

Life is expensive, and that's not changing

If you are worried about the rising cost of living expenses and are not seeing any wage increases, then it's time to get organised with your finances, set a realistic budget, work out what you can do without and where you can invest to save.

The increasing cost of goods and services – from food and housing to transport and utilities – is a reality most Australians have to face every day.

Data from the Australian Bureau of Statistics (ABS) shows that living expenses for employee households were up by 1.3 per cent in September 2019 compared to September 2018, and up 2 percent in the year previous. Self-funded retiree households and age pension recipients, living costs rose by 2.3 per cent and 2.2 per cent respectively from September 2017 to 2018 and was up another 1.9 and 1.7 per cent respectively from 2018 to 2019.¹

If more money is going out, but no more is going in, should you be tightening your budget? Let's take a look at some possible strategies.

Take a good look at large expenses

Most of us have read the anecdote of how much money we can save if we cut out our daily trip to the local café. But do we really want to do away with small treats that help us get through the day? And do we want to stop supporting local businesses? If your answer is NO, then skip straight to your large expenses. The ABS reports that the top three expenses in Australian households' is on housing, food and drinks, and transport.²

Mortgage – can you negotiate a better rate? How much extra could you pay off each month to reduce the time until you are mortgage-free?

Second car – do you really need it? Can you use public transport or a bicycle? It might take a bit of getting used to, but a lot of expense can be saved.

Food – we all need to eat, but how much do you really spend on food? Being more organised with your shopping list and meal planning can help reduce your grocery bill when you eat what's in season, buy in bulk and reduce food waste. Whenever you find something going mouldy in the fridge, how many dollars are you throwing into the bin?

Entertainment – how often do you eat out, go to the movies, take the kids on a social outing that costs a small fortune? Look out for free activities and think of ways to make the most of your local services. Pack a picnic lunch and you will also save big there.

Lifestyle fatigue

Research shows that Australians spent \$145 billion on lifestyle goods and services in 2017.³ There could be potential here to save big. For example, could overseas holidays be replaced with something closer to home? It would reduce travel expenses and support the local economy. Can you search online for second hand items for your home rather than always buying something new? How many clothes do you really need? Lifestyle items are nice to have, but what is the long-term benefit? By being more diligent, you can still enjoy a few luxuries but also divert some savings into investment vehicles to save for your retirement.

What else?

Once you have looked at ways to trim large expenses start looking at what you can do with your savings, such as investment vehicles. Your financial adviser can help you figure out which are most aligned to your financial goals.

You can also try to supplement your income by selling unwanted goods, taking up a second job or looking at your skill set to see if you can make some extra money on one-off jobs, projects, hobbies and tutoring.

With the cost of living rising year on year, it's worth taking a look at how you can keep your income and expenses aligned to your long-term goals. And your financial adviser can help.

¹ Australian Bureau of Statistics, September 2019, 'Selected Living Cost Indexes, Australia'. Accessible at: <http://www.abs.gov.au/ausstats/abs@.nsf/PrimaryMainFeatures/6467.0?OpenDocument>.

² Australian Bureau of Statistics, September 2017, 'Household Expenditure Survey, Australia: Summary of Results, 2015–16. Accessible at: <http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6530.0Main%20Features32015-16>.

³ Mozo, August 2017, 'Australians eating away savings, spending a whopping \$4 billion on food and drink per month'. Accessible at: <https://mozo.com.au/family-finances/2-17-cost-of-lifestyle-key-findings-report>