

Fast Fixes for Fritterers and Bingers: Ways to Save \$600 in Three Months

If you've had a history of over-spending and believe that your cash flow will save you when the splurges have gotten out of hand then take heed – you can easily run into trouble if your cash flow takes a tumble. And really, wouldn't you rather relax, knowing your finances are under control?

How to save more money isn't such a big secret. You either earn more or spend less and make the most of what you've got - or a bit of both. Sounds simple? The strange this is, even though we know it deep down, a recent study showed that only 28 per cent of people are in that habit of saving and the rest of us just talk about it.

Cutting back your spending can be very difficult because we all get used to a certain type of lifestyle.

Part of the problem is that frittering and bingeing involves a number of different mindsets and emotions that keep these behaviours on the repeat.

Binge spenders tend to enjoy the addictive 'rush' of retail therapy and the emotional gratification of impulsive spending, and binge spending can also be a rebellious act for those feeling restricted by a budget.

Fritterers, on the other hand, tend to be unconscious spenders who forget what's in their purse and often find it empty. They spend at a drop of a hat on items, such as magazines, taxis, snacks and chocolate, takeaway food, alcohol and dry cleaning.

Cutting back on your spending can be difficult when you're used to a certain lifestyle. Still, it's essential if you want to save and are facing a period of pro-longed unemployment or a change in job status (perhaps you're taking time out to have a baby) or a big jump in living costs (rate hikes, anyone?).

So what are some short term ways of getting your money back on track? What are you prepared to do?

Ask yourself:

Do I have a current written budget for my household that tracks out the spending amounts over a year? Or a month?

Have I ever kept a spending diary?

Have I ever consciously denied myself a lifestyle expense? For example, am I prepared to stop drinking my cappuccino on a daily basis? If not, then what am I prepared to give up? Will that be enough?

Do I value saving for the kid's education but put my wardrobe ahead of that goal?

What are my true values?

Do I spend too much on presents for kids and friends and then deny the costs to myself?

Am I using more than one credit card? Am I reducing the balance or just meeting the interest repayments? Do I know the interest rates being charged?

What are my other debts and are they being reduced?

OK, here's the drill for the short term rescue:

Month one

Set a budget for your weekly living. Deduct what you spend on essentials (rent, mortgage, bills) from the money coming in. From that amount, deduct your food spending and other items. Then you have a discretionary amount for spending and saving.

KEEP A DIARY of spending. See where the money goes; be conscious about it. Where is it being frittered away?

SET GOALS: How are you going to save that \$600? Set some small goals which will add up to that amount, such as reducing your spending by \$50 a week, then break it down by the week. For example, you may decide to forego two cappuccinos (\$6) each week, one bought sandwich (\$7), one takeaway meal for the family on a week night (\$25), one bottle of wine (\$15) for a total of \$53. Put up reminders around your home and office so you can keep it top of mind and if you do succumb and buy the wine, cut out something else.

For now, say **NO** to: Buying books/CDs, games; vitamins; expensive skin and hair care products; clothes buying; takeaway (unless you can't live without one a week); magazines; excessive dry-cleaning; expensive gym visits and gear (try walking and home videos). Over- using the car – especially driving to the shops. Don't browse the shops (because that's where you spend). Do one major weekly food shop and use a list. Kids parties (unless it's major) and too much 'shouting' other people's kids, if it's really costing you (this sounds tough but it can add up in the holidays. A good parent will give children some money for outings; a slack parent will just send them over to your house and not reciprocate)

USE HABIT BREAKING TECHNIQUES: When you feel the spending urge coming over you, do something different. Go out, ring a friend, walk away from that thing that's calling you. Try to steer clear of the shops - the source of temptation - and psyche yourself out of the spending habit. "Do I need it? Do I want it? Will this make me happy?" Self talk can help a little too.

ALLOW yourself: 1-2 small weekly treats because you may fall by the wayside in week one. What will that be? You must buy this out of your allocated spending money.

SAVE and SUBSTITUTE: Use the weekly shopping catalogues to find out deals and best prices – they really do save heaps. Clean out the pantry and use what's there in your cooking (it's amazing how much stuff goes past the use by date) and then do the same for the fridge and freezer contents. Turn out the lights; use less water in the house (short showers, half flushes); Cook more with fresh produce and meat and buy less meals which are pre-prepared (freeze what you don't use because I waste a lot of my cooking by not doing that);

Next up, review your telephone and broadband costs (dial-up can be a lot cheaper and mobile and home phone plans can really cost. If you're exceeding your call limits then you may want to change your mobile phone plan so the call costs are lower.

Helpful sites for getting deals include:

- www.phonechoice.com.au for comparison costs on phone plans
- www.motormouth.com.au or racv.com.au for petrol
- www.wotif.com.au, gostay.com.au, expedia.com.au for travel
- www.lasoo.com.au for a range of goods and services on sale in your local area
- www.creditworld.com.au to compare the best credit cards on offer
- www.getprice.com.au for a range of everyday household goods
- www.servicecentral.com.au for trades people
- See www.phonechoice.com.au for comparative costs on phone plans

The private health insurance advisory service www.iselect.com.au offers this advice on getting the most out of your private health insurance:

1. Match the policy to your needs

Look at your family history and stage of life, and don't pay for what you don't want. For example, if you're young you may not need hip replacement. If you're retired, chances are you won't want pregnancy cover.

2. Give your current insurance cover a health check

There are a great range of health covers out there, so don't be afraid to change funds. You generally will not have to re-serve waiting periods if you change funds for similar levels of cover.

3. Review your extras cover

What you'll get back on ancillary services such as dentistry, physiotherapy and optical will vary greatly between funds, so make sure that your cover is competitive and suits your needs.

4. Use a broker

Services such as iSelect help take the complexity out of shopping for private health insurance. They help you compare policies, ensuring you get great cover for your individual circumstances.

5. Consider mix and matching policies

You don't need to have both hospital and extras cover with the same insurer. Pick and choose the policies and funds that best suit your needs.

REVIEW DEBT: Hopefully, you've been reading your bank and credit card statements each month and checking the entries. Now, it's time to get rid of the credit cards or use a debit card. If you're in debt and it's getting out of hand, you may want to consolidate your debts – just make sure you don't use your credit cards again and get into a debt cycle. It's time to be disciplined. If you're in trouble with the creditors then you can see financial counsellors for a free advice session – book ahead. For a local counsellor, check www.financialcounselling.asn.au . For competitive rates on

loans and cards, see www.infochoice.com.au www.cannex.com.au and www.ratecity.com.au

GET INSTANT CASH: Sell off everything around you that you don't need. Have a garage sale and get rid of the clutter – toys, clothes, books. Put up some things on E-Bay. Some people can earn up to \$1,000 in one sale alone. Use that money to pay down your immediate credit card debt or reduce your mortgage (if there's no credit). **DON'T** just spend it.

BURIED TREASURES: Did you know that the Federal Government provides women with a co-contribution towards their superannuation of up to \$1,500 if they're earning less than \$58,980? You may also find lost super, simply by going onto the ATO site and running a search.

Month two

OK, you've made an effort to get a handle on your outflows, keep track of what's happening and reduce your spending. So how's it going? Do you need a bit of extra moral support? Maybe find a like-minded buddy or use your spending diary to write down your state of mind when you spend and see if there's a link. If you're using spending to stave off loneliness or sadness, can try a call to a friend or relative instead? Or do something physical like a walk on the beach? Or jog with a friend? For me, walking the dog is a good antidote when I feel blue. Of course, having a dog is expensive too! But they are wonderful for maintaining your exercise, meeting new friends and providing lots of laughs.

EARN MORE: It's not just about savings – your income matters too. Make it a goal for improvement but don't use the increase to overspend, use it to invest or cut bad debt. Wealthy people know that it's important to keep the spending down while you build your income up. Ask yourself: is it time for a raise at work? Have you checked the benchmarks on your occupational type? Think hard about how you can earn some more money. Can you re-skill and doing a course to upgrade your technical knowledge? See www.careermums.com.au for more ideas on family-friendly jobs and check out local businesses in your area. They often look for mothers or students to do part-time hours.

NEGOTIATE: If you can pay cash for larger items, try negotiating and ask to see the manager. Shop around for the best deals on hairdressing and beauty treatments, if you're keeping this up, because you save heaps. A friend of mine negotiates on hair colour and cuts (such as finding the quiet days to go in) and swears that she saves a lot.

THINK LATERALLY: Enter online media competitions (people can win good prizes with reduced odds) and clothes swap with friends. Use garage sales as a way of picking up the basics such as toys, kitchen ware and other items. Find something to make that becomes your signature gift for friends (I had a friend who one Christmas gave us all painted and varnished trays and I still treasure that gift! Another friend makes a special fruit cake for Christmas).

To offset the cost of a mortgage, some women consider bringing in a compatible flat mate or offer board to an overseas student. If you have a really nice or unusual house, you could also offer it for rent for a TV production or advertising location (but ensure you have appropriate insurance because there will be wear and tear).

Month Three

Have you been able to sustain changes in your spending patterns? What's working and what's not? Did you get hit with any unexpected events? What happened? How did you accommodate that? If not, don't despair. Rome wasn't built in a day.

KEEP UP THE MOTIVATION AND STAY STRONG: Keep your goals close by. Display a corkboard with photos of your goals and affirmations, such as I AM SAVING \$50 A WEEK or I WILL SAVE \$2,500 BY THE END OF THIS YEAR. Get the family involved through a roundtable meeting and discussion on how we could all better contribute – have a prize for the best suggestion. Maybe the kids could think of cheaper, fun ways for outings and friends visits (baking is a great activity and so is the beach). It can be helpful to read up books from the library about personal finance and business. Online, try: www.showmummythemoney.com.au for great tips on starting a business.

LOOK FOR FURTHER CUTS OR CHEAPER SUBSTITUTIONS: Is there anything else you can do? Think about your hot spots. Kids are great consumers and there's a tendency for teens to want more money to spend so make them work for it and make them choose. If you're in a single parent family, there may be a guilt factor at play: I've certainly seen single mothers spending more on the kids because they have to work and they're worried about the impact. Try to impose a spending limit for each child. Shop at outlet stores – at least, that's cheaper. Use libraries and hire those video/computer games from the local video store. Stalk items that are desirable for Christmas and birthdays. Use the web to source more bargains – An ebay subsidiary www.half.ebay.com offers fixed price discounts on music, books and video games while Borders weekly email offers substantial discounts on books. Plan ahead: that's the key.

Each quarter, I'll be giving away one copy of my book - *All About the Money, Honey! Financial recipes for Success* (Wrightbooks 2008) rrp \$29.95 - to the person who writes in with the best tip or idea for achieving their 2008 goals plus an outline about their progress so far. See the contact page.

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