



# Life Guides

More than money matters

## Maximising Your Family's Budget

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Money, as we all know, seems to slide through our hands in the shortest possible time, no matter how good our intentions are to save. Somehow the dream of a long-awaited holiday, a new car, or paying off the mortgage, is as far away as ever. The reason is often painfully obvious – people work hard for their money but don't do enough to look after it once they have it.

The good news is you can put yourself in control and maximise your family's budget.

#### HAVE A PLAN

As the cliché would have it 'people don't plan to fail – they fail to plan'. Having a financial plan is a key step in establishing your financial independence. The three main areas that generally lead people to consider establishing a financial plan are:

1. Managing debt – it is possible your debts are poorly structured and you may be paying more than you should.
2. Protecting the things that matter – many people have suffered in tragic circumstances because they failed to adequately insure against potential risks.

***“HAVING A FINANCIAL PLAN IS A KEY STEP IN ESTABLISHING YOUR FINANCIAL INDEPENDENCE.”***

3. Planning for the future – some people manage to live relatively stress free and enjoy the freedom to do what they want. In many cases, these people earn the same as others who struggle; the difference is planning.

#### Your true financial position

You need to know how much you earn and how much you spend.

Appoint a family Chief Financial Officer (CFO) to manage finances. You can make decisions and priorities expenses by committee, but someone has to control day-to-day expenses.

Prepare a list of the following:

- all assets – bank accounts, EPF, property, shares, etc
- your income – salary less deductions, bank interest, dividends, family allowance, rental income
- your debts – home mortgage, personal loan, credit cards, hire purchase, etc



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**“THERE’S NOTHING TO BE GAINED FROM ARGUING ABOUT PAST TRANSGRESSIONS. REMEMBER THAT YOU’RE WORKING ON THE FUTURE, NOT THE PAST.”**

Then get all your bills together and examine:

- weekly groceries
- transport (taxi, train, bus)
- car expenses (loan repayment, maintenance, fuel)
- mortgage/rent
- utilities/communications (home phone, mobile, internet)
- loan payments (credit cards, club membership)
- gifts / parents
- children expenses (nursery, childcare, tuition fee, pocket money)
- hobbies
- clothing
- insurances (home, car, health, life, income)
- incidentals

Judging the true costs of incidentals won’t be easy. Your CFO may ask each family member to monitor their spending habits for one month before starting the budget. Some people find this exercise alone stops them spending as much money.

You should break down household expenses into sections and examine the money each member spends each income period. For each pay period, you’ll now know what you’re spending compared with what you’re earning.

Don’t forget expenses that crop up at certain times of the year such as birthday gifts, insurances, club memberships, medical bills and so on. You need to plan for them.

### **Budgeting**

The best place to start may be with a budget book or spreadsheet. You are sure to find them online or at your local bookstore. Once your budget is organised,

remember there’ll be unexpected expenses – so plan for them. Start a rainy day account and keep a little aside for the washing machine that breaks down or a relative whom is getting married.

### **SAVING FOR A GOAL**

Every savings programme needs incentives. Your major long-term goal may be to be debt-free and financially secure. Your medium-term goal could be an overseas holiday or new car. Your short-term goal could be any little luxury you’ve deliberately foregone since establishing your budget – like new clothes, going to the spa or a new plasma TV.

Saving towards a goal may help keep everyone focused on the big picture – as opposed to a small purchase like a CD that one family member just has to have.

### **Pay yourself first**

Put yourself at the head of the payment line, not the end. Consider starting a separate savings account that you don’t touch. Or direct your salary straight into your mortgage.

How much you should save depends on your situation and goals. As a general rule aim to save at least 10 percent of your pre-tax income – 20 percent would be better. If that’s too hard initially, try 5 percent and work your way up. The most important thing is to start! Remember, every little bit helps.

### **ELIMINATING DEBT**

A lot of people spend more than they earn, but you can do something about it and reverse the cycle of debt.

### **Understand interest**

What is an interest rate? How is it calculated? How often is it charged? On what date? What is the effective interest rate on your loan? Make sure you understand what you pay once the charges and frequency of repayments are taken into account.

### **Be careful with credit cards**

Review your credit card. Is it the most competitive on the market? Do you need it? Do you have more than one and, if so, do you need them all? Remember the more credit cards you have, the more fees you are likely to pay. If you do use credit cards, pay any money owing before interest is due. Check what stage of the month your bills become payable and manage your spending accordingly.

### **Do not take a cash advance**

Try not to take a cash advance on a credit card. The interest rate can be high and the charges likely to begin immediately. If you need money urgently, it’s generally cheaper to negotiate a personal loan with a bank or a relative.

### **Don’t borrow money unless it’s unavoidable**

If you have RM10, 000 in the bank earning low interest, do you really want to borrow RM10, 000 for an overseas holiday at the standard personal loan or credit card rate?

### **Clear outstanding loans**

The larger the repayments and the more frequently you make them – the sooner you’ll be debt free. Clear outstanding loans as quickly as possible.

### **Consolidate debt**

See if you can consolidate the debts under one personal loan at a lower interest rate.

If you have a mortgage you may be able to consolidate all of these debts as part of the mortgage. Interest rates on mortgages will generally be considerably lower than they are on credit and personal loans.

### **TIPS FOR MAKING AND SAVING MONEY**

You may want to consider some of these everyday tips to help you maximise your family’s budget.



### **Save on insurance**

Insurance costs can be minimised by making sure you are only paying for the type of cover that is important to you. For example, consider larger excess on your policy as it could bring your premium down significantly. Do remember that cheap isn't necessarily best – you may save money by selecting cheap policies, but you may not get the cover you require when you need it.

### **Cut your bank fees**

Are you paying fees that you could avoid? Check with your bank to find out.

### **Shop smart**

Notice how the essentials seem to be at the back of the supermarket? And how you can't get everything you want in one aisle?

Supermarkets want you to walk down every aisle and past a range of products you don't need and didn't come to buy. Somehow they magically appear in your trolley when you arrive at the checkout counter! Spend five minutes making a list before you shop and stick to it.

### **Don't impulse buy**

From supermarkets to petrol stations, have you ever noticed the array of chocolates and magazines right at the counter? They are there to trap careless shoppers and are not there by accident.

### **Fresh fruit and vegetables**

Eating fresh fruit and vegetables (particularly when in season) is usually cheaper than packaged foods.

### **Is this brand really the best?**

You may be buying a brand that doesn't offer the greatest value for money. It could be that there are other cheaper or generic brands that do the same job for less money. Always ask yourself: is this really the best value on the market?

### **Check out factory outlets and end-of-season sales**

This is a good idea provided there's no impulse buying! It's ridiculous to spend RM200 on clothes you

don't need just to 'save' RM50. Plan shopping trips during sales period.

### **Plan gift-buying**

If you have a list of the gifts you are likely to need during the year for weddings and birthdays, this will enable you to budget for them and take advantage of sales.

### **Buy in bulk**

Plan shopping trips ahead of time and take advantage of economy sizes.

### **Don't forget how quickly children grow**

Consider borrowing clothes from friends or relatives – kids grow so fast their clothes often don't get a chance to become worn. Warehouse sales and second-hand baby supply shops can also have good bargains.

### **Look for cheap school supplies**

Exercise books, pencils, sharpeners, rulers, inkpads, paints, etc., are often cheaper at hypermarkets than at stationers or newsagents.

***“EYE LEVEL IS IMPORTANT IN SUPERMARKETS. SOME DISTRIBUTORS EVEN PAY FOR THE PRIVILEGE OF HAVING THEIR PRODUCTS PROMINENTLY DISPLAYED. LOOK UP AND LOOK DOWN. THAT'S WHERE THE BARGAINS MAY BE.”***

***“NOTHING MAKES MONEY GO FURTHER THAN HAVING MORE OF THEM. PART-TIME JOBS LIKE TELEMARKETING OR WORKING AT LOCAL SHOPS HELP YOU EARN A LITTLE EXTRA TO HELP FAMILY FINANCES.”***

### **Keep the warranty information**

You would be surprised at how often people lose the receipt and warranty information for purchases that come with a guarantee and then have to pay for repairs or a replacement.

### **Ask for discounts**

You may not be able to haggle for everyday items, but there will be plenty of chances to get a better deal by asking for a discount. Look out for them.

### **Consider giving up smoking**

Save around RM9.00 a pack. You'll do your health and your bank account a favour. Even one pack a day costs RM3,285.00 a year.

### **Look for holiday deals**

After the busy season you may find fabulous family holidays on a budget. Think smart and plan ahead.

### **Get the little things right**

Turn off lights, turn off the television when no one is watching, dry clothes naturally on sunny days and don't use the washing machine unless it's full.

### **Prepare meals**

Cooking can save hundreds or even thousands of ringgit a year. Avoid take-away and pre-packaged meals – they're more expensive in the long term.

### **Make school lunches**

The canteen can really hit your hip pocket. Saving even RM20 a week by making the children's lunches saves you around RM800 in a school year – and that's a lot of textbooks. Most households are a frenzy of activity each morning – why not make lunches on the weekend and freeze them?

### **Cut your phone bills**

Make sure you have the most cost-effective mobile and fixed-phone plan for your circumstances. See if the provider will provide special discounts for a



family package or, with younger children consider providing a phone that only allows them to call certain numbers.

### **Use public transport**

If you have done your budget you will know what your car is costing you each month. When you can walk or catch public transport – do it.

### **Get a part-time job**

When you are trying to maximise your household budget there is nothing quite like having a few extra dollars. If your children are getting older, you may like to encourage them to get a part-time job. It will help them learn about money; look good on their CV in future and hopefully they can begin to contribute to the family expenses.

### **Get smart, get informed**

There are many avenues for improving your financial education, reading this Life Guides is a start. You may also go online. The WorldWide Web is the best place to get to know more about the subject of money management. Here are some highly recommended websites :

[www.about.com/money/](http://www.about.com/money/)

A know-it-all, gigantic encyclopedia of a website telling you virtually everything you need to know about money.

[www.akpk.org.my](http://www.akpk.org.my)

AKPK (Agensi Kaunseling dan Pengurusan Kredit) was set up by the government to educate the public on the subject of financial prudence and debt management.

[www.ANZ.com](http://www.ANZ.com)

ANZ is a major Australian Financial Institution offering services, information, and tips on home loans, saving accounts, retirement fund, investments and education loans.

[www.frugalmom.net](http://www.frugalmom.net)

An entertaining as well as educational website created with stay-at-home mothers in mind. Offers tips on frugal living and profitable home-based business solutions.

[www.bankinginfo.com.my](http://www.bankinginfo.com.my)

Bankinginfo is an one-stop platform that provides information, tools and tips to help you with your banking needs.

## **For More Assistance**

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