKIND



The key to improving your financial future is creating a cash surplus that you can save and invest — be it in managed funds, paying off your mortgage faster, making extra super contributions or saving for your children’s higher education. When there’s nothing left at the end of each month, it’s all but impossible to get ahead.

Creating a budget, and sticking to it, is the means to this end. Author of *\$0 to Rich: The Everyday Woman’s Guide to Getting Wealthy* (Wrightbooks, \$27.95) Tracey Edwards recommends “really simple budgets that are set on autopilot”. In her ideal world, your budget would look like this: One-third of your (after-tax) income for expenses, one-third for personal spending money and one third for savings. However, Tracey acknowledges that with the cost of living being what it is these days — especially if you live in an expensive city — this can be near unachievable. She suggests you start by saving 10 per cent and aim to gradually increase this amount. “As soon as you get your pay (or even before you lay your hands on it, if you can set up automatic debits), take out some money and put it in a savings or investment account.”

STEP 2:
Decide where
your money
should go

In giving yourself a money makeover, focus only on those areas you can actually change, such as spending less on groceries and entertainment, and set new targets that will increase your cash surplus. Be sure to factor in occasional but unavoidable expenses. Also, decide what your non-negotiable expenses are; these are the things that you don’t strictly need but you consider essential nonetheless, like a yoga pass or your Netflix account.

Try to differentiate between desires versus needs and figure out what’s most important to you. Is having a weekly cleaner critical to your sanity and domestic harmony, or can you establish a better chore roster? Sure, we all like having new clothes and the latest gadgets, but maybe saving for a family holiday or owning your own home outright faster is important enough to you that you’re willing to cut back? Keep tinkering with your budget over time as you discover what is, and isn’t, important to you and find new ways to save.

THREE SIMPLE STEPS TO BUDGET SUCCESS

Here’s how to create a budget and then stay on track with it.

STEP 1:
Find out where
your money
is going

OK, this is the boring part but it’s essential. In order to create a realistic budget and pinpoint where you can save, you need to know on where your money goes each month. Create a record of all of your incomings and outgoings for the year. If a year is too hard, use a representative three-month period. Either way, you should then be able to get a reasonable idea of your average monthly income and expenditure.

Tally up all household income, including salary, bonuses, rental

income, regular overtime or cash jobs. Then, print out bank statements and record everything you’ve spent by category. Note also if expenses are fixed (rent or health insurance); variable (petrol, groceries); occasional (doctor’s appointments), or curve balls (major dental work).

If this exercise shows you that you don’t actually have enough money coming in to cover all of your expenses then your debt is almost certainly growing. You need to identify where you can cut back. On the other hand, should you discover that you already have a cash surplus (joy oh joy!), you can decide where best to direct this money and perhaps even bump up your savings.

BUDGET

Money matters

STEP 3: Keep track of your spending

In order to stick to and finesse your budget you'll need to record your spending and do weekly or monthly check-ins. You could use a pen and notebook and then enter everything into a spreadsheet once a week.

Or, take advantage of the many financial software packages and apps now available – many free, some subscription, some one-off purchases. Some great free personal finance apps to start with, which are available on iOS and Android and have budget-tracking capabilities, include Pocketbook (getpocketbook.com), Wally (wally.me), MoneyBrilliant (moneybrilliant.com.au) and ASIC's TrackMySPEND (from moneysmart.gov.au).

EASY WAYS TO SAVE

Identify your biggest area of overspending. Most of us know it intuitively, whether it's one too many pairs of shoes, the food budget, or giving in to the kids' whims for the latest technology. Find your weak spot and think of ways you can reduce that spend, whether by cooking at home more often, buying in bulk or setting a maximum annual budget for gadgets.

MAKE SMART SWAPS

Yes, cutting out that daily latte can save you as much as \$1500 a year, and that's great if you're going to be just as happy with a cup of instant or plunger coffee brewed in the office. But for some it can feel like an essential daily luxury that is worth the cash. Make swaps that aren't so painful they're unsustainable or you'll wind up with frugality fatigue and end up binge spending or abandoning your efforts altogether. Keep your goals realistic and try to make your saving strategies automatic and easy.

REWARD YOURSELF

Use small treats as incentives to keep going. Nothing so expensive that it's going to undo all your hard work but something that will give you a tangible positive reward for sticking to your budget. Maybe it's, "If I stick to this month's budget then I'll get my nails done," or "When we stick to our weekly grocery budget we can get takeaway on Friday night."

FOCUS ON THE BIG PICTURE

If you're sticking to a budget for long-term goals, keep your eyes on the prize, literally! If your big goal is a family holiday, find an image of a tropical beach or ski field and stick it on the fridge. Maybe it's a new car or upgrading to a bigger property. Whatever it is, visualising it will help you stay motivated.

In giving yourself a money makeover, focus only on those areas that you can actually change, such as spending less on groceries and entertainment.

BEWARE THE FRITTER FACTOR

Hannah McQueen, author of *Kill Your Mortgage and Sort Your Retirement* (Allen & Unwin, \$26.99), says that most people fritter away 10 to 20 per cent of their income. To combat this, Hannah says, we need to understand the law of diminishing returns. Spending on certain things makes us happy up to a point but after that we reach a "happiness saturation point" where more isn't really more. Put simply, that first coffee of the day might truly satisfy you, and therefore may be a non-negotiable luxury, but it's quite likely that you could do without the second or third.

SLASH YOUR FOOD BUDGET

The weekly shop, eating out and takeaway are major budget busters for many families. Jody Allen, budgeting whiz and author of *The \$50 Weekly Shop* (Penguin, \$24.99; visit stayathomemum.com.au), has loads of great tips for reducing your food spend, including:

Plan meals once a week It's the best way to avoid overspending at the supermarket.

Avoid overpriced packaged foods and ready-made meals They're generally less healthy, anyway. Examples include stir-fry and pasta sauces in jars or packets, sugary breakfast cereals, pre-made chips and nuggets, and frozen sausage rolls, pizza or lasagna.

Buy generic brands Particularly for staples such as olive oil, flour, milk, tinned tomatoes and pulses or frozen vegetables.

Stretch your meals Bulk dishes out with cheap, healthy ingredients, such as grated vegetables

or legumes. Add a can of drained lentils to mince dishes or mix red lentils, grated vegetables or pearl barley through soups and casseroles.

QUICK SMART

We know you're flat out between work, kids, family commitments and trying to occasionally exercise and have a social life. It can be tough to sit down in your limited spare time and wrestle with spreadsheets or scour over bank statements. But there are things you can do in less than 10 minutes that can help improve your finances and your ability to stick to a budget.

Find your budget busters Make a list of those major expenses that you could live without. These may include cable television, gym memberships, new car payments, the weekly cleaner or buying lunch at work every day. Commit to sacrificing one thing this year and saving that money instead.

Employ an expert If you truly don't have time to plan a budget, it's a worthwhile investment paying someone else to do it for you. Jump online and find a good financial planner in your area.

Unsubscribe from temptation These days our inboxes can be full of temptations that urge us to spend. Take 10 minutes to go through yours and remove yourself from those newsletters that have you clicking through to PayPal before you've registered that, yes, that's still real money you're spending.

Make a spare change jar An oldie but a goodie and you'll be surprised how quickly it adds up. Chuck your change in each day and when it's accumulated, take it to the bank and deposit it into the family holiday fund!



Set aside an afternoon, grab a calculator and gather together all of your financial info to do some number crunching. Note the costs down in this handy tracker so you can keep on top of your finances.

MONTHLY BUDGET TRACKER

<input type="radio"/>	TOTAL
<input type="radio"/>	INCOME
	WORK (AFTER TAX):
	OTHER:
<input type="radio"/>	FIXED EXPENSES (E.G. RENT, INSURANCE)
<input type="radio"/>	VARIABLE EXPENSES (E.G. GROCERIES, PETROL, ENTERTAINMENT)
<input type="radio"/>	OCCASIONAL EXPENSES (E.G. PET COSTS, GIFTS, MEDICAL BILLS)
	TOTAL INCOME:
	TOTAL EXPENSES:
	CASH SURPLUS:
	PROJECTED ANNUAL SURPLUS: