

Break free from

When it feels like the only mail we receive is bills, we need to regain control of our finances. **Wendy Mason** discovered 12 ways you can cut your debt and boost your bank balance.

IF YOU are constantly juggling the household finances and tremble with fear when another bill lands in your letterbox then it's time you did something about your money habits.

STOCK TAKE

Getting your finances in order is like starting a fitness program. It's a life choice and it's never too late to start. The first step is to make an appointment with yourself so you can work out a budget — that means money coming in and money going out. A full-on money stocktake.

According to Lonsdale Financial group manager Theresa Mills, once you know how you spend your money, finding extra dollars can be as simple as cutting the visits to the supermarket to one a week.

The little extra trip to the shops costs an average of \$50. If your problems are more serious, Ms Mills suggests a health check through a financial planner or a Centrelink officer.

You can also:

- Complete a budget sheet.
- Pay your debts fortnightly instead of monthly.
- Set up direct debits — what you do not have access to, you won't spend.
- Pay yourself cash and keep it in your purse so you can see it.
- Get rid of the credit cards and pay extra money off your mortgage.
- Look at fixing your home loan rate so you know your commitment.
- Do a money management course.
- Check for unreserved super, which may be accessible in some cases and help pay urgent debt.

2 BE CARD SMART
Australian household debt is a record \$1 trillion with \$40.24 billion owed on credit cards.

That's a frightening figure and a good reason to cut up your credit card or at least make sure you have the best deal you can find.

Transferring debt from a card that earns points to a no-frills card will make a sizeable impact on your interest costs.

According to the Australian Securities and Investments Commission consumer website www.fido.gov.au it takes 11 years and \$90 interest to pay off \$1000 on a credit card with a 16 per cent interest rate — by paying only the minimum each month.

A \$10,000 balance will take you 27 years and \$11,000 interest, if you pay only the minimum.

If possible, pay the balance owed each month or at least more than the minimum payment.

Credit cards should be the first bills paid each month as they have the highest interest rates.

4 Australian household debt is a record \$1 trillion with \$39.63 billion owed on credit cards... a good reason to cut up your credit card.

The basic rule of credit cards is that they shouldn't be used unless you can afford to pay the whole bill when it arrives.

Watch out for card fees: including annual fees, a fee for rewards programs, penalty fees for late payment and fees for exceeding your limit.

3 DON'T RELY ON REDRAW

Beware using your mortgage redraw facility to prop up your spending habits.

Even though it's a relatively cheap form of finance, overuse often disguises a basic spending problem.

HLB Mann Judd partner Matthew Gardiner says people who rely on redrawing are not managing their spending.

Turning day-to-day spending into long-term debt will inevitably cause pain in the future.

4 SELL SOMETHING

Take a look around your house, backyard and garage. There is sure to be something unwanted but valuable you can offload.

Whether it's a stack of records or an old art piece, an old fashioned garage

sale, school fair or a high-tech online listing could be just the place to sell it.

According to online auction house, eBay an item of women's clothing is sold in Australia every 12 seconds.

However, if you don't have time to sell the goods yourself, consider getting help. You can do this by taking it to an auction house or getting a quote from a second-hand dealer to take it away.

If you like the sound of internet trading you could use an eBay trading assistant — an experienced seller — who will sell your items for a fee.

5 TAX CUTS AND RETURNS

Set aside the extra money (even if it is only a couple of dollars) from your tax cut each pay day and use it to increase your mortgage or credit card payments.

An income earner on \$50,000 a year now has the capacity to put an extra \$750 a year toward debt reduction, according to debt collection agency Prushka's chief executive, Roger Mendelson.

It is also a good opportunity now for householders to get on top of their debt while the economy is strong, he says.

Further rate rises could create a real problem for those on tight budgets or struggling with debt, he warned.

6 RENT OUT A ROOM

Taking in a student boarder can add \$200 a week to the household income but the host family must meet set conditions and have a duty of care for the young person.

Accommodation service Homestay Direct says students need a fully furnished bedroom, including a study desk, chair and lamp.

Students usually pay their telephone calls, while rates for using the internet are negotiated between the student and the host.

Part board is listed at \$150-\$170 a week; this is where no meals are provided and there is a minimum stay of four weeks.

Full board ranges from \$200 to \$225 a week with two meals (breakfast and cooked dinner) a day plus a self-serve lunch on weekends.

Many large educational institutions such as universities have an accommodation officer who helps find places for students within nearby households.



7 HOME BUYING

Pooling your resources with family or a friend is a good way to get into the housing market.

Buying a property with a co-owner (or tenant in common) helps spread the deposit burden and repayments, not to mention the stamp duty, conveyancing and legal fees.

However, everything needs to be documented and agreed in legally drawn up papers — especially the exit clause about what happens when one person wants out.

According to Wakelin Property Advisory director Monique Wakelin, the biggest undoing of people who buy with a friend or a relative is that they do it with a handshake over the kitchen table and things go wrong.

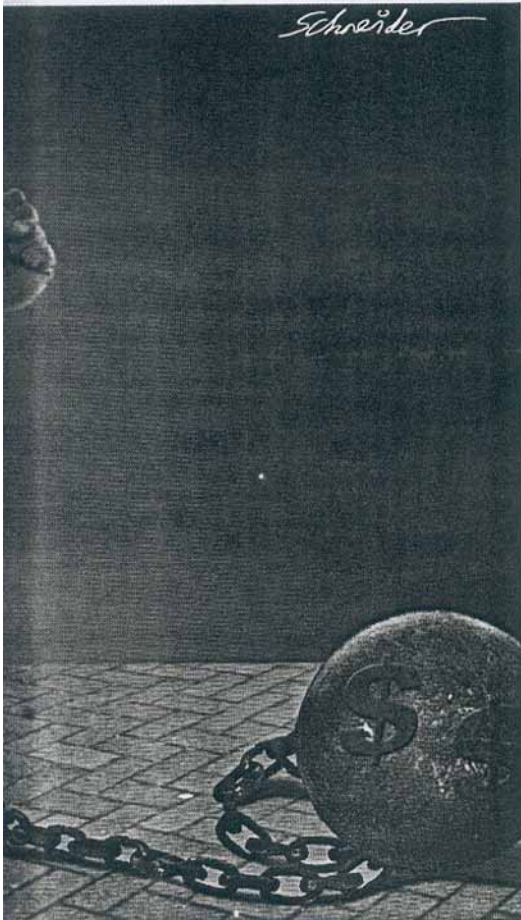
Also, if you are serious about getting into the housing market in a meaningful way, cut up your credit card, Ms Wakelin says.

Quite simply, the biggest impediment to home buyer affordability is consumer debt.

Other tips:

- Decide if the property is a home or an investment property.
- Don't borrow more than you can afford to pay and get advice about the value of the property.
- Divide up the jobs. Decide who deals with the bank and the solicitor.
- Have regular meetings and update each other on the progress.
- Keep discussions open, businesslike and completely unemotional.

debt's shackles



Don't fall in love with an investment property — its job is to make you money.

8 CUT BACK
If you pass on the daily takeaway coffee and the city car park your bank account can jump as much as \$80 a week.
The tax on city car parks has seen prices hit the roof. Try parking out of the city centre and walking or catching public transport.
Buy water and drinks in bulk instead of paying double the price at your favourite sandwich bar.
Make your own sandwich and save another \$30 a week.
When possible, don't take children to the supermarket — meeting their purchase demands always ends in a bigger bill!

9 CHILDCARE
The cost of childcare can be as punishing as a home loan.
Childcare rates start around \$60 a day so sending a child to a friend or a family member just one day a week can save money for other expenses.
Alternatively, check out family day care schemes through your local council or the Victorian Government.
Typically, family day care is available in the home of a registered or licensed carer for children aged from birth to 12 years.
Fees for family day care are set by each day care scheme and can vary depending on the carer's qualifications and what type of service is provided.
However, fees are often as low as \$4 or \$5 an hour.
Babysitting clubs are also a great

way to get a night out without having to pay extra for childcare. In return, you have to mind someone else's children for the night, but at least it is free.

10 TAP YOUR TALENTS
Perhaps you can play a musical instrument, mime or draw — then take your talent to the street.
The City of Melbourne has a number of places where you can busk, and permits are free.
A permit is valid for 12 months and an application requires 100 points of identification.
Anyone under 16 must have a parent or guardian provide identification.
If you make jam, cook, paint, sew, knit or grow pot plants there are heaps of weekend markets to sell your wares.

11 GET ANOTHER JOB
Waiting tables, working a supermarket checkout or taking in ironing are tried and tested money earners but an increasingly popular option is direct selling.
There are about 650,000 direct selling distributors in Australia and 73 per cent are women.
Direct Selling Association of Australia director Sue Whyte, who is also founding director of lingerie company Intimo, says many women go into direct selling because they want a career where they have control over the hours they work.
Ms Whyte says start-up costs vary between \$500 and \$1000, depending on the product and business.

12 KIDS AT WORK
The quickest way for parents to save money is to get the kids earning their own cash.
Encourage teenagers to take up lawn mowing, weeding, dog walking or letterbox distribution.
There is also car cleaning, painting fences or becoming a paid playmate for a younger child.
Young staff are always in demand at takeaway chains and supermarkets.
The sooner the kids make their own money, the sooner they'll stop spending yours.

You owe it to yourself



- Key tips to manage debt**
- Get a plan and set a budget.
 - Seek help if you need it. Contact creditors if you cannot meet your commitments.
 - Be realistic when negotiating a repayment plan.
 - Keep copies of any letters you send or receive.
 - Make sure you actually owe the debt.
 - If you are threatened with legal action, get advice as soon as possible.
 - Expect to be treated professionally, otherwise make a formal complaint.

Source: www.aalc.gov.au

Business Opportunity
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