

# This little piggy went to market

**Australian Securities and Investments Commission chairman Tony D'Aloisio looks at how a spending plan can help you start investing or clearing debts.**

**W**HETHER the economy is booming or in decline, whether you have lots of money or just a little, everyone can benefit from having a spending plan.

## What is a spending plan?

Managing your money can be boring. The word budget suggests you need to cut back and limit your lifestyle. But don't think of it as being a budget – think of it as a spending plan. Budgets or spending plans allow you to free up your money so you can spend it on something really worthwhile.

It doesn't matter whether you're saving for the short term (for a pair of sun glasses, say) or the long term (you might want to start investing, for instance), the way to find extra money is by having a plan.

## What's in a spending plan?

When you're setting up your spending plan, look at the things you need – the essentials, such as housing and food – and those you simply like to have, or want. And think about your plan as something flexible.

Make sure you don't cut out all the wants. If your plan's too hard to stick to it's not going to work.

A good place to start is the online

Budget Planner at [www.ADFconsumer.gov.au](http://www.ADFconsumer.gov.au). This is a comprehensive tool that you can save to your home computer as an Excel spreadsheet. Or you can simply make a start by tracking your spending for a week or two. Start writing down where every dollar goes and then have a think about what expenses you can remove and turn into savings.

## A member's plan

*LS Irvine had always wanted to take his family on a trip to the Whitsundays but he's never had the extra money to do it. When his salary increased recently he decided to put the extra portion into a special savings account. He set up a direct debit so he wasn't tempted to spend it.*

*In just under a year he had over*

*\$3000 in the account and was able to take his family on a truly memorable holiday. And he had no credit card debt hanging over his head at the end.*

## Starting to invest?

How you manage your investments is an important part of how you manage your money.

If you're able to implement your spending plan or if you already have some money set aside, you should think about how you can invest that money.

What you invest in depends on how long you can invest the money for and how comfortable you feel about different investments.

Investments are usually divided into two main types: income and growth.

Income investments, like cash management trusts and government bonds, give you an income from earning interest. However, your original investment does not usually increase in value.

Growth investments like shares or property may give you capital growth over the long-term, so that, as well as earning income, your original investment may increase in value.

Before you invest, you should always consider what your goals are. Having goals helps you to pick the right investments for your timeframe and work out what investment risk you are prepared to take on.

For more information on investing and how to get professional advice, go to the ADF Financial Services Consumer Council website, [www.ADFconsumer.gov.au](http://www.ADFconsumer.gov.au).

## Worried about debts?

Before you start thinking about saving for a new car or starting to invest, look at your debts.

A spending plan can help you reduce your debts by putting a system in place for you to follow.

For example, imagine someone with \$5000 in credit card debt who only pays the minimum repayment each month and who spends \$200 on going out with friends on the weekend.

If this person reduced his spending to around \$50 per weekend and put the rest towards paying off his debt, he could pay it off in just over a year and save around \$15,000 in interest (this assumes a minimum repayment of \$10 or 2 per cent per month, interest rate of 18.5 per cent, repayments of \$450 per month and no longer using the card).

## Need help?

Genuine help with budgeting is often available free of charge through independent financial counsellors.

There's no high-pressure selling, and a financial counsellor will help you put a plan in place.

The FIDO website, [www.fido.gov.au](http://www.fido.gov.au), has a list of financial counselling organisations.

For further information, visit ASIC's consumer and investor website, FIDO at [www.fido.gov.au](http://www.fido.gov.au) or call 1300 300 630. You can email ASIC with topics that interest you via [ADFcolumn@asic.gov.au](mailto:ADFcolumn@asic.gov.au)



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