

Budget your way to financial wellness

Effective management of income and expenses

If you add up all the income you earn in your lifetime, you'll be surprised how much it can amount to. An annual income of \$70,000 can translate into a cumulative amount of \$3.5 million¹ after 35 years. That's a sizable fortune. However, the requirements of daily life means your income will dissipate via such things as taxes, loan repayments and living expenses so what is left over will only be a fraction of this. Nevertheless, you have the ability to influence what you spend on and how much to spend. Effective cashflow management is the cornerstone to achieving financial wellness.

¹ Assuming income increases by 2% each year. Amounts are before tax is deducted.

Mastering the psychology behind your spending habits and behaviours

Some people seem to be very good at managing their money while others struggle with it. A lot boils down to habits and behaviours around money, which may have been shaped by personal experiences, family upbringing, personal tastes and outlook in life. It's important to recognise your own personal psychology on money so that you have the right support to make it work for you.



Our plans at a glance

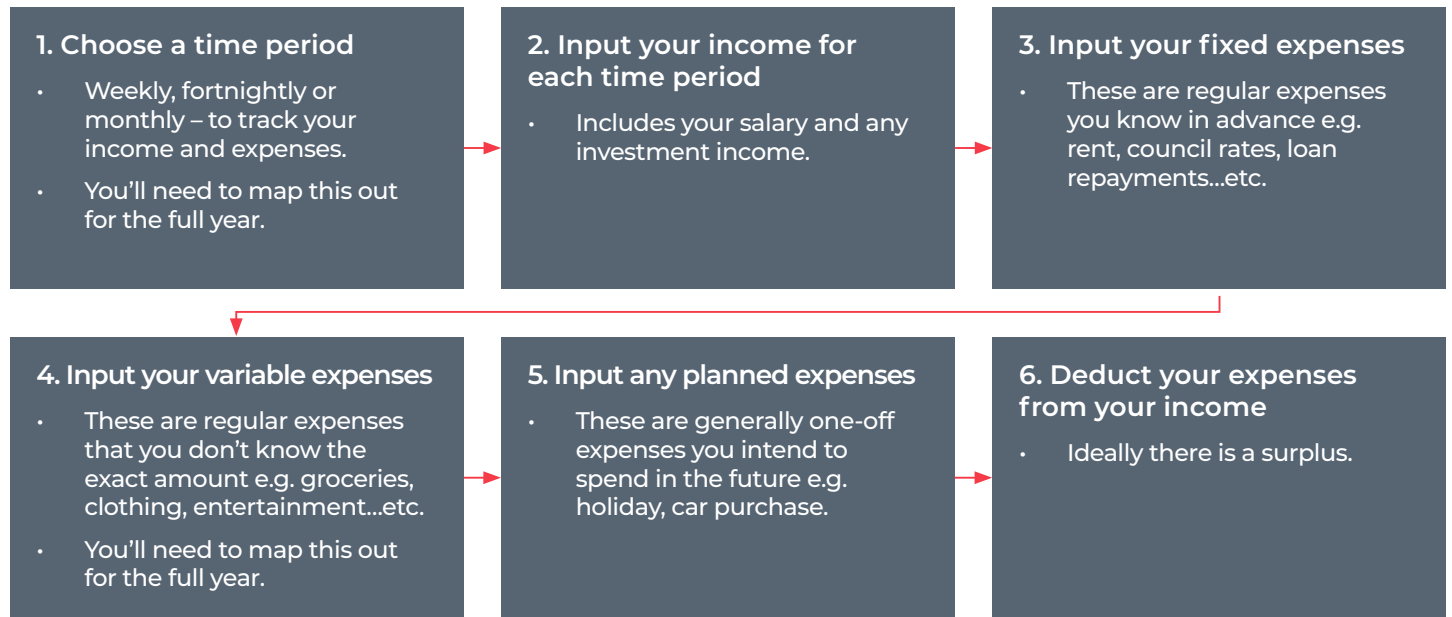
Expense Tracking & Budgeting Plan

Help you setup and manage your expense budget so you can be in control of your cashflow while maximising your income surplus.

1. Mapping out your current income and expenses
2. Minimising your tax obligations
3. Setting targets for each expense category
4. Tracking and reviewing your expenses

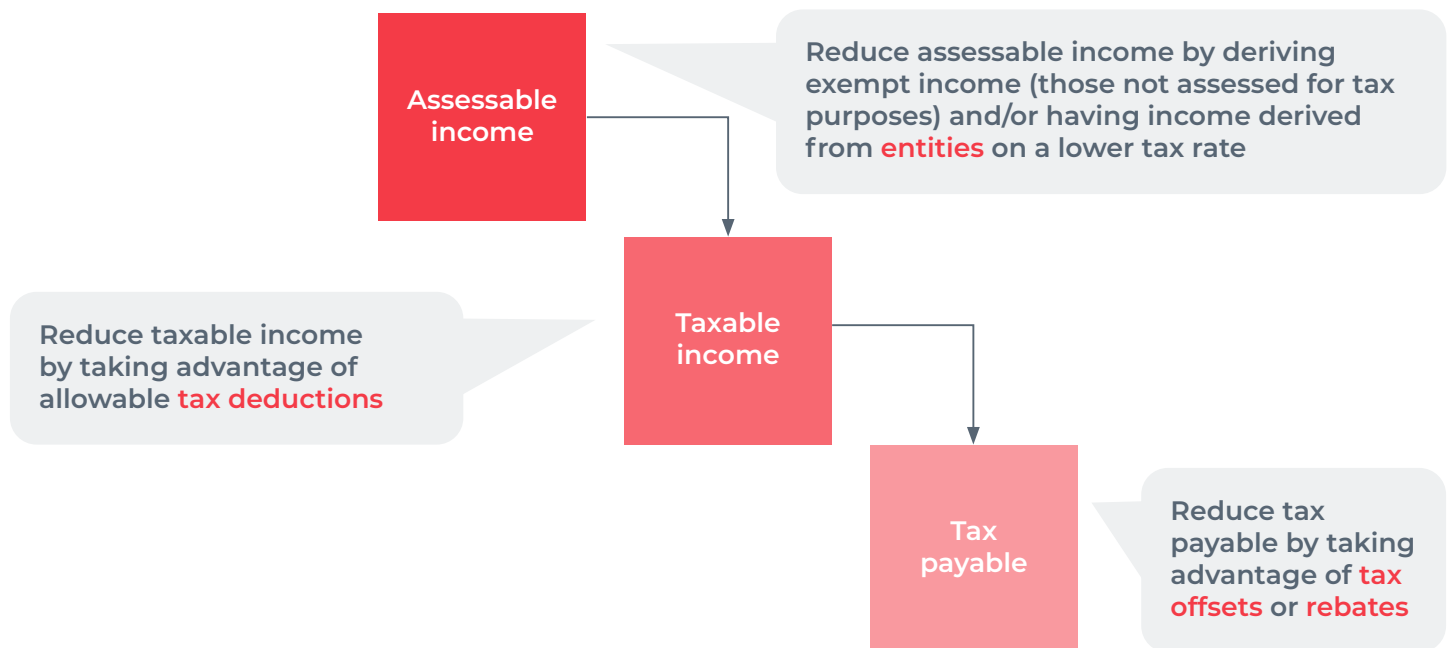
1. Mapping out your current income and expenses

The first step in taking control of your finances is to work out how much income you receive from all sources and where the money is spent.



2. Minimising tax obligations

A good way to improve your income surplus is to explore ways to reduce your tax obligations. The diagram below illustrates 3 avenues to achieve this.



3. Setting targets for each expense category

Once you map out your current income and expenses and have the right setup to minimise your tax obligations, the next step is to set targets for each expense category. This is typically achieved by setting up a budget.

Common expense categories can include:



Entertainment



Groceries



Transport & Auto



Insurance & Financial



Home & Utilities

Budgeting for adversity

In your current expenses and budget, its most likely you allocated money for car insurance, private health insurance and home and contents insurance. But what if you got injured or became ill and can't work? What if you pass away, will your family be ok?

Unfortunately, adversity can strike any time, usually when we least expect it. Therefore, it's important to budget for these contingencies. Common strategies can include setting aside money for:



Cash reserve

This can be used for emergencies and unexpected expenses.



Life insurance

Provides a lump sum of money if you pass away.



Income protection insurance

Provides a regular income if you cannot work due to illness or injury.



Trauma insurance

Provides a lump sum of money if you are diagnosed with an illness or condition.



Total and permanent disability insurance

Provides a lump sum of money if you suffer an illness or injury which causes permanent disability.

Budgeting for wealth creation and the future

In your budget, it's important to allocate money for things that you need in the future. For example:

- Future retirement – when you can no longer work or don't want to work
- Planned expenses – whether for a holiday, buying new car or new home

Setting aside money for such thing as retirement is most beneficial when it's done early, as the example below shows:

Bronwyn

Bronwyn starts her retirement planning at the age of 30. Based on her budget, she worked out she can save \$200 per month into her retirement savings plan. If she saved every month until age 65 she would put in a total of \$84,000 of her own money. If the rate of return on her investments is 7% per annum (compounded monthly), she will accumulate a total of \$360,210.92 at age 65.



Brenda

Brenda, on the other hand delays her retirement planning until age 55. She budgets to save \$1,000 per month into her retirement savings plan. If she does this until age 65 she would contribute a total of \$120,000 of her own money. If the rate of return on her investments is 7% per annum (compounded monthly), she will accumulate a total of \$173,084.81 at age 65.



\$84K

35 years

\$360K

\$120K

10 years

\$173K

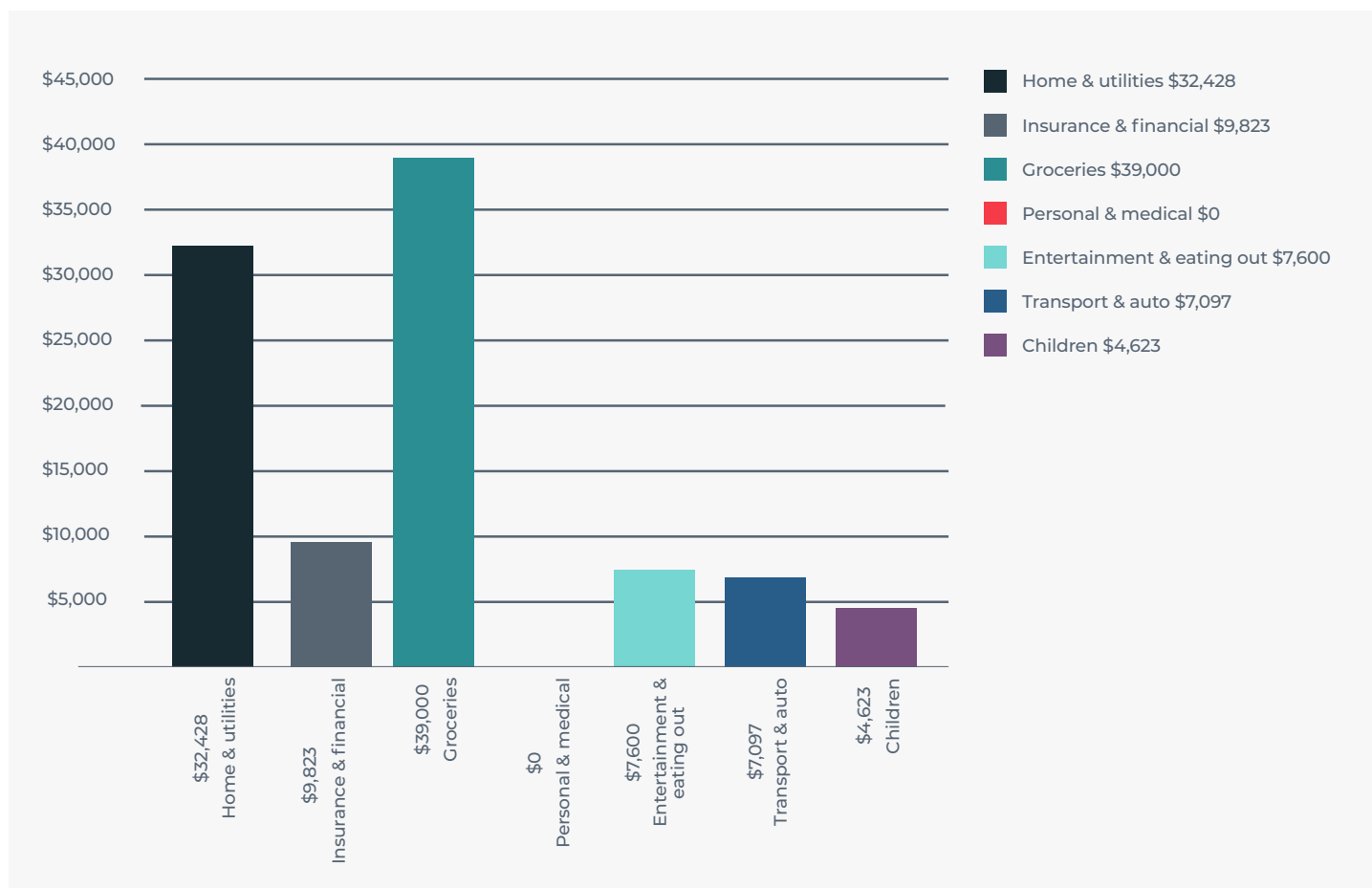
Even though Brenda is investing a higher monthly amount and a higher total amount, her accumulated savings at age 65 is less than half of Bronwyn's. The key difference here is the power of compounding. By starting earlier, Bronwyn has allowed her money to be invested for longer and therefore working much harder for her. It therefore pays to start earlier – quite literally.

Consider setting up a regular savings plan via direct debit from your bank account to ensure the process is automatic without you needing to remember each time.

4. Tracking and reviewing your expenses

After you have set up your budget you need to track your expenses in each category. You should have an estimate of what you have in each category at all times. There are a range of tools and apps available to help you with this.

On a periodic basis, at least monthly, review your expenses versus budget. Make adjustments to your spending if required. Using reports like the below can help.



Get in touch with Tribel

Contacting Tribel is easy. Call to speak to one of our advisors, or you can email us to find more information on our website.

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Financial wellness first

At Tribel, it's our mission to deliver holistic wellbeing for our tribe – our clients and their families – by partnering with them throughout their financial journeys.

We're a national team of financial advisors and planners with over 15,000 clients and funds under advice of over \$1 billion.

For individuals, we provide cashflow management, debt management, risk management, wealth creation, retirement planning and estate planning. For businesses, we provide business ownership protection, key person protection and employee protection services.

Located in Sydney, Brisbane, Melbourne, Perth, Adelaide, Newcastle, Bathurst and Mackay, we're proud to service individuals, SME owners, Corporate and Associations right across the country.

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