Fact sheet 3

Spending

This fact sheet investigates how smart spenders operate. It can be used:

— as a discussion starter with friends or family.

— for self-reflection to check how much you already know and where to find more information. Regular spending on food, clothing, mobile phone costs, car expenses and more is an unavoidable part of everyday living. The good news is that managing and making informed choices about spending is within everyone's reach.

1. Did you know?

— Australians spend approximately $820 million every day on items such as mobile phones, car expenses, food, clothes, furniture, internet access and takeaway coffees.[1]

— The latest Household Expenditure Survey (HES) showed the average Australian household spent $1,425 per week on goods and services in 2015–16.[2]

— 38 percent of people impulse buy supermarket extras and 29 percent of people impulse buy clothes.[3]

— One-third of Australians think that switching home loans is too much trouble, even though it could potentially save them thousands of dollars per year.



2. Types of spending

With so many choices for spending constantly competing for our attention, it is easy to overlook the details of exactly what we are spending our money on. Being savvy with your spending can potentially save you thousands of dollars each year.

There are many different types of spending, and once you are aware of these you can use them to make decisions about what's most important to you.

— FIXED EXPENSES – These occur regularly and do not change from month to month. Examples of fixed expenses include streaming services (e.g. Netflix, Spotify), rent, insurance premiums and loan repayments (e.g. car, house).

— FLEXIBLE EXPENSES – These are expenses for essential items that occur regularly, however, you have some control over how much you spend on these expenses. Examples of common flexible expenses include electricity and groceries; these occur regularly but can be controlled to a certain degree (e.g. not using the air conditioner to save money on the electricity bill).

— DISCRETIONARY EXPENSES – These are for non-essential items where you have control of the amount of money that you choose to spend. Examples of common discretionary expenses include entertainment such as concerts, sporting events and eating out at a restaurant.

3. Strategies for managing your spending

There are some simple steps you can take to control your spending:

- SHOP AROUND – Research at least three different retailers for the item you are considering purchasing and compare the details before buying.
- CHOOSE WHAT'S BEST FOR YOU – Use comparison websites to help you make informed decisions.
- GET ALL THE DETAILS – Some online retailers will omit details of the item you are considering purchasing until checkout. Make sure you get the total cost of the item (including shipping/handling/delivery fees and charges etc.) to make an informed comparison.
- SLEEP ON IT – Try to delay making your decision. This may enable you to consider the purchase more clearly, reduce your emotional attachment and decrease the risk of an impulse purchase.
- PAY ATTENTION TO YOUR SPENDING HABITS – This might be through the use of an app such as Suncorp's Budget Tracker or simply keeping a diary of your spending to see exactly where your money is going.
- CREATE AND FOLLOW A BUDGET – Clearly mapping out your financial position and planning your spending might help you take control of your spending.
- DETERMINE COST PER USE – Ask yourself, how often will I really make use of this item? Compare this cost of use to other alternatives to making this purchase. For example, will you go skiing often enough to make the purchase of skiing equipment more cost effective than renting it each trip?
- REVIEW WHETHER YOU ARE GETTING THE BEST DEAL – It can be a good idea to check every now and then on your regular financial commitments (such as your electricity provider) to see if you are getting the best deal.

4. Power words for spending

Understanding and being able to use these words will provide you with more power to manage spending.

SPENDING	Paying for goods or services by cash or credit.
BUDGET	A plan of how you allocate your income (estimates of income and expenditure over a period of time).
COST PER USE	The total cost of an item divided by the number of times you actually use it.
INCOME	Money received (from wages, interest, Centrelink payments etc).
IMPULSE BUY	Unplanned decision to make a purchase, often made just before making the purchase.
EXPENDITURE	Money spent on goods and services.
RETAILER	A person or business who sells goods directly to the consumer.

5. Need more help? Want to know more?

- Find out what makes you tick financially with the Suncorp Money Profile.
- A wide range of information about spending is available on ASIC's MoneySmart website.
- Access a product comparison website to compare the items you're interested in.

[1]The West Australian Spending habits show our priorities, not pressures

[2]Australian Bureau of Statistics Household Expenditure Survey, Australia: Summary of Results, 2015-16

[3]ASIC's Money Smart Impulse buying

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