

YOUR TOP FIVE NEW YEAR'S FINANCIAL RESOLUTIONS

Overspent in 2016? Here's how to put your finances back on track – and even get ahead.

December 2016



Despite the best intentions, many of us will finish this year on a low note financially. Whether it's the cost of Christmas presents or summer holidays, or unexpected expenses that cropped up during the last 12 months, wouldn't it be great to be able to start the New Year for once without having to play catch-up?

So with 2017 just around the corner, now is the perfect time to start planning your financial strategy for the year ahead. Here are our top five New Year's financial resolutions that you can make right now, so you'll be in a better position by next December.

Resolution 1: I will review my household spending

A detailed budget can be the most valuable tool you have for managing your finances. So if you find yourself regularly overspending, the beginning of the year is a great time to look at where your money keeps going.

A good place to start is by using the MoneySmart [Budget Planner](#). First, list your total income from any earnings, allowances and investments. Then, add in all your weekly, monthly and annual expenses, including the costs to repay any debts like credit cards or your home loan. That way, you'll know exactly how much you have left over each week or month for extra luxuries – or where you might need to tighten your belt.

And don't forget that the cost of living goes up every year. For instance, during the 12 months to September 2016, the Consumer Price Index rose by 1.3%.¹ So when you're reviewing your annual budget, be sure to allow for inflation. That way you'll be able to absorb any shocks if the costs of your utilities, groceries or other expenses go up next year.

Resolution 2: I will manage my debts

Clearing your debts might be easier said than done – but whatever you do, don't stop chipping away at them. Remember, the longer your debts stay with you, the more you'll have to spend on interest.

If your debts are getting you down, talk to your financial adviser. Your adviser can help you work out a realistic repayment plan and could even be able to develop a strategy that could make debt management a bit easier.

For example, if you're surrounded by credit card bills, you might be able to consolidate your debts on a single card with a lower interest rate than what you're currently paying. Or if you feel like you're not making any progress paying off your home loan, you might be able to switch to another loan provider who's offering a more competitive rate.

Resolution 3: I will improve my cashflow

Even if you budgeted carefully in 2016, did you find it challenging to keep up with your regular expenses? If you found yourself living from one paycheque to the next, it might be time to take a look at your incomings and outgoings to see if there's a way to smooth out your cash flow.

Of course, this will mean something different for everyone. There might be opportunities to boost your income, either by working more hours in your current job, doing some extra work on the side, or finding a new role that pays more. Or if none of those options are possible for you, it might be a case of revisiting your budget to see if there are any lifestyle changes you could make.

When you're looking for ways to achieve a healthier bank balance, it's always a good idea to think outside the box. For instance, if your kids have flown the nest, is your home larger than what you really need these days? Next year could be the year you downsize – freeing up some cash that you can use to pay off debts and invest for the future.

Resolution 4: I will start saving

Once you've got your cashflow and debts sorted, it's much easier to create a realistic savings plan and stick to it. To stay motivated, remind yourself that every bit you put away adds up – and could make an enormous difference in the long run.

Saving can become even easier if you open a high-interest savings account. And by setting up a direct debit, you can automatically deposit a fixed amount from your everyday account as soon as you get paid (in other words, before you even notice it's gone). This will give your savings a better chance of growing without you having to put in the hard yards.

If you're saving for something specific, like a holiday or a new car, you should also check out the MoneySmart [Savings Goals Calculator](#). By keying in the amount you need to save, your preferred timeframe and the rate of interest your savings account earns, you can then work out how much you'll need to put aside each week or fortnight so you can reach your goal.

This can also be a helpful way to budget for larger expenses that come around once a year, like your home insurance or car registration, so they don't sneak up on you.

Resolution 5: I will focus on the future

By getting your finances under control for 2017, you'll be in a better position to start thinking about your long-term investment strategy. Depending on your situation, you might prefer to focus on either your super or your non-super investments, or a mixture of both. If you're not sure, your financial adviser can give you the guidance you need.

Provided it is right for your circumstances, one way to grow your super faster is through salary sacrificing. This means setting up an arrangement with your employer where you 'sacrifice' some of your salary, and in return they contribute a bit extra to your super. Even a small amount each week or fortnight can have a big impact by the time you retire – and since the extra contributions come out of your pre-tax earnings (and are generally taxed at only 15% when received by your super fund), this type of strategy could even reduce your annual tax bill.

Alternatively, you might want to look at investing outside super. On one hand, the tax treatment of your investments may not be as favourable as it is in the super environment, but on the other hand, you can access your capital and earnings more readily, without having to wait until you reach retirement age.

When it comes to working out the right investment strategy for your needs, look no further than your financial adviser. They can create an investment plan tailored for your personal circumstances and lifestyle goals, to put you on course towards a happier financial future.

1 Australian Bureau of Statistics, 6401.0 - Consumer Price Index, Australia, September 2016.