

Part 1 – Let's get started. Where is your cash going?

Technologies that make it easier to spend our money also tend to make it easier to lose track of how much cash we spend each day and the impact it has on our pay packet.

The humble wallet is the latest item under threat by disruptive technology as smart phones and new electronic gadgets fight to make the traditional currency of notes and coins redundant.

But there are also new technologies and developments that give us an edge to monitor how we use our cash. From cash hubs that allow us to centralise all our transactions through a central point to phone apps that track our daily expenditure. With a few clicks, button presses or voice commands you can ensure funds are present to pay the mortgage, schedule a bill payment or check on the state of your household budget.

Yet the flow of cash through the household budget and how we manage it is not just about ensuring the mortgage or electricity bill can be paid when it falls due. It is about creating an environment where our income does more than provide for our day-to-day living, and is put to work to create lifestyle enrichment, meet our long term aspirations, and ultimately achieve financial independence.

To successfully achieve personal goals like a round the world holiday, luxury car, upgrading your primary residence or planning for retirement, it is our ability to manage our cash and create new cash streams that is the master key that unlocks all doors.

And it goes deeper than that. Understanding how our cash is distributed to achieve lifestyle desires not only makes planning for goals simpler, it is also the foundation we use to build our investment portfolio, plan a long term wealth strategy, and manage decisions like using credit for big ticket items.

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Five steps to lifestyle enrichment

To take control of our personal balance sheet we have to start understanding how we spend our cash and how we can make it work harder for us. Here are five simple steps to get started.

1

Grab your bank and credit card statements and separate your spending into categories like food, clothing, bills and so on. If you have a cash hub all your data can be displayed from a single gathering station.

2

Look for irregularities or surprises in your spending habits. Expenses like the grocery bill will vary each week but average out over an annual period into a fairly stable figure. It's the same with ongoing bills like gas and electricity, phone and insurance. But you may notice that you or your partner is a bit of an impulse buyer, this in time can add up to a substantial drain on income.

3

Setup some simple disciplines to manage your expenses better. It may involve actions like consolidating your debts into a single facility for easy management or setting up the 24 rule, where you refrain from buying a big ticket item until the next day to curb impulse buying.

4

Pick up a free phone app that will allow you to track your expenses. There are many available and your financial planner can advise which one will suit you.

5

Go over your findings with your financial planner. Together you will build up a good knowledge of how your cash operates and how you can start making it work harder for you.

Understanding what makes your cash flow

The aim is not to become a miser that hoards every cent while feeling resentful at every dollar spent. It is about understanding how your income is dispersed and making sure you are in control of how it occurs.

While results will vary for each individual we can get an idea of the average Australian's cash spend in the table to the right. Your personal balance sheet will differ but it's helpful to have some base cases to check if your own spending patterns have significant divergence.

As you can likely imagine there are a host of ways to better manage your cash flow and control your spending, and once you make the decision to take control of your budget a financial planner can help you not just take these initial steps but set you firmly on the path to lifestyle enrichment and financial independence.

This raises an important point. You don't have to tackle this on your own, and to get started it doesn't matter what stage of life you are at. Whether you are 17 and starting out on a career or 70 and want to make sense of a lifetime of paperwork and disparate cash accounts and investments, a financial adviser can start helping you plan and achieve goals today.

Average weekly spend by life stage					
	 Lone person Aged under 35	 Couple only Reference person aged under 35	 Couple w/ kids Eldest child under 2	 Couple w/ kids Eldest child between 5-14	 Couple w/ kids Eldest child between 14-24
Housing	\$278	\$360	\$364	\$325	\$242
Fuel & power	\$20	\$26	\$28	\$43	\$48
Food & drinks	\$104	\$207	\$224	\$279	\$314
Clothing & footwear	\$23	\$52	\$54	\$64	\$82
Medical & health	\$24	\$58	\$67	\$77	\$104
Alcohol	\$24	\$41	\$26	\$31	\$35
Transport	\$142	\$224	\$220	\$254	\$332
Recreation	\$106	\$182	\$132	\$208	\$253
TOTAL	\$869	\$1429	\$1484	\$1670	\$1900

Source: moneysmart.com.au

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