
Planning a workable budget

NOW that the party is over, it is time to get back on track, financially.

Getting financial affairs in order after the festive season is a common New Year's resolution but often demands more than just a tightening of the household budget.

First, begin with the end in mind. What do you want your financial position to look like in 12 months? With this clear in your mind, you can start to get organised financially.

You might have wanted to have finished the home renovations or wanted to have in place all personal insurances (income protection and life insurance) or even bought an investment portfolio (shares or property).

Second, look at debt levels. Your principal debt is likely to be a mortgage. Is it structured in the most cost and tax effective manner and at the lowest possible interest rate? Try to pay off more than required and resist the temp-



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FINANCIAL PLANNING

tation to redraw funds for holidays or other personal spending, unless it is a planned expense and had been planned for.

The average mortgage in Australia is \$354,000 (in NSW \$407,000).

Have you overspent on your credit card these holidays? Credit can be a powerful thing, but only in a beneficial way if managed properly. The best policy is to pay the balance in full each month. If that's not realistic, then pay more even if it's only a little bit more than the minimum required, and stick to that amount. Credit card debt in Australia has reached a record \$45.4 billion (or \$3149 for every cardholder in the country).

Third, when investing, remember not to put all your eggs in one basket. Diversify-

ing into property and shares is an excellent long term option. The ever changing superannuation environment needs to be considered as a very simple and tax effective environment to invest for the long term. Be mindful of the new superannuation contribution caps and seek advice.

Be money smart. By having a cash flow and budget plan you will save more of your income, be more aware and in control of spending. Savings are essential for emergencies, but they can also be the secret to meeting financial goals.

John F. Kennedy once said that there are risks and costs to a program of action, but they are far less than the long-range risks and costs of comfortable inaction.

Finally, seek professional guidance to start.

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