

## Current Situation

Age: 19

Residence: On campus at Residential College

Study Status: 2<sup>nd</sup> year Bachelor of [DELETED] (4 years left)

Work Status: Casual employment in retail only during university holidays.

### Current Assets:

• Clothes (shoes incl.)	\$3500
• Accessories (jewellery incl.)	\$800
• Laptop	\$1700
• I-Touch	\$500
• Mobile Phone	\$500
• Savings	\$3200
TOTAL	\$10200

Current Liabilities: none

Insurance: No personal insurance but covered by parents' policies including private health insurance plus general extras.

Will: No current will.

Current Financial Situation: (based on the analysis of transactions from the 8<sup>th</sup> March till 8<sup>th</sup> May 2010.)

	<u>Monthly</u>	<u>Yearly</u>
• Income:		
- Casual Holiday Job	\$450	\$5400
- Youth Allowance	\$472	\$5664
- Parent's money	\$50	\$600
	<u>\$972</u>	<u>\$11664</u>
• Expenses:		
- Accommodation	\$785	\$6280*
- Food (incl. college catering fee)	\$558	\$6696
- Household/Computer	\$35	\$420
- Personal Care/Healthcare	\$73	\$1606
- Leisure	\$153	\$1836
- Transport	\$31	\$373
- Clothing	\$340	\$4080
- Miscellaneous	\$23	\$276
	<u>\$1998</u>	<u>\$21567</u>
• Offset: (Income-Expenses)=	-\$1026 per month**	

\*only pay for college accommodation fees for 8 months of the year.

\*\*the offset is actually \$44.55 if you take out the accommodation and college catering fees from the expenses for my parents are paying for it and is a personal expense.

## Goals and Objectives

### Short Term (<1 year):

- Move out of college into a share house with 2 or 3 other friends by January 2011.
- House hunt (through word of mouth from ex-collegians, internet and newspaper) preferable close to university and paying no more than \$220p/w for rent (which would include electricity, water, gas and internet bills).
- Set up a term deposit account before the end of this semester 1 2010 with \$5000 after researching which is the best product for the duration of 2 years.
- Get a job in Sydney for part-time or casual work during university, preferably in the industry by July 2010.
- From this job be earning at least \$110p/w (half the maximum rent p/w).
- Increase WAM to above the 70s by the end of semester 1 2011.
- Do own tax return through E-tax.
- Cut back on expenses from food, especially dining out starting now.
- Over the university holidays (June/July and summer holidays) save \$3300 to cover the cost for Habitat for Humanity trip in June 2011.

### Medium Term (1-6 years):

- Make it into 4<sup>th</sup> year of my course by maintaining an above credit average WAM (>65).
- Start building up a savings buffer (goal is to have \$10000 by graduation in 2014) by putting a certain percentage (increase after graduation) of every single fortnightly pay from part-time casual job into a high-interest savings account.
- Complete bachelor degree by 2014.
- Settle into a full time job as [DELETED] earning \$55000p.a. (taken from Graduate Careers Australia GradStats, 2007) by June 2015.
- Look into post-graduate study either in Australia or overseas.
- Even after graduation, live like I did as a university student in terms of having minimal expenses for 2 years to increase savings.
- Pull money from term deposit account (>\$5000) and invest it in a managed fund.
- Buy a car for a maximum of \$15000 by June 2016 (later if a car is not needed for transport to work etc).
- Merge all superannuation into one fund and put it into high-growth option investment by graduation (at maximum).
- Plan not to have a credit card during this period.

### Long Term (6+ years):

- Have a stable income and evaluate whether I'm in the right job which reflects my personality after having worked in the industry for 2 years.
- Take out a mortgage to buy a 2 bedroom apartment in SE Sydney for approximately \$350000 by June 2018.
- When moved into own place, do up a budget to reflect the new circumstances.
- Continue to increase savings buffer, ensuring the balance does not fall below \$10000 unless critical circumstances arise (eg. Accident, illness etc).

- Take out appropriate insurance including own private health insurance, income protection, home and contents insurance and compulsory car and 3<sup>rd</sup> party property insurance.
- Take out death cover if I ever get married or have any kids.
- Have paid off mortgage by June 2028 by paying more than the minimum repayment.
- 'Salary sacrifice' \$5000 per year from June 2016 till June 2018.
- Be financially independent by living off returns from investments by controlling managed fund appropriately reflecting financial situation.
- After having gain experience in the industry, looking starting my own business. Need a capital of \$100000 for this by 2025 (will be 34yrs old).
- Do up a will by December 2018.

## Financial Strategy

The following financial strategy has been devised in reflection of the goals and objectives section above. It provides me with a detailed plan of action I can implement to achieve my financial goals by the dates I have set for myself.

### Short Term:

- To find a rental house within the projected budget in the 'Goals and Objectives' section, I must move out with a minimum of 2 other people in order to find an affordable unit/apartment/townhouse within a 3km radius of UNSW. We will bring all household appliances and furniture from home to reduce further expenses.
- Take out a fixed term deposit account with ME Bank for a period of 2 years with \$5000. After researching term deposit products on the market I found ME Bank had the highest fixed interest rate for the amount of money I wanted to park there for 2 years. Using the fixed interest equation it was projected that I would earn \$671 in interest over the 2 year period which was more than in a Commonwealth Bank term deposit for the same value and maturity date, even when calculated for interest to be compounded monthly.
- Instead of just working during the university breaks, get a casual/part-time job with [DELETED] (the same company I am working with now). Working half a weekday (4pm-9pm) and a weekend (9am-5pm) will ensure a weekly income of approximately \$286 where my hourly rate is \$22p/hr.
- Do tax myself through E-tax.
- Cut back on expense by 10% in each of the top 3 'overspending' categories (clothing, food and leisure) by implementing strategies mentioned in the 'Reducing Expenses' section. In the short term these savings per month (10% monthly savings in each category– clothing:\$32, food:\$27, leisure:\$15) will directly be put into my high interest savings account (NetBank Saver) to contribute towards the \$3300 needed for the cost of the Habitat for Humanity trip in June 2011.

### Medium Term:

- During this medium term my major source of savings will be the income from my part-time/casual job. While I am still completing my degree (next 4 years) I will utilise

the 'paying yourself first' concept on my weekly income and put it into my Netbank Saver account. In order to attain my goal of having a savings buffer of \$10000 by graduation (2014), I must put \$39 (13%) of each week's pay which is assumed will average out to \$286p/w as aforementioned. I will keep this 13% constant when my pay rate increases over the 4 years which means more savings.

- Upgrade my budget when I graduate (2014) to include changes in expenses and income as I go into full-time employment.
- Make sure I remember to go into Commonwealth Bank at the start of every school year to say I am still a student so they do not charge bank fees for my accounts.
- At the end of June 2012 take out the money in my term deposit account (same as the maturity date of the deposit) which will approximately have amplified to \$5670 and invest it into a managed fund. This is in order to magnify capital by increasing expected return which sees a higher long-term (5yrs+) average compared to a fixed interest term deposit account.
- I would probably start off putting my money into the 'FirstChoice Investments' which is a product offered by my Colonial First State, following a high growth option for I plan to invest my money in the fund for 7yrs+. I would sign up for a CommSec account in order to purchase and track these managed funds.
- From the start reinvest the dividends to take advantage of compounding interest. And starting January 2014, I will have achieved my goal of having a savings buffer of at least \$10000 (if financial strategy is followed). The weekly income (13% of weekly pay) that was going into my savings account towards this buffer should now be redirected into the managed fund in order to leverage out returns over the long term by dollar cost averaging.
- Continue to live like I did as a university student 2 years after graduation in terms of strictly following my budget with a rented place (because I do not plan to buy a house until at least June 2013) and cutting back on 10% of my expenses and placing this into the bank to contribute towards my savings buffer.
- Consolidate my super into the Mercer Super Trust (provided by my company) at maximum by the time I have graduated. Confirm my account details and choose the growth investment option.
- Buy my first car by June 2016 or later if a car is not needed to get to and from work. Either brand new or second hand, whichever one is better value for money. The funds for this will come out of my savings buffer (spend a maximum of \$15000).
- Do not have a credit card during this period (2012-2016).

#### Long Term:

- Take out a standard variable rate home loan with fortnightly repayments and a 20 year term (with a redraw facility) for my first house mentioned in the 'Goals and Objectives' section. Using the 'Family Support' affordability option through Commonwealth Bank will mean I will not have to put a deposit in for the home loan on the term that I borrow the full amount of the house (maximum price \$350000). My parent's will act as the guarantor providing security support for my first home loan using their home as leverage. This means that I will save costs on taking out a home loan and gives me the option to put the amount that would have been my loan deposit into my actual home loan as a redraw. I will also be applicable for the First Home Owner's Grant and First Home Owner's Stamp Duty.
- Calculations (from CommBank Home Loan calculator) indicate I will have to make fortnightly repayments of \$1278 to pay off my loan in 20 years. Set up my streamline account so that fortnightly repayments automatically leave that account.
- Again, I must redo my budget to take into account my increased income and fortnightly mortgage repayments.

- Have paid off mortgage by June 2028. An option to cut down loan term to be considered in the future may be to make lump sum payments (in this case have to change to monthly repayments).
- Continue to ensure my savings buffer does not fall below \$10000.
- Take out private health insurance with Medibank Private (only hospital cover and use savings buffer for costs of extras), income protection and death cover (if I ever get married and have kids) with Mercer Super Trust Fund, home and contents insurance and compulsory car and 3<sup>rd</sup> party property insurance with NRMA.
- 'Salary sacrifice' \$5000 per year into my superannuation fund from June 2016 till June 2018. This should be feasible as I will be cutting back on costs by living like a student and will not have mortgage payments.
- Nearing the end of paying off my home loan, put income aside into saving buffer in for the starting cost of a personal business. By 2025 (I will be 34 years old and would have gained much experience from the industry and have a saving of \$100000 for this to happen).
- Do up a will kit (can get from a post office) by December 2018 but if I get married and have kids, sit down with a solicitor to draft a will, beneficiaries being parents, sister, spouse and children.

## Reducing Expenses

Upon analysis of my transactions for the period of the expense tracker assignment, it indicated that my total monthly expenses totalled to \$927 (this is exclusive of college accommodation and catering fees for they are not paid by me but by my parents). Below are ideas for reducing my total monthly expenses by 10%, presented from the category most detrimental to my cash flow to the least.

Clothing: mostly impulse buys and so money spent here can be drastically reduced.

- Most of my impulse buys are purchased over the internet through online boutiques. To avoid this I could block my favourite online shopping websites on my web browser so I would not be able to access them. I could also unsubscribe from receiving their weekly newsletters and sale updates which would reduce my urge to visit the websites and splurge on unnecessary items.
- If shopping physically, when I see an impulse item I could put it on hold for an hour which would allow me time to think about whether I actually need or thoroughly like the item enough to buy it. Normally time passes and the item is forgotten about or I realise it is an unnecessary purchase.

Food: mostly from dining out at restaurant, take away and snacks (coffees).

- If my timetable permits it, try coinciding class breaks with college meal times. For example lunch is from 12:15pm till 1:30pm at college so avoiding putting a class at 12:00pm or 1:00pm. This will ensure I will come back to college for meals instead of staying on campus and buying a meal because of the hassle of ordering a late meal.
- Order a packed lunch from college to take to class if I am going to miss the meal.
- Have my morning coffee at college, instead of buying one on the go on campus.
- Buy snacks and simple groceries (fruit and muesli bars) from Aldi.

Leisure: mostly consist of cost of going out, alcoholic beverages and music festival tickets.

- The college lifestyle encourages heavy alcohol consumption and with this follows hefty amounts being spent on pre-drinks, drinks at the bar and club cover charges. A simple solution is to reduce the number of times I go out in a week or choose only certain college events to attend.
- Another way is to pre-drink more in order to reduce the amount of money I would have to spend buying drinks at the bar which are much more expensive.
- Moving out of college would be the most definite way of reducing leisure costs as you would not be living in an environment which promotes partying.
- For music festivals I could buy tickets in the 1<sup>st</sup> release batch instead of 2<sup>nd</sup> or 3<sup>rd</sup> release tickets which are quite a bit more expensive.

## Budget

This budget is relevant for the remainder of the year 2010. I will still be living on campus, with my parents paying for college fees (so not included in budget). As this budget will only apply for the next 6 months it does not show any projections for the next year.

Category	Monthly	Monthly Category Total
<b>Home</b>		<b>-\$80</b>
Internet/Computer	\$70	
Decorations	\$10	
<b>Food</b>		<b>-\$230</b>
Groceries	\$75	
Dining Out	\$155	
<b>Transport</b>		<b>-\$25</b>
Bus	\$15	
Taxi	\$10	
<b>Personal</b>		<b>-\$198</b>
Clothing	\$140	
Beauty	\$45	
Gym Membership	\$13*	
<b>Entertainment</b>		<b>-\$155</b>
Movies	\$15	
Alcohol/Going Out	\$115	
Concerts/Festivals	\$25*	
<b>Miscellaneous (10% of total expenses):</b>		<b>-\$70</b>
<b>Total Expenses:</b>		<b>-\$758</b>
<b>Income</b>		<b>\$972</b>
Casual Holiday Job	\$450*	
Youth Allowance	\$472	
Parent's Money	\$50	
<b>Total Income:</b>		<b>\$972</b>
<b>Total Savings: \$214 per month</b>		

\*accrued cost

The budget below is a projection of my financial situation next year (2011) which is when I plan to have moved out of college and be renting a place as a share house. It is still an indication of my finances as a university student because I have 4 years left till the completion of my bachelor's degree. Following the goals and objectives section I will not have a car, personal insurance or a mortgage during my university years so there are no changes to these areas in this budget.

Category	Monthly	Yearly	Yearly Category Total
<b>Home</b>			<b>\$10440</b>
Rent (incl. bills)	\$800	\$9600	
Internet	\$70	\$840	
<b>Food</b>			<b>\$3000</b>
Groceries	\$120	\$1440	
Dining Out	\$130	\$1560	
<b>Transport</b>			<b>\$744</b>
Bus	\$52	\$624	
Taxi	\$10	\$120	
<b>Personal</b>			<b>\$2760</b>
Clothing	\$140	\$1680	
Beauty	\$45	\$540	
Gym Membership	\$4*	\$50	
<b>Entertainment</b>			<b>\$1200</b>
Movies	\$15	\$180	
Alcohol/Going Out	\$50	\$720	
Concerts/Festivals	\$25*	\$300	
<b>Miscellaneous:</b>	\$92	\$1104	<b>\$1104</b>
<b>Total Expenses:</b>			<b>\$19248</b>
<b>Income</b>			<b>\$19404</b>
Part-time Casual Job	\$1145	\$13740	
Youth Allowance	\$472	\$5664	
<b>Total Income:</b>			<b>\$19404</b>
<b>Total Savings: \$1872 per year (\$156 per month)</b>			

\*accrued cost

## Plan of Action

### Short Term:

- ☐ Move out of college into a share house with 2 or 3 other friends by January 2011 and find a place preferable close to university and paying no more than \$220p/w for rent (which would include electricity, water, gas and internet bills).
- ☐ Set up a ME fixed term deposit account for a term of 2 years before the end of this semester 1 2010 with \$5000.
- ☐ Get a part-time/casual job in Sydney for during university, preferably with [DELETED] with an income of at least \$110p/w (half the maximum rent p/w) by July 2010.
- ☐ Cut back on 10% expenses from food, leisure and clothes starting now.
- ☐ Over the university holidays (June/July and summer holidays) save \$3300 to cover the cost for Habitat for Humanity trip in June 2011.

### Medium Term:

- ☐ Start building up a savings buffer (goal is to have \$10000 by graduation in 2014) by putting 13% of every single fortnightly pay from part-time/casual job into a high-interest savings account (my Ne Bank Saver account).
- ☐ Settled into a full time job as a [DELETED] earning \$55000p.a. by June 2015.
- ☐ Even after graduation, live like I did as a university student in terms of having minimal expenses for 2 years to increase savings (saving 10%).
- ☐ Pull money from term deposit account (>\$5000) at the end of its term and invest the 'FirstChoice Investments' fund which is product offered by Colonial First State.
- ☐ Buy a car for a maximum of \$15000 by June 2016 (later if a car is not needed for transport to work etc).
- ☐ Merge all superannuation into one fund and put it into high-growth option investment by graduation (at maximum) with Mercer Super Fund.

### Long Term (6+ years):

- ☐ Take out a home loan through Commonwealth Bank to buy a 2 bedroom apartment in SE Sydney for approximately \$350000 by June 2018.
- ☐ Continue to increase savings buffer, ensuring it does not fall below \$10000
- ☐ Take out private health insurance with Medibank Private (only hospital cover and use savings buffer for costs of extras), income protection and death cover (if I ever get married and have kids) with Mercer Super Trust Fund, home and contents insurance and compulsory car and 3<sup>rd</sup> party property insurance with NRMA.
- ☐ Have paid off mortgage by June 2028 by paying more than the minimum repayment.
- ☐ 'Salary sacrifice' \$5000 per year from June 2016 till June 2018.
- ☐ After having gain experience in the industry, looking starting own business. Need a capital of \$100000 for this by 2025 (will be 34yrs old).
- ☐ Do up a will by December 2018.