

# Managing your money

→ start here



# About Moneysmart

The Australian Securities and Investments Commission's Moneysmart program helps you take control of your financial life. To support the money decisions you make every day, Moneysmart provides free calculators, tips and guidance for all Australians.

Visit Moneysmart to:

Manage your money



Make informed decisions



Reduce your debt



Plan for your future



Grow your wealth



Teach students about money



 **start here**



# Take charge of your money

Want to know the secret to being better with money.

In just a few simple steps, you can take control of your money, instead of feeling like it controls you.

Whether you have a little money or a lot, this booklet will help you:

- get off the treadmill of living pay-to-pay
- ease money stress and stay on top of your bills and commitments
- direct your money to where it matters most
- set goals so you can enjoy more of the good things in life.

## Steps to taking control of your money

### Step 1

#### Track

your day-to-day spending

See page 02

### Step 2

#### Compare

money in and money out

See page 06

### Step 3

#### Prioritise

where you want your money to go

See page 12

### Step 4

#### Act

to make your money work for you

See page 21

## Step 1

# Track your day-to-day spending

## Where is my money going day-to-day?

You may think spending up on big things is what gets you into trouble with money.

But often it is the everyday little things that end up costing more over time.

Where does your cash go each day?  
It's easy to lose track of \$5 here,  
\$10 there.

## Do a spending diary

The way to find out where your money is going is to do a spending diary. Make a note of everything you spend for one pay period or at least a week. This will only take a few minutes a day.

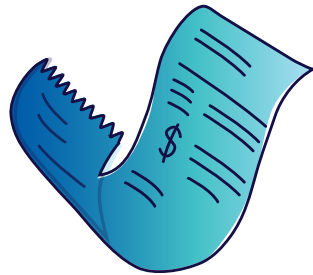
You can do this just for yourself,  
or together with a friend or partner.

## Get to know your habits

Tracking your spending is a reality check.


It's not about judging yourself, it's about getting to know yourself better.

By looking closely at your daily money habits, you will be able to make realistic choices about where you want your money to go.



# Track your spending

## Understand your daily spending habits

 5 minutes a day

<b>Choose how long to track</b>	Decide how long to track your spending: <ul style="list-style-type: none"><li>• one week (minimum)</li><li>• two weeks (if you get paid fortnightly)</li><li>• four weeks (if you get paid monthly).</li></ul> The important thing is to do it every day.
<b>Get a notepad or app</b>	Download an app or get a small notepad to use as your spending diary. Take it with you wherever you go.
<b>Record what you spend</b>	Record everything you spend. Do this straight away. Keep receipts if you buy a few things at once. Don't try to alter your spending habits. Just notice where your money goes.
<b>Add it up</b>	At the end of the tracking period, add up everything you have spent. Now you have a good snapshot of your current day-to-day spending.

## Sample spending diary

Day	Amount	What I bought
Mon 23rd	\$50	Weekly train ticket
Mon	\$4	Coffee
Tues 24th	\$5	Magazine
Tues	\$4	Coffee
Tues	\$59	Shirt



### Smart tip:

#### Simple ways to save money

There are many ways to make your money go a bit further.

Here are a few:

- Join your local library – borrow books, audio books, magazines, CDs and DVDs for free.
- Look for pre-loved bargains – check op shops, free online swap meets and local markets for bargains.

- Be creative – involve friends or family in coming up with ideas for fun, low-cost entertainment such as picnics and outings, free exhibitions, half-price movies and shows.
- Make small changes - stop buying takeaway coffee, make your lunch at home and bring it to work, cancel your gym membership if you don't use it and start walking.

For more simple savings tips, go to [moneysmart.gov.au](http://moneysmart.gov.au).

## Case study:

### Maria saves for a holiday

'I am planning to go for a beach holiday next year.

After doing a spending diary, I made a few small changes to reduce my daily spending. I am now saving an extra \$100 a month towards my trip.

Sun and sand, here I come!'



## Step 2

# Compare money in and money out

## Where is my money going month-to-month?

Now you know where your cash is going day-to-day, the next step is to look at where your money is going month-to-month.

### How much money is coming in? How much is going out?

Think about where your money goes each month:

- weekly basics like food, groceries, transport
- regular bills like rent or mortgage, electricity, phone, insurance
- less frequent spending like clothing, holidays, car registration, medical expenses.

## Do a budget

The best way to take control of your household finances is to do a budget.

This is a simple tool that helps you understand the money going in and out of your household.

It shows you if you are spending more or less than you can afford.

You can then take action to find the right balance between spending and saving.







### Smart tip:

#### Use our free online budget planner

Want your computer or device to do the hard work for you?

Go to [moneysmart.gov.au](https://moneysmart.gov.au) to get our free budget planner.

It is easy to use and you can print your results. You can use either the online version or the downloadable Excel spreadsheet.

No calculations to do — the budget planner does it all for you.

You can also use our simple money manager — a quick and easy budgeting tool translated into community languages.



## Do your budget

- ✓ Understand the money going in and out of your household each month

🕒 30 minutes

### You will need:

- the budget planner from [moneysmart.gov.au](https://moneysmart.gov.au), OR
- the tear out planner at the back of this booklet.

## Put your details into the budget planner

Gather details of your income	<b>How much money is coming in?</b> Check pay slips, bank statements and investment statements.  If your income is variable, make an estimate based on your past year's earnings.
Gather details of your expenses	<b>How much money is going out?</b> Look at bills, bank statements, credit card statements, your spending diary (page 03), receipts and shopping docketts.  Use your best guess if there is anything you can't find, or if bill amounts vary across the year.
Put your income and expenses into the budget planner	<b>What is my current situation?</b> Put your income and expenses into the budget planner.



### Case study:

#### Neal stays on top of a variable income

'I run my own business as a landscaper.

So my income and expenses go up and down through the year.

At first, I found this hard to manage. But doing a budget helped a lot.

To work out my monthly cash flow, I looked at the total of what I earned across the year. Then divided by 12 to get an average.

When I earn more than usual I put the extra into savings, to get me through the leaner months.'

## Compare your income and expenses

Once you have done your budget, it is time to compare your income and expenses.

Is your income higher or lower than your expenses? That is, are you living within your means or spending more than you can afford?

### I am spending less than my income

That's great, now you know how much money you have to put towards your goals and lifestyle choices. Your next step is to fine-tune the balance between your spending and saving. See Step 3 (page 12) for guidance.

### I am spending more than my income

This is not the end of the world, but you do need to take action to fix this.

Keep spending more than you can afford each month and you risk sliding into debt – easy to get into, harder to get out of.

Your next step is to reduce your expenses to an affordable level. See Step 3 (page 12) for guidance on this.

When you've got that sorted, you'll be able to move on to planning for your future goals.



#### Smart tip:

##### Get free help with sorting out debts

If your debts are getting out of control or you are struggling to make ends meet, there is help available.

A financial counsellor can help you get a clear picture of your situation, understand your options and work out a budget.

To find a free financial counselling service near you, go to [moneysmart.gov.au](https://moneysmart.gov.au). Or call the National Debt Helpline on **1800 007 007**.

## Case study:

### Suzette and friends talk about money

‘Being on my own, it can be tough having to make every decision about money by myself.

Recently, I’ve been finding it really hard going.

So I decided to talk to a few of my friends. What a relief!

It turns out that all of us have had money issues at some time.

Now we can support each other.’



## Step 3

# Prioritise where you want your money to go

## How do I make my money go where it matters most?

The next step is to refine your budget and direct your money to where it matters most. This will help you find the right balance between spending and saving.

## How does a budget work in practice?

It might sound simple, but using buckets is a good way to sort out your money priorities.

Imagine you have a big bucket filled with water. This represents all your money coming in – the total income you entered into the budget planner.

Then you have three smaller empty buckets to help you work out where you want your money to go.

Of course you can't pour out more water than you have. So, with the amount available, you decide how much to put into each bucket.

## How to use the budget buckets

First, put in enough money from your income bucket to take care of your needs. These are the basic necessities, the expenses you have to pay in order to live.

Then, work out what you can afford for your wants. Divide up the rest of your money between your saving and spending.



# Divide your money between the buckets

## Money in



### Your income

- Your take-home pay
- Your partner's take-home pay
- Centrelink benefits
- Family benefit payments
- Child support received

## Money out



### Basic necessities (needs)

- Rent or mortgage
- Food and groceries
- Gas, electricity and phone
- Transport
- Health care



### Goals (wants)

- Paying off debt
- Growing savings
- Education
- Buying a car



### Extras (wants)

- Eating out and entertainment
- Recreation, personal spending or pocket money
- Gifts and donations

# Prioritise your needs and wants

## ✓ Identify where you can reduce your expenses and save money

🕒 20 minutes

You will need:

- your budget created in Step 2 (page 06).

### How to reduce your expenses

First, highlight the most important things in your budget – your needs or basic necessities.

Then, identify the things you want but could do without, if you had to.

What can you cut out or cut back?



### Smart tip:

#### How to increase your income

- Are you getting all the Centrelink benefits you are entitled to?
- Could you earn more money from part-time work or hobbies?
- Do you have any unwanted goods you could swap or sell?
- If you have adult children living with you, are they contributing towards household costs?



## Switch or save

Switch	Save
<ul style="list-style-type: none"><li>• Are there memberships or subscriptions you could cancel or get for a lower cost?<ul style="list-style-type: none"><li>– gym, clubs</li><li>– magazines, pay tv</li></ul></li><li>• Is there a cheaper mobile phone plan?</li><li>• Can you shop around for a better deal on car or contents insurance?</li><li>• Are you paying for more health cover than you need?</li><li>• Could you switch to a super fund with lower fees?</li></ul>	<ul style="list-style-type: none"><li>• What can you get for free or cheaper elsewhere?<ul style="list-style-type: none"><li>– use the internet at the library</li><li>– watch freeview instead of pay TV</li></ul></li><li>• How could you spend less on groceries?<ul style="list-style-type: none"><li>– take a list and only buy what is on the list</li><li>– look for home brand products and items on special</li><li>– buy in bulk and only go shopping once a fortnight</li></ul></li><li>• Can you reduce your spending on eating out?<ul style="list-style-type: none"><li>– make lunch instead of buying takeaway</li><li>– have a dinner party and ask everyone to bring a plate</li></ul></li><li>• Can you save on your electricity bill?<ul style="list-style-type: none"><li>– switch appliances off instead of leaving in standby mode</li><li>– pay in instalments, so you have less to pay in one go</li></ul></li></ul>

## List your savings and cut-backs

Make a note of all the items you could cut out or cut back.

### Then check:

- Is this realistic?
- Do you need to cut back on all of these items, or just some?
- What are the most obvious ones to start with?

Even if you need to reduce your expenses a lot, try not to cut out everything in your wants bucket.

By allowing yourself a treat now and then, you will find it much easier to stick to your budget.



### Smart tip:

#### Shop with cash instead of credit

With a credit card, it is easy to spend more than you can afford.

Keep in mind that a credit card is really a debt card.

If you don't have the money to pay cash for something today, will you have the money next month when the bill is due, plus interest and charges?

It is often easier to keep to a budget if you use cash or a debit card when shopping.

Try saving up or using lay-by instead of a credit or store card to make big purchases like a TV or washing machine. Pay your purchase off in instalments, and avoid extra fees or charges.

# Set goals for the future

✔ **Set goals for the future and make a plan to achieve them**

🕒 20 minutes

Having worked out ways to reduce your expenses and save money, you are ready to start planning your future goals.

What do you want from life? Why? Setting goals for yourself – whether large or small, short or long-term – is exciting and motivating. You may surprise yourself with how much you can achieve when you put your mind to it!

## What are some possible goals?

Reduce your debt	Start to save
<p><b>Pay off:</b></p> <ul style="list-style-type: none"><li>• your credit card</li><li>• a personal loan</li><li>• a car loan</li><li>• your mortgage</li></ul>	<p><b>Save for:</b></p> <ul style="list-style-type: none"><li>• a holiday or weekend away</li><li>• Christmas presents and celebrations</li><li>• a ‘rainy day’ fund, for big bills or emergencies</li><li>• your wedding</li><li>• a home deposit</li><li>• your children’s education</li><li>• starting your own business</li><li>• extra super contributions</li><li>• your retirement</li></ul>

## Set your goals

Think for a moment, then write down some possible goals.

### Now:

- What is your top priority?
- How much will it cost?
- When would you like to achieve it?

## Make your plan

Be specific about what you want to achieve, how much you intend to save, and by when. The savings goals calculator on the Moneysmart website can help you work out how long it will take you to reach your goal.

If you would like to save for several goals at once, fill in the details for each goal.

Make sure this is realistic and affordable.



### Goal 1

What: .....

When: .....

How much: .....



### Goal 2

What: .....

When: .....

How much: .....



### Smart tip:

#### How to achieve your goals

- **Start small** – begin with something small (e.g. a weekend away or start an emergency savings fund).
- **Be specific** – work out exactly what you want and why.
- **Be realistic** – set yourself a reasonable amount of time.
- **Share it** – talk about your goal with a friend, partner and/or children, to stay motivated.
- **Reward yourself** – celebrate each step along the way to reaching your goal.



# Refine your budget

✔ **Create a household budget that works for you**

🕒 20 minutes

**You will need:**

- your saved budget or hand-written budget planner (page 08),
- your list of identified cuts and savings (page 16),
- your future goals plan (page 18).



## Update your budget

<b>Set your spending targets</b>	<p>Go through each part of your budget in turn.</p> <p>Update the amounts in your budget to match your chosen cuts and savings.</p>
<b>Add in your goal</b>	<p>Add in the amount you are going to save for your goal (or goals).</p>
<b>Balance your spending and saving</b>	<p>Check that the way you have put your money into each category looks and feels right to you:</p> <ul style="list-style-type: none"><li>• Have you been realistic in allowing enough money for your everyday needs?</li><li>• Have you made enough cuts and savings to free up the money you want for your goals?</li></ul> <p>If not, adjust your amounts until you are happy you have the balance working across all categories.</p> <p>Then print out the new version of your budget and you are done.</p>

# Act to make your money work for you

## How do I make my budget happen?

Now that you have your budget working, it is time to take the final step and put it into action.

The trick is to make this as easy as possible for yourself, by making things happen automatically.

That way you won't have to work at your budget – you will make your money work for you.

## Pay important bills by direct debit

If you are regularly paid a salary or benefits, set up a direct debit from your bank account for the day after the money is deposited.

This works well for things like:

- rent or mortgage
- personal loan or car repayments
- paying off a backlog of credit or store card debt.

If your income varies, or the bill amount varies, keep an eye on your bank balance to ensure you have enough money in your account.



### Smart tip:

#### Easy ways to save for your goals

- **Start now** – no matter how small the amount you can put aside.
- **Pay yourself first** – get savings deducted from your pay or benefits automatically; most people don't miss what they don't see.

- **Keep your savings separate** – put your savings into a separate account with no ATM access.
- **Add in your windfalls** – try to save any pay rises, bonuses or tax refunds.



### Case study:

#### Antonia and Jess simplify their extra spending

'After doing our budget, we didn't want to try to track every dollar in every category – especially personal spending.

So we set up each member of the household (two adults, three teenagers) with their own cash card account, with a set allowance to spend however they like.

Not only is this easier for us, our kids are now taking more responsibility for their spending.'



## Smooth out your big bills

Do you find that some months are more expensive than others – due to big bills, birthdays or unexpected events? Here’s how to smooth out the ups and downs of your expenses.

<b>Mark your calendar</b>	<ul style="list-style-type: none"><li>• Go through your budget (page 20) and highlight the big bills that come less often, like contents insurance, car registration or school fees.</li><li>• Work out when (month/day) each bill is usually due. You may need to look back at the bills you collected in Step 2 (page 06).</li><li>• Mark each bill on your calendar or a yearly planner – together with birthdays and periodic events – so you know when you are going to need more money.</li></ul>
<b>Set aside money</b>	<ul style="list-style-type: none"><li>• Add up how much your big bills cost in total for the year. If you wish, add an extra amount for gifts and celebrations.</li><li>• Work out how much this is per pay or benefit period (for example, per fortnight).</li><li>• Put this amount aside each time you are paid – by direct debit into a separate ‘big bills’ account or whatever works best for you.</li><li>• Then you will have the money ready to cover the next big bill or special event.</li></ul>
<b>Ask about bill smoothing</b>	<ul style="list-style-type: none"><li>• Contact your utilities providers (gas, electricity, water) and ask about ‘bill smoothing’.</li><li>• See if you can arrange to make fortnightly or monthly payments to them, instead of having to pay the whole bill in one go.</li></ul>
<b>Arrange Centrepay</b>	<ul style="list-style-type: none"><li>• If you receive Centrelink benefits, ask about Centrepay.</li><li>• This free service lets you to pay your utilities and other bills by having a regular amount deducted from your benefit payment.</li></ul>

# Stay on track

After all your good work putting your budget in place, how do you ensure you stay on track?

## CARE for your money



**Check** your budget at least once a year to see how you are tracking, and update amounts if you need to.



**Adjust** your budget if your circumstances change (for example, if your pay goes up or down, you fall ill or lose your job, get married or start a family).



**Reward** yourself with regular treats, so that living with a budget does not feel like a chore.



**Enthuse** yourself by putting a picture or chart of your goals on the fridge as a daily reminder.

## Go the distance

If you keep your budget going, you can progressively achieve bigger goals, like:

- going on holiday,
- buying a car,
- putting your kids through school, or
- saving for retirement.

Taking charge of your money means less stress, more control – and a feeling of moving forward with confidence and ease.

Now you know the secret to being good with money.

A few simple steps really do make a difference.

# Budget planner

## Gather details of your income

How much money is coming in?

Check pay slips, bank statements and investment statements. If your income is variable, make an estimate based on your past year's earnings.

## Gather details of your expenses

How much money is going out?

Look at bills, bank statements, credit card statements, your spending diary, receipts and shopping docketts. Use your best guess if there is anything you can't find, or if bill amounts vary across the year.

## Put your income and expenses into the budget planner

What is my current situation?

Put your income and expenses into the budget planner. Adjust all amounts to the same frequency (this planner uses fortnightly figures).

Money in:

## 1. Your fortnightly income

<b>Wages</b>	Your take-home pay	\$
	Your partner's take-home pay	\$
<b>Payments</b>	Centrelink benefits	\$
	Family benefit payments	\$
	Child support received	\$
<b>Other*</b>	Bonuses/overtime	\$
	Refunds/rebates	\$
	Income from savings/investments	\$
	Other income	\$

\*Divide by 26 (amount ÷ 26) to convert yearly amounts to fortnightly.

Add the above for your total fortnightly income

**1**

**Total \$**

Money out:

## 2. Your fortnightly spending\*

<b>Shopping</b>	Supermarket	\$
	Fruit/vegetables	\$
	Other food/groceries	\$
	Baby products	\$
	Cosmetics/toiletries	\$
	Clothing/shoes	\$
	Pet products	\$
<b>Eating out</b>	Restaurants	\$
	Takeaway/snacks	\$
	Coffee/tea	\$
	Alcohol	\$
<b>Entertainment</b>	Movies/music	\$
	Bars/clubs	\$
<b>Personal</b>	Personal allowance	\$
	Pocket money	\$
	Newspapers/magazines	\$
	Pharmacy/prescriptions	\$
	Gym/sports membership	\$
<b>Transport</b>	Cigarettes/gambling	\$
	Trains/trams/buses/ferries	\$
	Petrol	\$
<b>Goals</b>	Road tolls/parking	\$
	Savings	\$
	Extra super contributions	\$
<b>Other</b>	Other goals	\$
	Other fortnightly spending	\$
		\$

\*Multiply by 2 (amount x 2) to convert any weekly amount to fortnightly.

Add the above for your total fortnightly spending

2

Total \$

### 3. Your monthly spending

<b>Home</b>	Rent/mortgage	\$
<b>Payments</b>	Car loan repayments	\$
	Other loan repayments	\$
	Credit card repayments	\$
	Child support payments	\$
<b>Communications</b>	Mobile phone	\$
	Home phone	\$
	Internet	\$
	Pay TV	\$
<b>Other</b>	Other monthly spending	\$
		\$
		\$

<b>Step 1</b>	Add the above for your total monthly spending	<b>Total</b>	\$	<input type="text"/>
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<b>Step 2</b>	Multiply monthly total by 12 (monthly total x 12) = yearly amount		\$	<input type="text"/>
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<b>Step 3</b>	Divide yearly amount by 26 (yearly amount ÷ 26) = fortnightly amount	<b>3</b>	\$	<input type="text"/>
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**Smart tip:**

Use Moneysmart’s free online budget planner

Go to [moneysmart.gov.au](https://moneysmart.gov.au) to get it. No calculations to do – the budget planner does it all for you.

## 4. Your quarterly spending

<b>Utilities/fees</b>	Electricity	\$
	Gas	\$
	Water	\$
	Council rates	\$
	Body corporate fees	\$
<b>Health</b>	Doctor/medical	\$
	Dentist	\$
	Chiropractor/physiotherapist	\$
	Other health	\$
	Vet/pet care	\$
<b>Education</b>	Childcare/pre-school fees	\$
	School fees	\$
	Uni/TAFE fees	\$
	School uniforms	\$
	Sport, music, dance, etc	\$
	Excursions	\$
<b>Other</b>	Other quarterly spending	\$
		\$
		\$

**Step 1** Add the above for your total quarterly spending **Total** \$

**Step 2** Multiply quarterly total by 4  
(quarterly amount  $\times$  4) = yearly amount \$

**Step 3** Divide yearly amount by 26  
(yearly amount  $\div$  26) = fortnightly amount **4** \$

## 5. Your yearly spending

<b>Car</b>	Car registration	\$
	Car maintenance	\$
<b>Household</b>	Home maintenance/repairs	\$
	Furniture	\$
	Appliances	\$
<b>Insurance</b>	Home and contents	\$
	Car	\$
	Health	\$
	Travel	\$
	Pet	\$
<b>Recreation</b>	Holidays	\$
	Celebrations	\$
<b>Gifts/donations</b>	Donations/charity	\$
	Gifts	\$
<b>Other</b>	Subscriptions/memberships	\$
	Other yearly spending	\$
		\$
		\$

**Step 1** Add the above for your total yearly spending **Total** \$

**Step 2** Divide yearly total by 26  
(yearly total ÷ 26) = fortnightly amount

**5**

\$



## 6. Your budget calculation

**MONEY IN:** Put the total from Box 1 here

<b>A</b>	Total fortnightly income	\$
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**MONEY OUT:** Add the totals from Boxes 2, 3, 4 & 5 and put their combined total here

<b>B</b>	Total fortnightly spending	\$
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### THE DIFFERENCE:

Subtract Box B from Box A and write the answer here

<b>C</b>	Total income – total spending	\$	
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If the amount in Box A is bigger than Box B, then you are spending less than your income.

The amount in Box C is the amount you have left over each fortnight to put towards your savings goals and lifestyle choices.

If the amount in Box B is bigger than Box A, then you are spending more than your income.

The amount in Box C is the amount you are spending each fortnight above what you can afford.



[moneysmart.gov.au](http://moneysmart.gov.au)

call ASIC: 1300 300 630



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**Disclaimer**

Please note that this is a summary giving you basic information about a particular topic. It does not cover the whole of the relevant law regarding that topic, and it is not a substitute for professional advice.

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