

Title:

Your Budget And Rising Petrol Prices

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Summary:

If you have a mortgage and are not struggling with the increasing cost of petrol ... you are in the minority. And if you aren't struggling now, how will you fare when the flow on effect of high petrol costs starts to increase the cost of living across the board. For many Australians the question of how to cover all their bills and maintain a decent standard of living for their families will soon become a pressing one.

As you struggle with this challenge, you may discover tha...

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Article Body:

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As you struggle with this challenge, you may discover that your mortgage is actually the solution.

In recent months, oil prices have skyrocketed to \$65 a barrel. This has resulted in the price of petrol rising above \$1.30 a litre. This increase has been blamed on the recent hurricanes in the Gulf of Mexico and the resulting production delays.

Already this is beginning to bite the budgets of Australian families. In a BRW report, McDonalds chief executive Peter Bush revealed that McDonalds sales growth had dropped 5 % in just weeks. He attributes this sudden decline to Australians tightening their belts to afford the extra \$30 to \$40 a week to fill the family car. The same article cited a recent NRMA survey, which stated that 25% of NSW and ACT motorists have cut their spending on food and groceries as a

result of the petrol hike.

Petrol prices have risen 30% this year; the cost of petrol being a major expense for most Australian families. In a media release from the University of Newcastle, Dr. Abbas Valadkhani said, "You don't necessarily have to use a lot of petrol to be affected by the price rise."

Apart from the direct effect we have already experienced, we will soon begin to suffer the flow on effects of the petrol hike. The cost of milk has already increased and a range of other industries such as transport, storage, forestry, fishing, agriculture and meat and all dairy products will have their costs increase due to the rising price of petrol. It is only a matter of time before these costs are passed on to us. If you think about it, there are few goods and services in the economy that don't have fuel costs somewhere in their production and distribution chain.

Well, that's the bad news. The good news is that many experts believe that this spike in petrol prices is temporary. It is a result of diminished production, due to natural disasters. Eventually, the damage will be repaired, supply will return to normal levels and the price will drop. However, that could be six months or a year from now and until then you need to keep paying for the petrol, pay your bills, budget for Christmas and pay your mortgage.

But are you paying the right mortgage? Are you using your mortgage to its fullest potential? With interest rates so low and the cost of living experiencing an unexpected and temporary spike, a logical means of maintaining your lifestyle, during this time, is to use your mortgage to offset this temporary fluctuation.

This may be the time to either take advantage of your home loans features, or change to a more flexible mortgage. For example, you can switch to a loan that has a redraw facility. This allows you to draw back extra payments you have made and use them to help you through this particularly stressful time.

If rising costs are getting on top of you, perhaps refinancing is the solution. You can roll all your debts into your home loan; car payments, credit cards etc., consolidating your debt and reducing your regular repayments, leaving more cash each week to combat this sudden increase in expenses. Instead of running up the credit cards, refinancing your home loan may be the most cost-effective and cheapest way to raise that extra money to help you through the next turbulent 6-12 months.

Using a mortgage-offset feature is another way to have that extra cash handy,

but still minimise your interest. Let's say you refinance and leave yourself \$10,000 to help pay the bills for the next few months. If your loan is \$100,000 and you have \$10,000 in the offset account, the interest on your loan is only calculated on \$90,000.

The current petrol crisis will eventually pass, but in the interim, why struggle to care for yourself and your family when the solution to your short term budget problems is sitting right there ... in your home?