



Cash Flow and Budgeting

This document contains factual and general information only to assist you in understanding financial planning concepts. It is designed to be used in conjunction with a Statement of Advice.

To ensure you achieve your financial goals, it is important that you understand your own financial situation.

By taking charge of your money and making sure that you're spending less than you're earning, you will ease money stress and feel more secure and in control.

Cash flow

Managing your cash flow wisely – what comes in and goes out – can have an enormous impact on your financial goals. With personal debt levels on the rise, it is important not to lose sight of cash flow basics: spend less than you earn and you will create a surplus; spend more than you earn and you will increase your debt, and may be charged extra interest.

3 steps to help manage cash flow:

1. Establish a budget and stick to it
2. Aim to have some surplus funds each month
3. Use the surplus to pay down debt, invest or put aside as savings. By doing this, you can:
 - Harness the quiet achievers of net wealth; surplus income, compound interest and time.
 - Manage the silent assassins of net wealth; lifestyle expenses, debt and taxes.

Establish a budget

The best tool for finding extra money is by using a budget. Firstly, you need to set a budget. This means looking at the things you need versus the things you simply like to have, or want.

When you need to trim the budget, cut back on the 'wants' first – things that aren't essential for everyday life.

Don't cut out all your wants entirely, because if your budget is too tight, it's not going to work. You may want to set a budget for a few months and record what you spend against this. You will then know if your budget is realistic or needs to be altered.

Your budget needs to account for a few unexpected expenses, otherwise it won't work. One way to deal with this is to build in a buffer of, for example 5-10% above your expected expenses.

There are some calculators on the [ASIC Money Smart](http://www.moneySMART.gov.au) website that you can download and use for free. www.moneySMART.gov.au

Keep watch on fees and charges

Every dollar paid in fees, especially 'ongoing fees' reduces your income or earnings from investments, so it pays to keep a close eye on fees and charges. For example, selecting the right deposit and payment accounts or changing the way you deposit, withdraw or transfer money may save you money by reducing fees. Additionally, if you use a bank ATM not connected with your bank you can be charged an ATM fee. Many banks now offer a wide variety of accounts where no fee is charged.

Did you know?



A modest daily 'two coffee a day' habit could cost nearly \$3,000 per year ($\$4 \times 2 \text{ coffees} \times 365 \text{ days} = \$2,920$) - being mindful of spending really adds up.



The amount of interest over the life of a 20-year mortgage on an average home loan in Australia exceeds the total amount most will have accumulated in superannuation when they retire. Using surplus income to reduce debt can make a big difference to the amount of interest you pay.

The average home loan in Australia is \$357,200; at an interest rate of 5% over 20 years, the total interest payments will be \$208,567. The average superannuation balance at retirement is \$292,500 for men and \$138,500 for women.¹

The good news is: managing cash flow wisely is one of the simplest techniques to achieve net wealth, and anyone can do it. If you need help, talk to your adviser about how they can assist you.

¹ ASFA, Australian Bureau of Statistics, Feb 2016 and ASIC Moneysmart mortgage calculator.

Important Information

Current as at March 2019. This information is of a general nature only. It does not take into account your particular financial needs, circumstances and objectives. You should obtain professional financial advice if you have not already done so before acting on this information. You should read the Product Disclosure Statement (PDS) before making a decision to buy or sell a financial product.

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