

Developing better money habits

The cost of goods and services will always be on the rise

The increasing cost of goods and services is a reality most Australians have to deal with. Data from the Australian Bureau of Statistics shows that living expenses for employee households were up by 1.1% from March 2020, compared to March 2019¹. This may not seem like a lot, but if living expenses go up and wages stay stagnant, it makes an impact of your overall household income and expenses ratio.

As well as costing more, we generally want more, as we fill our homes with the latest gadget or upgraded model of a good and lean more on outsourced services to keep our homes and families running smoothly in an ever-changing world.

Knowing that the cost of things goes up simply mean you need to be more organised and create a priority list for yourself.

Cut back on major expenses

Trimming your expenses is one of the easier ways to manage the high cost of living. But rather than taking a piecemeal approach, it may be more effective to cut back on some of the largest drains on your earnings, such as food and transport costs. Keep track of what you spend on food and transport each month and then look at ways you can get savvier to make some savings.

Re-evaluate lifestyle costs

It may be worth auditing your lifestyle costs to see if you could decrease them. While you don't have to give up all the things you enjoy, cutting down on, for example, overseas holidays, dining out or purchasing the latest gadget could go a long way in reducing your costs. Enjoying a few lifestyle luxuries is one thing, but don't make a habit of it. Think about the fun you can have at home with friends and family or take advantage of free events, festivals and community services.

When you need new things such as clothes, furniture, white goods or a car, think about whether you can find them second-hand or upcycled. There are many websites and groups where you can find what you need, without needing to purchase it new.

Create a budget

Having a budget and sticking to it may help you minimise unnecessary expenses. A budget tracks your weekly or monthly spending and may help ensure you have enough money to cover essentials, build up your savings and handle unexpected or increased costs. You may wish to consider working with a professional financial adviser to create a budget that factors in your income, expenses and financial obligations.

Supplement your income

Increasing your income may be another way to manage the rising cost of living. You could take on extra work in your spare time or start a side business. For example, you could become a private tutor in your field of expertise, rent out your spare room or pet sit.

If you have enough savings on top of your contingency fund, you may want to invest to grow your capital and earn interest. Your financial adviser may recommend strategies to help you generate an income from your investments. The high cost of living may affect your savings and lead to money-related stress. But if you're smart about your finances, you could keep your cost of living in check and remain financially secure.

¹467.0 - Selected Living Cost Indexes, Australia, Mar 2020 (<https://www.abs.gov.au/ausstats/abs@.nsf/mf/6467.0>)

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