



**Having trouble  
saving money?**



Financial Planning

# Working towards financial security

The secret to financial security isn't a 'get rich quick' scheme and it isn't particularly exciting, but it does work. It's all about budgeting and establishing a regular savings plan.

The most difficult aspect of saving money is making it a regular part of your life. Once it becomes an ongoing commitment, you'll have the satisfaction of seeing your savings build up, bringing you closer to your lifestyle goals.

You don't need to earn a fortune or win the lottery to be financially secure. It's how you manage the money you have that will influence how well you live now and in the future.



## **You're not alone!**

Recent research conducted on behalf of the Financial Planning of Australia (FPA) shows that less than half of all Australian households reported that they were able to save, and about 15-20 per cent of us now spend between one-quarter and one-half of our income servicing debt<sup>1</sup>.

And, our level of debt servicing will not fall until we reach the age of 55<sup>2</sup> – many Australians end up spending a large proportion of their retirement savings paying off debt.

## **Why should I save?**

We tend to judge wealth by material possessions – flashy cars, expensive jewellery, an ocean-front holiday house. Real wealth, however, is about financial security.

In addition, whilst we're told that money doesn't buy happiness, financial problems certainly seem to be coupled with stress and worry.

Reduced job security, longer life expectancy and cuts to Government assistance mean it's becoming even more important to save for the future.

## **How do I start?**

Save first, **then** enjoy spending.

Most people spend their money first and then see if there's anything left over to be saved. **There usually isn't.**

You should try to do it the other way around.

Begin by putting away a given amount and then pay off the essentials. The remainder can then be spent guilt free.

## **Where am I now?**

To establish your current financial position, you need to work out how much you earn, how much you spend and, consequently, how much you can save.

1 & 2 Financial Planning Association of Australia, Who are Australia's best savers? Released November 2002. Research for the report conducted by the National Centre for Social and Economic Modelling (NATSEM).

## **Where do I want to be?**

The next step is to identify your lifestyle goals.

Saving for a specific goal is far more satisfying than saving simply because you know you should.

Some of your savings goals will be things you must achieve, for example, paying the children's school fees. Others will be goals you would like to achieve and are generally luxuries, such as taking an overseas trip.

There will also be a time frame for your savings goals. You may have a short-term goal to save for a holiday, a medium-term goal to pay off a personal loan, and a long-term goal to save for your retirement.

## **What's the best time to save?**

Although most of us would agree we should save some of our money, it never quite seems to be the right time to start.

It's easy to spend your whole life waiting for the right time to start saving. The only solution is to start today. The earlier you start, the less you'll need to put aside each week, and the more you'll be able to generate in the long-term.

An added bonus of starting early is the effect of compound interest. Compounding is when you reinvest the interest you earn on an investment. If you continue to do this over a few years, you'll be earning interest on your interest, on your interest.

## **Savings tips**

Saving money takes willpower and discipline. Here are some tips which may help you reduce your expenses, leaving more money to put into your savings:

- **Treat savings as a bill that must be paid**

When you work out your weekly/fortnightly/monthly expenses, for example: travel, food, phone bill and so on, work out an amount that you can comfortably save and treat it as an expense that 'must' be paid.

- **Set up a separate 'savings' account**

Consider setting up a new account specifically for your savings and arrange an automatic transfer on payday to move the money from your working account to this account. If possible, make it difficult to access, for example: to withdraw the money you will need to physically go to the bank during opening hours.

- **Be realistic about the amount that you save each payday**

A classic mistake often made by 'savers' is to try and save more than they can comfortably afford each payday. They are then disheartened because they need to 'raid' their savings to pay legitimate living expenses.

- **Impulse purchases – do you really need it?**

How often have we all bought something because it was marked down or on sale? But, if you really didn't need the item, no matter how reduced it was in price, it really wasn't 'a bargain'. Ask yourself – do I really need this?

- **Avoid interest with lay-by**

Before making a credit card purchase, make sure that you'll be able to pay it off at the end of the month. If not, consider a lay-by to avoid paying interest.

- **Small purchases add up**

Remember that small purchases add up. For example, if you spend \$5 on lunch each work day, over 12 months this will add up to over \$1,000.

## **Making my savings work**

Saving your money is the first step towards financial security. However, your success will also depend upon where you invest your money.

A professional financial planner can show you how to make the most of your savings, as well as advise you on investments which best suit your needs.

## Important information

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This brochure provides general information only. You need to consider, with your financial planner, your investment objectives, financial situation and particular needs prior to making an investment decision.

Your financial planner:



Financial Planning

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