Budgeting & debt reduction

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1 What is a budget?

2 The benefits of having a budget

3 Reducing credit card debt

4 Credit scores and credit reports

Are you feeling financially stressed?

"**31%** of Australians reported being under financial stress, meaning they had difficulty paying for essential goods and services

This was higher than the **26%** who say they are "just making ends meet"

The level of financial stress has climbed from **28%** in April last year

Australian Financial Review, March 2021

Take control of your money

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No matter how much you earn, taking control of your money will limit potential financial stress and help you feel more secure about the financial decisions you make every day.

Follow these simple budgeting tips to reach your savings goals sooner – and find more money for the things that really matter.

01 Set some goals

02 What's coming in?

03 Track your spending

04 Find some quick wins to cut your costs

05 Invest your 'disappearing' dollars

06 Turbo charge your savings

07 Review monthly

Budgeting Tips

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01
Set some goals

Sticking to a budget may mean changing some habits, so it's important to know why you're doing it. Whether you're saving for a holiday, or you want to have a comfortable emergency fund or more money to top up your super, set a measurable (and realistic) amount first so you know what you're aiming for.

02
What's coming in?

Make a note of all your sources of income as a total monthly amount. As well as your salary, that includes any Centrelink payments, interest on your savings or investments, and any regular income from investment properties. It doesn't include bonuses or commissions you may or may not get.

Budgeting Tips *continued*

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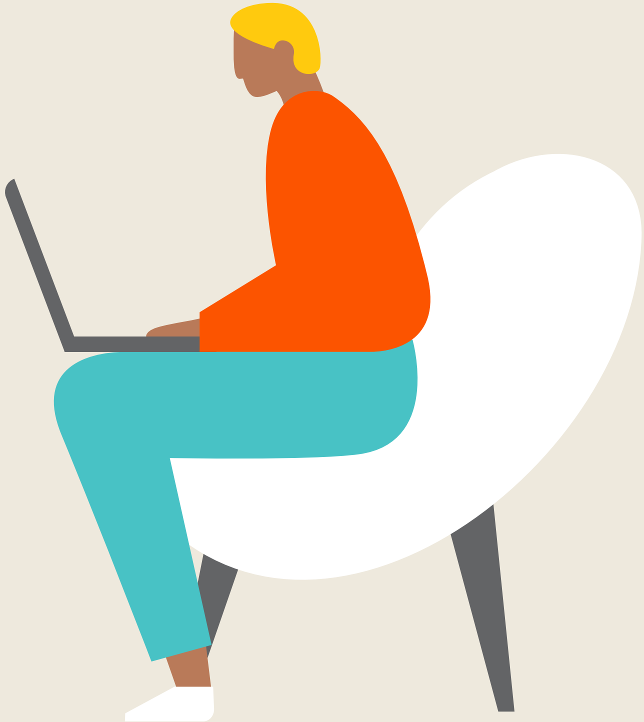
03
Track your spending

- Now it's time to work out where it all goes. Gather all your bank and credit card statements, utility bills and insurance policies, and make a list. Fixed monthly expenses include your mortgage or rent, car loan, utilities and phone bills, and insurance. Variable expenses may include things like groceries, petrol, eating out and entertainment.
- Budget tools can help you tally it all up. And if there seems to be a gap you can't account for, try using an app to track all those incidental or cash purchases on the go – or make notes in a small diary you can carry with you.
- There are many budgeting tools available online or as Apps.



Budgeting Tips *continued*

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04

Find some quick wins to cut your costs

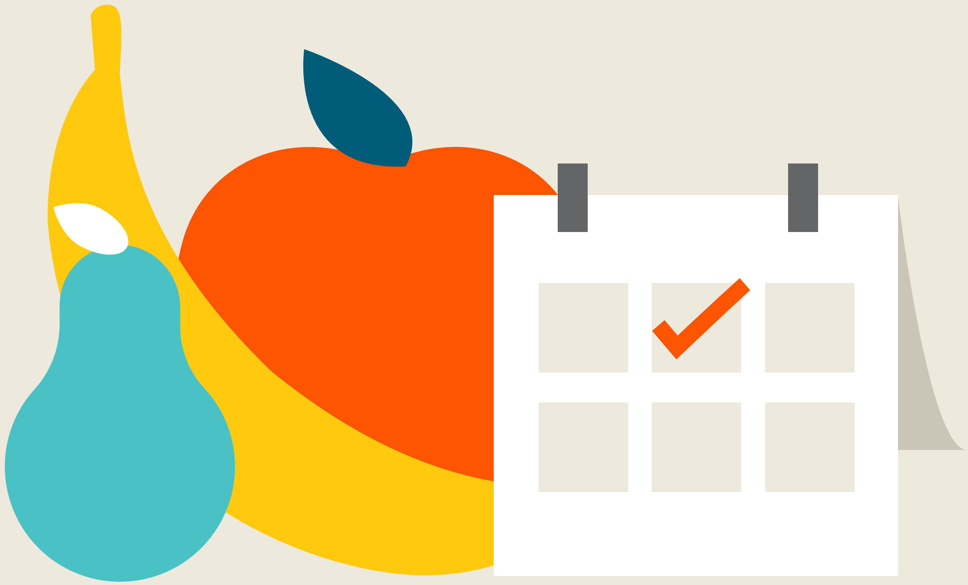
- Once you see where your money is really going, you'll be able to identify some simple ways to add more to your bank balance. Remember, every dollar can make a difference towards your goals.
- This includes those fixed expenses. For example:
  - Is it time to revisit your health insurance extras policy?
  - Could you save by comparing gas and electricity providers? They will often provide greater discounts for on time payments.
- Take a look at your insurance policies, especially those that automatically renew – could you get a multi-policy discount? ASIC's MoneySmart website suggests getting three quotes, but make sure you're comparing like for like.
- Could you save on interest by prioritising paying off your most expensive credit card or consolidating debt? Are you paying for overseas transaction costs on online purchases?

Budgeting Tips *continued*

04

Find some quick wins to cut your costs

- There are also ways to trim your variable expenses. Pre-planning meals, choosing seasonal fruit and vegetables and comparing prices can make a difference at the supermarket checkout. Then there's those regular barista coffees and store-bought lunches…



Budgeting Tips *continued*

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05

Invest your 'disappearing' dollars

Once you've found (or created) a positive gap between your income and expenses – the money that unaccountably 'disappears' every month – you can use this cash as the basis for your investment strategy. Depending on your goal (step 1) there are few things you can do with your surplus income:

- Pay off any lifestyle debt first – credit cards or personal loans – as the interest you pay on these are typically high and not tax deductible. And it compounds as well!
- Set up a regular savings account – build up your "emergency funds"
- Establish an investment account with regular contributions
- Extra contributions into super
- Make voluntary contributions into super to take advantage of First Home Super Savers Scheme

Speak to a qualified financial adviser who can assist you with finding the most suitable strategy to make the most of your surplus money.

Budgeting Tips *continued*

06

Turbo charge your savings

Once you set your strategy for the surplus income, you need to make sure you stick to it in the long term.

- Understand the power of compound interest – it adds the profit earned back to the principal amount and then reinvests the entire sum to accelerate the profit earing process.

Budgeting Tips *continued*

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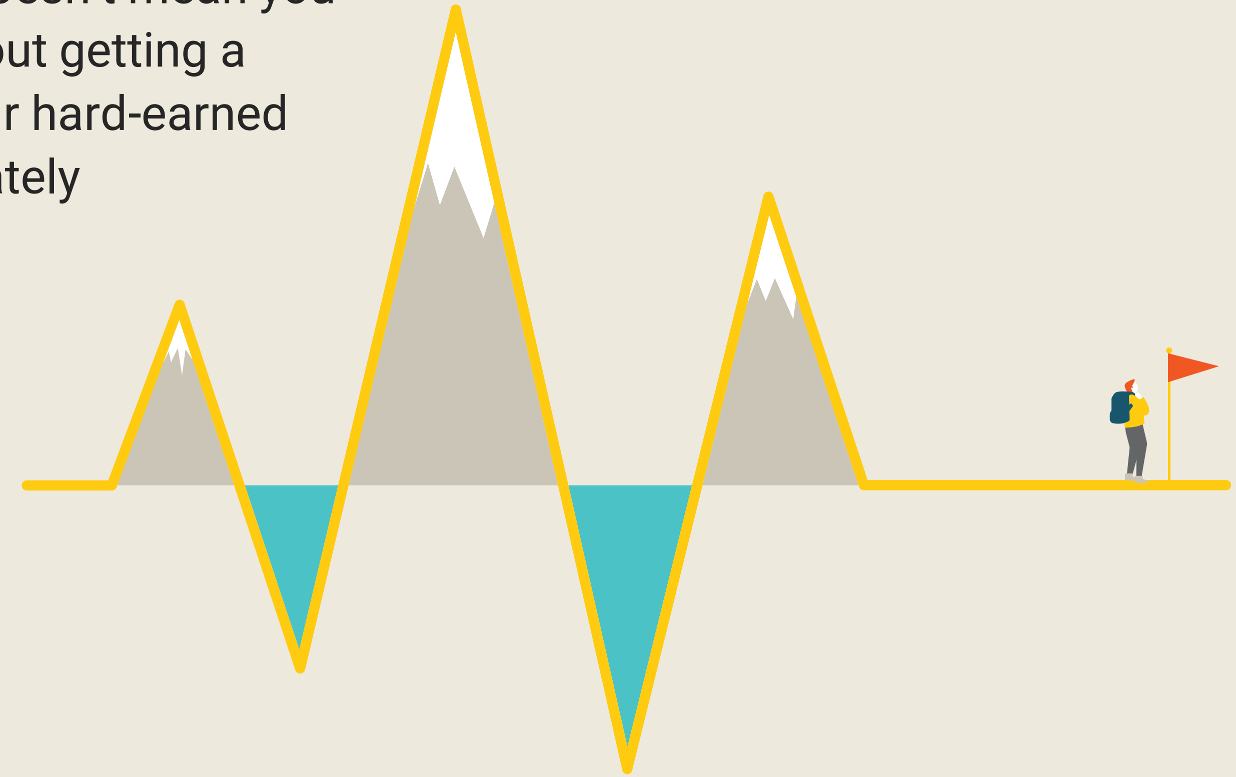
07
Review monthly

- Once you've established your budget, it's a good idea to review it monthly to stay on track.
- Remember, sticking to a budget doesn't mean you never eat dinner out again. It's about getting a better understanding of where your hard-earned dollars are being spent, and ultimately redirecting them to spend on the things you really want.



Tips for paying off your credit card debt

Get started and get your expense back in control

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Saving money is as simple as spending less than you earn

Put your income and expenses into a budgeting planner and sort the must-haves from the nice-to-haves

Budget tools that allow you to track and categorise your spending

… are available via various websites and Apps

Your Bank may have a budgeting App available

The Government offers a budget planner

https://moneysmart.gov.au/budgeting/budget-planner

Simple ways to keep on top of your credit card

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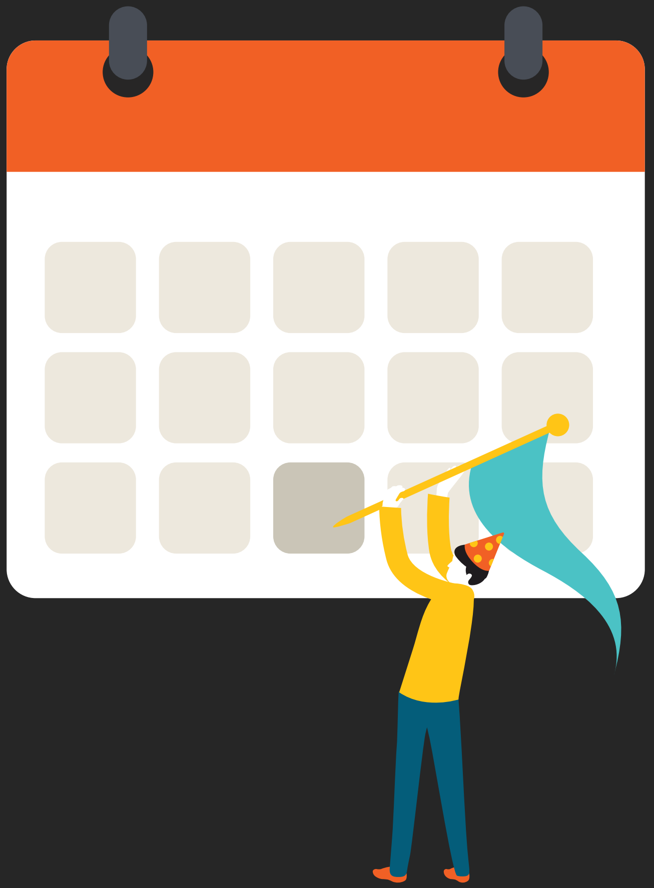
Owing money on your credit card can sometimes be stressful.

Here's how to pay it off faster, save money and reduce your money worries.

1. Pay on time
2. Pay as much as you can each month
3. Cut back on your credit cards
4. Reduce your credit limit
5. Get a better deal
6. Keep track of your spending
7. Build a savings buffer

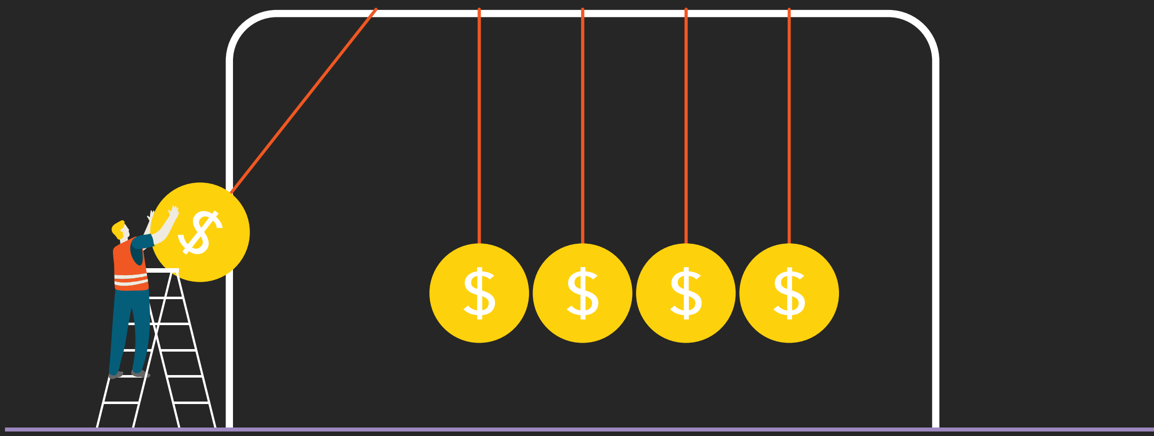
1. Pay on time

- Check your credit card statement for the due date and make sure you pay on or before that date. By doing this, you'll avoid paying extra interest or late fees and also help keep your credit score healthy.
- An easy way to pay is by direct debit or automatic transfer from your bank account each month. Set it for the day after your pay goes in, so you have enough money to cover it.
- You can also set up a reminder to pay in your calendar.



2. Pay as much as you can each month

- If you can make higher repayments each month, you will pay off the debt faster and save money.
- If you only pay the minimum, you'll pay a lot of interest and it will take years to pay off your debt in full.
- If you're finding it hard to pay the minimum amount, contact your bank or credit provider straight away. Taking action early stops a small money problem from getting bigger.
- https://moneysmart.gov.au/credit-cards/credit-card-calculator



3. Cut back on your credit cards

- If you have multiple credit cards, plan to reduce the number you have.
- Try setting yourself a goal to pay off one card at a time. Start with either of these:

  Smallest debt: Paying off the card with the smallest debt first helps motivate you to keep going. Once you've paid that off, move onto the next smallest debt.

  Highest interest rate: If one of your cards has a much higher interest rate, consider paying off that one first. Then pay off your other cards one by one.

- Whichever option you choose:
  - Keep making the minimum payments on all your cards.
  - Use only one of your cards, and try to keep it just for emergencies.
  - Cancel each credit card once you've paid it off.

4. Reduce your credit limit

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- To avoid the temptation to overspend on your card, ask your credit provider to reduce your credit limit. You can do this online, by phone or by visiting a branch. In most cases, it takes between one and two business days.
- If you need to increase your limit to buy something special, aim to pay it off quickly. Then reduce your limit again to a manageable amount.

5. Get a better deal

- See choosing a credit card for tips about how to get the best credit card deal for your situation.
- Consider the pros and cons before getting a credit card balance transfer with a lower (or zero) interest rate.

6. Keep track of your spending

Take charge of what you owe by keeping track of money coming in and going out.

- If you have set up a budget and know what you're spending, it's easier to keep up with bills and credit card payments.
- Try to cut back on non-essential spending.
- Avoid impulse buying by spend within budget

7. Build a savings buffer

- Use any surplus you have each week to build an emergency fund. This will provide a financial safety net to cover any unexpected expenses or future changes to your income.

How to avoid impulse buying?

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Impulse buying is anytime you purchase something you weren’t planning to.

Reasons for impulse buying:

- Something’s on sale
- We’re feeling emotional
- It’s how we were raised
- Must have! Get it today!

Impulse buying a usually associated with emotions and what’s in your head.

Tips to avoid impulse buying

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- Make a **budget** and stick to it.
- Give yourself permission to spend a set amount that's reasonable and affordable for **"fun spending"**.
- **Wait** a day (or longer!) before you make a purchase.
- Shop with a **plan** in mind.
- Beware of joining too many **email lists**.
- Don't shop when you are **emotional**.
- Take only the amount of **cash** you'll need or use debit card instead of credit card.
- Do a **no-spend** challenge.
- Keep your **goals** in mind.

Credit scores and credit reports

Credit scores and credit reports

- Lenders use your credit score (or credit rating) to decide whether to give you credit or lend you money. Knowing this can help you negotiate better deals, or understand why a lender rejected you.
- If you've ever applied for credit or a loan, there will be a credit report about you.
- Your credit score is calculated based on what's in your credit report. For example:
  - The amount of money you’ve borrowed.
  - The number of credit applications you’ve made.
  - Whether you pay on time.
- Your credit report also includes a credit rating. This is the 'band' your credit score sits in (for example, low, fair, good, very good, excellent).
- Some credit reporting agencies may provide your credit score for free — check with them directly.
- If you have a poor credit score or an error in your credit report, it may affect loans or credit you apply for. You have a right to get errors fixed for free, and you can arrange this yourself.

How to improve your credit score

If your credit score is low, there are steps you can take to help improve it. You can:

- Lower your credit card limit.
- Limit how many applications you make for credit.
- Pay your rent or mortgage on time.
- Pay your utility bills on time.
- Pay your credit card on time each month — either pay in full or pay more than the minimum repayment.

As you do these things, your credit score will start to improve. So you'll be more likely to be approved next time you apply for a loan or credit.

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