



Budgeting 101



Mortgage Crunch Kit
Report No. 3

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Budgeting 101

Your Notes

So you'd like to own your home even sooner...?

One of the keys to paying off your mortgage years sooner is to take control of your money and make it work harder for you... and taking control of your money means creating and sticking to a budget.

Your Budget is Your Friend!

Most people look at a budget as a negative imposition on their lifestyle. This needn't be the case; the reality is when a budget is done properly it really equals fun and freedom.

The essence of budgeting is to provide you with financial control. Yes, you are allowed to spend money! A budget is meant to make your life fuller and richer, not more restrictive. We are not suggesting that you should live a dull life where you can never go out, eat takeaway, or see a movie.

Saving and budgeting smartly will allow you to make the best use of what you have and live a happier, more fulfilling life.

A budget can be as simple as:

- ✓ Save 10% of everything you make—a great way to save is to have your savings taken straight out of your pay packet by automatic deduction. Saving 10% is a good starting point.
- ✓ Have a plan to eliminate debt and a savings plan for seasonal expenses and unexpected emergencies. It's also a good idea to invest at least 10% of all you make in reducing your debt.
- ✓ Only use credit cards if you can pay the balance in full each month.

In Debt? Here Are 4 Rules to Paying Off Debt Quickly

If you're in debt, you have to get out by whatever means works for you. So put together a plan—then stick with it. Commit to do whatever is necessary to complete the plan.

Above all remember: a plan is only as good as your ability to stick to it. Just like diets, all of them work in theory. The true test, however, is which diet will you stick with? No matter how effective the plan is on a daily basis, if the regimen is outlandish and impractical, you will not stick with it no matter how good it looks on paper.

When evaluating a get-out-of-debt plan, you should look for the following characteristics:

- ✓ Is it specific?
- ✓ Is it easy to prepare?
- ✓ Is it simple to understand?
- ✓ Is it visually pleasing and suitable for refrigerator posting?
- ✓ Can its results be measured?
- ✓ Does it have a specific finish date?

When it comes to this kind of effort, the simpler the better. But don't sacrifice quality!

The Rapid Debt Repayment Plan

Here is a plan that fits all the above criteria. It's a simple plan and effective because it works. It's called the Rapid-Debt Repayment Plan.

This plan is simple because there are only four rules. If you adhere closely to all four rules, you will get out of debt in record time.

Rule # 1...

No more new debt: Unless you are willing to stop adding to your unsecured debts, you're really out of luck when it comes to debt-proofing your life. Furthermore, if you don't stop adding to the problem, you'll be like the homeowner with the kitchen fire—except instead of putting out the blaze that's ready to destroy the entire structure, you'll be pouring gasoline on it. It might be manageable for a while, but you'll be on your way to a full-on raging inferno. The rule is simple: add no new unsecured debt.

Rule # 2...

Pay the same amount every month: Ignore the declining minimum amount due on the monthly statement until the debt is paid. If you are following rule number 1 religiously, you will soon notice something peculiar about your minimum monthly payment: it will start to shrink.

Credit card companies in particular are not that interested in you paying off your debt. They'd like to keep you in the position of paying them a tidy sum of interest every month for the rest of your life. That is why your minimum monthly payment may be a percentage of the remaining balance, generally 2 to 4 per cent.

Rule # 3...

Line up your debts according to size: Put the debt with the shortest pay-off time at the top and the one with the longest term at the bottom.

Rule # 4...

Your Notes

As one debt is paid, take that payment and redirect it to the regular payment of the next debt in line: This rule requires that until you are completely debt free, you pay the same total amount toward your debt until all debts are paid.

Get Smart Saving Tips

Reducing those unnecessary expenses (smoking, junk food, takeaway) can make a huge difference to your lifestyle and your mortgage.

It is the little things in life that add up. Just try totalling your grocery expenses for 6 months; you might be surprised at the amount it comes to! That's why every little bit makes a difference...

The following tips will help you cut your spending and stay within your budget:

1) Avoid Impulse Buying

The most important risk to your budget is the tendency to buy without thinking. Instead of spending impulsively, why not try saving impulsively! Whenever you change your mind about buying something, add the money to your savings account or mortgage. You will be amazed at how much you have at the end of the month just by avoiding impulse expenditures.

2) Ask For Discounts

Always ask for a discount! You'd be amazed that most managers are happy to provide you with a 5~10% discount to secure your purchase. You just have to ask...

3) Travel Discounts

To save up to 50% on your holiday, try travelling the week before or after peak season. The weather is still good... and the prices are great! Call airlines and hotels six months in advance to find out when prices change.

www.au.lastminute.com is a great site to visit for saving money on holidays, flights, hotels, entertainment and more. There are bargains to be had all around the country.

4) Reduce Your Food Bill

Groceries are one of the more flexible items in a family budget. You can easily cut your food bill by 10% to 30% just by putting into practice the following easy tips. Imagine the impact these savings can have on your mortgage...

	Your Notes
<p>Use Coupons: Shrewd shoppers know that coupon shopping can put a whole lot more food on the table for your money. Take advantage of shop-a-dockets found on the back of receipts from major supermarket chains. You'll find great savings ranging from restaurant discounts to video rentals, photo developing, holiday packages and more.</p> <p>Visit www.hotdockets.com.au to search, collect and print free coupons on a range of categories, which are valid anywhere in Australia. Categories include automotive, entertainment, food, financial, retail and more.</p> <p>Meal Planning: Most shopping problems are caused by lack of planning. The last minute rush to the corner shop where items generally cost much more can be avoided by planning the week's meals in advance and then shopping to suit. By doing this you can also take advantage of the specials.</p> <p>Make your main course selections (meat, poultry and so on) based on what's on sale. By doing this you can always eat great without the great expense. Only buy household items on sale. Everything goes on sale eventually. When it's on sale, purchase what you needed since the last time it was on sale.</p> <p>Shop for Specials: Before shopping, browse through mail, magazine and newspaper catalogues for extra specials. Many supermarkets offer significant savings on products so don't be afraid to shop around. Decide which store you're going to shop at based on your findings in catalogues and advertisements.</p> <p>Bulk Buy: You'd be amazed at the savings to be made just by buying in bulk. From flour to dried fruits to pasta to nuts, bulk buying is a great way to save. And yes, bulk items are generally as fresh as packaged ones.</p> <p>5) Be Smart When Buying Items That Depreciate</p> <p>Buying a new car is a perfect example. You'll overpay at least 20% on a new car. Once a new car is perceived as "second hand," its value decreases dramatically.</p> <p>However, there is nothing wrong with buying a car that is 12 to 18 months old. Research shows these cars are usually the best value for money, because you are not paying a premium price for a "brand new" car, but the likelihood is that it will run as well as a new car.</p> <p>6) Buy Second-Hand</p> <p>Don't look down on second-hand goods—everything is second-hand once it leaves the shop! You can make huge savings by purchasing near new items of furniture, electrical goods, exercise equipment and more through newspapers and garage sales (or even buying second hand and new goods on eBay.com.au would be a good way to save money).</p>	

7) Plan For Christmas And Other Special Occasions

Join a Christmas Club at your bank and put a fixed amount in each week. For those of you who overspend at Christmas time, ask yourself the question, would the people you're shopping for really want you to buy these gifts if they knew the financial hardship it would cause you?

8) Always Try To Buy On Sale

Everything goes on sale eventually. Try to make your purchases based on when prices are lowest. For example, bathers are cheap in winter and jumpers are cheap in summer. Be an intelligent shopper!

9) Child-Minding

Day care and baby-sitters can become expensive. Consider sharing with your friends and family and perhaps work out a schedule where you look after their children one day and they look after yours the next.

10) Petrol

To minimise your petrol expenses, car pool with colleagues and friends. Also if you can, park your car at the train or bus station and catch public transport. As well as protecting the environment, using public transport also means you will avoid steep parking fees.

11) Bank Fees

Most banks pay about the same interest on savings accounts. The important distinction among banks has to do with the fees you pay for services and the minimum balances required to avoid such fees. Bank fees can add up quickly, so shop around to make sure you're getting the best deal.

12) Maximise Taxable Deductions And Minimise Non-Tax Deductible Items

With tax taking a bigger and bigger slice of your income, it is wise to make a point of legally minimising tax. It is up to you in conjunction with your financial advisor, to arrange your affairs to maximise the items that can be deducted.

It pays to decrease any part of your spending that is not tax deductible. If you can do this it is equivalent to getting a pay rise. They say a cent saved is worth nearly 2 cents earned.

These tips to cut your spending can literally save you thousands of dollars each year. Remember it's not usually the big expenses that

matter the most. It's the little expenses. Think about it... how many big expenses do you have? Not many. Yet, you have a lot of little expenses every day.

Reduce Your Home Loan

The savings you will make from good budgeting skills and smart shopping can go a long way towards reducing your mortgage. Even small amounts paid off a long-term loan can reduce the loan term considerably. The more you pay off your home loan, the less interest is charged, so every successive payment pays more off your loan.

Your Personal Mortgage Reduction Plan

To improve your budgeting skills and to better track your savings, we suggest you create your own personal Mortgage Reduction Plan using this software at our web site.

Here is a great story we recently received from a member, Marion Carter of Albany WA, about this unique Mortgage Reduction Plan software...

"A few years ago we did a bathroom renovation which was around \$12,000. I punched the estimated cost into the Mortgage Reduction Plan software and it really didn't make much of a blip on our loan repayment term. Not like I was expecting. I thought, "Well, this can't be right". At the time, I had to go see the bank and talk about money anyway. When I spoke to our banker about how little difference the projected \$12,000 redraw seemed to affect our loan, he put it in his banks' computer program... and it came out the same! He said, "Oh, yeah, that's right", so I knew it was. When we actually spent the money and did the reno, it worked!

I heard about the Mortgage Reduction Plan software a few years ago. I think I saw it on the local "Current Affairs" programme. I went in and investigated it. It's great because we've been doing a lot of renovating over the last four or five years at our home, and we're both on wages, so we can put the "what ifs" into the program to see what's going to happen in the next four or five years with our loan.

Mortgage Free Australia has fantastic support for the Mortgage Reduction Plan software, too. Sometimes I've put the in figures a bit wrong and I've had to ring up to get some help. The guys at Mortgage Free Australia have been really, really helpful. I can thoroughly recommend the online Mortgage Reduction Plan software. I've been using it now for over 3 years." - **Marion Carter (Administration Officer),
Mira Mar, Albany WA 6330**

The impact extra savings can have on your home loan can be easily measured using the unique online Mortgage Reduction Plan software you can find at www.mortgagefreeaustralia.com/buy.asp.

Your Notes

Putting It All Into Practice...	Your Notes
<p>If you start to put these simple budgeting and saving tips to use, you will be amazed at what you can accomplish. The simple act of preparing a good saving and budgeting plan now will relieve you of most money pressures and will help you achieve a better standard of living.</p> <p>Basic Budgeting Tips (to Reduce Your Mortgage)</p> <p>Think of savings as an expense. If you can, when paying bills write your first cheque to your savings account. A rule of thumb is to pay yourself 10% of all your income first before any other bills.</p> <ul style="list-style-type: none"> ✓ As a debt is paid off, designate those savings to your mortgage or savings account. ✓ Try not to let bills build up; pay them as they're received or at least monthly. ✓ Pay bills according to your budget. Don't pay just the minimum required amount if your budget allows for more. ✓ Try to reserve credit for major purchases or genuine emergencies. ✓ Minimise borrowing for items that depreciate in value. Try to use credit only to purchase value-appreciating items, like investments. ✓ The money you pay yourself out of your earnings is the foundation of your wealth. Savings enable us to buy better, savings enable us to invest and savings reduce our interest bill. ✓ Use your tax refund cheque to help reduce your mortgage. The online Mortgage Reduction Plan software can show you how effective this can be. ✓ If you are a working couple, live on one wage and use the other for debt reduction. ✓ Avoid getting trapped into recurring bills, (eg. mobile phone bills). ✓ Avoid tempting sales, which offer “no down payment and no interest”. You can start these purchases with all the best intentions, but the commitment can so easily get on top of you – which is what the finance companies hope will happen! ✓ If you can afford it, pay your bills annually not half-yearly or quarterly. Many insurance companies, for instance, offer a discount for full payment of your premium up front, as it saves on their bookkeeping costs. You can negotiate with many different businesses for a similar arrangement. <p>Top Shopping Tips To Save Your Hard Earned Dollars</p> <ul style="list-style-type: none"> ✓ Learn to cook smartly—invest in a good cookbook. ✓ Restaurants consider every ounce of wastage when preparing 	

	Your Notes
<p>their ingredients, so why don't you do the same as well?</p> <ul style="list-style-type: none">✓ Plan all meals in advance and cook only as much food as your family will consume at each meal.✓ Make use of all leftovers and take your lunch to work.✓ Watch the expiry date on perishables and avoid buying outdated, spoiled food.✓ Become a "comparison shopper" and buy "specials" from several stores.✓ Purchase only what you will use and eat everything you buy.✓ Visit the shops as little as possible.✓ When grocery shopping, carry a list and stick to it.✓ Don't shop when you're hungry, you're more likely to make impulse buys when your stomach is rumbling.✓ Avoid taking children food shopping with you.✓ Clip, save and use store coupons.✓ Watch for supermarket sale ads and shop for the store's specials.✓ Watch the cash register when checking out—errors can be costly.✓ Buy your favourite foods in the largest size containers available and bulk buy.✓ Compare prices on store brand names and "no name" brands. Generic brands often cost less. And often they are manufactured or packed in the same places by the same companies, under different labels.✓ Stock up on genuine bargains and frequently used items when they go on sale, for example canned goods, toilet paper, shampoo and more.✓ Shop at supermarkets and fresh produce markets. Corner convenience stores are much more expensive.✓ Check the bottom and the top shelves first. This is generally where the bargains are. Supermarkets are often paid to place the most expensive items at eye level. <p>Of course, the fundamental concept of good budgeting is to minimise expenses and maximise income. But what if you could cut your expenses <u>including</u> you home loan? And still pay it off years sooner?</p>	

Paying off Your Mortgage Early Means Surviving on Budget-Brand Canned Food and Living Like a Social Hermit—Right?

“Rubbish!”

Here are 7 Compelling Reasons Why You Should Have a No-Obligation Chat with Your Local Mortgage Coach Today:

Mortgage Coaches are all...

1. ...Hand-picked by Mortgage Free Australia for their knowledge and ability to help you get rid of your mortgage years sooner *(they know all our special techniques for becoming mortgage free years sooner which means you'll be on the Mortgage Freedom Fast Track— instantly!)*
2. ...Insiders with intimate knowledge of the lending secrets of the banking industry *(they know all the tricks for getting you the best deal possible—including access to the specialist loan products that the public are never told about!)*
3. ...Able to access the specialist mortgage brokers' networks at all the major banks *(this “inside track” access to the personal relationships not available to the general public means you'll get your loan settled quicker than someone applying directly to the bank!)*
4. ...Sound money managers, many of whom have worked an average of 10 years in the banking industry *(and because they each write around 80 loans a year, in the last 12 months our mortgage coaches have collectively worked around 79,000 hours helping ordinary Australians... just like you... break free of the mortgage trap!)*
5. ...Accredited Mortgage Professionals who are members of the Mortgage Industry Association of Australia *(the MIAA is the premier mortgage association in Australia. MIAA heavily regulates and monitors the people they accept for membership meaning your personal details are in safe, trusted hands!)*
6. ...Approved specialists who can access over 300 loans products through 30 different lenders *(which means you'll get the widest variety of choice and flexibility so you'll get the most up-to-date, best deal possible for your circumstances!)*
7. ...Trained to source the right loan for just about anyone *(from “credit-impaired” self-employed clients' right through to the most “credit-worthy” of borrowers, Mortgage Coaches can help you make the best impression on the bank, smoothing the path for your loan!)*

Best of all—there's a Mortgage Coach in your area, standing by to save you from the hassle of coming into a bank, dealing with parking, or any of the many inconveniences most banks will happily put you through!

In fact, your Mortgage Coach will meet you at home, work, (or even at a local coffee shop if you'd prefer!)... on YOUR timetable... at YOUR convenience.

Our **FREE** Mortgage Coach service has proven to 5,100 other Mortgage Free Australia members how they could become mortgage free years sooner without making any extra interest repayments!

Click www.mortgagefreeaustralia.com/coach.asp to create a Mortgage Coach Request in just 30 seconds and everything else will be taken care of for you... OR... you can ring us on 1300 559 229 (10am-7pm EST) and we will take care of your application for you over the phone. (This is a no-cost, no obligation service).



No matter what your situation, our Professional Mortgage Coaches will get you the RIGHT loan

What A Few Mortgage Coach Clients are Saying About Our Service...

"Initially I had a few reservations about using a mortgage coach as I had never done it before, but in the end the outcome was what I wanted. I found it much nicer to deal with someone on a personal level who listened to your needs – I have found before that the banks often don't listen to what you are saying. My mortgage broker was a nice man to deal with who also got me the best deal and is someone I would use again."
Merrill-Mount Gravatt East, Qld

"If we had to go through the whole experience again, I have to say there wouldn't be one thing I would want to change. I can only speak glowingly of our experience and our mortgage coach – the quality and amount of support she provided for us was excellent. I would recommend our mortgage coach to anyone and we would certainly use the service again in exactly the same way."
Stephen-Toodyay, WA

"If we ever need more money or to refinance I would not hesitate to call my mortgage coach to assist us once again. It was so very helpful having someone there to do our loan for us. If we ever had a query and could not get hold of him immediately, he would always call us straight back so we were never left waiting. What was also reassuring, is that our mortgage coach explained everything in simple terms so we understood exactly what we were doing and the whole process seemed to happen very quickly which is always an added bonus!"
Cristine-Huntingdale, WA

"I have used the mortgage coach service from Mortgage Free Australia twice now, and have had a fantastic experience both times. Our mortgage coach was brilliant, the whole process was very professional. One of the main reasons I keep coming back to Mortgage Free Australia for finance is the great customer service. Lots of companies are happy just to get your business then not worry about the customer, but that's not the case at Mortgage Free Australia. Everyone is very friendly and helpful – the whole follow through just shows it's a very professional service."
Shane-Beckenham, WA