WEEK 1

BANKING MATTERS (personal banking)

Confused by the huge account choices offered by banks? “Yes we are!” say ESSI Money players trying to work out which accounts best suit their needs.

Most people would agree that banks are the best places to keep your money safe and earn interest, but Barrowfield High student Hwa Yeung 15, said “We need more than that. We need to know we have easy access to our money. “

We asked FBF Bank Branch Manager Chelsea Lopez for some quick tips on choosing a bank account. “It’s quite straightforward really; most people need a minimum of two different types of accounts.”

For everyday banking she recommends a transaction account. Typically these require no minimum balance and allow you to deposit and withdraw free of charge as often as you need to. Transaction accounts generally don’t pay interest, but they do allow you to access your money in many ways, eg:

- Branch transactions
- ATMs
- EFTPOS
- Direct debit
- BPay
- Transfer of funds to other banks
- Internet banking
- Mobile banking
- Telephone banking
- Cheque book
- Contactless payment with your smartphone

Some transaction accounts may have monthly account keeping fees but these are often waived simply by keeping a minimum balance or by having regular deposits. Your weekly or fortnightly wage is an example of a regular deposit.

Lopez also stressed the importance of developing good savings habits by keeping a separate account specifically for this purpose. Unlike the transaction account, savings accounts always pay interest on your deposit, but generally don’t allow you the ease of access you get with a transaction account. Usually online only savings accounts will pay the highest interest because you’re using minimum bank services to operate it.

She explained, “I think it’s a great idea to have an account which discourages you from withdrawing money by making it difficult to access. This way you’re rewarded for depositing money, and less tempted to stray from your savings plan.”

If you’re lucky enough to have around $1000 (or more) to lock away for a set period of time, Chelsea recommends a term deposit account. You get a higher rate of interest, but be warned, you will lose some or all of the interest if you withdraw before your agreed time period is up.

One last piece of advice from Chelsea, “Many people have trouble choosing the bank, building society or credit union to open their accounts with. It’s not rocket science, just have a clear idea of your needs and then use an online comparison site to help you find the bank product which suits you best.”

WEEK 2

EXPLORING YOUR PAYSLIP

Young people starting out in their first job are often confused about their entitlements and how the $ amount paid by their employer into their bank account every payday is arrived at. This week the Finance Weekly ***Finterest Feature*** puts the spotlight on your payslip.

It's important to know your type of employment because pay rates, leave and other entitlements are different. The three main types of employees are:

- Full time permanent - where you work a 35 – 40 hour week and are entitled to sick leave, annual leave and long service leave.
- Permanent part time - where you work reduced hours but are still entitled to a proportional amount of sick leave, annual leave and long service leave.
- Casual - where you work shifts as required by the employer. Casual wages may attract a loading (higher rate of pay per hour) because casual workers are not entitled to sick leave annual leave or long service leave.

The next thing you need to be aware of is that gross pay is the amount you earn before any deductions are subtracted from your pay. Gross pay can take the form of a salary or wage.

If you receive a salary, this is based on a yearly amount which is divided by 52 to determine your weekly pay. You are paid a fixed amount each payday. Employees on salaries generally don't receive overtime for working extra hours.

If you receive wages, you are paid an amount for each hour that you work, so your gross pay could be different each week. According to your contract or reward, you can be paid penalty rates (for example double time) if you work overtime (extra hours) during the week.

Some employees also receive a loading which is an extra payment made to compensate for some unfavourable aspect of their job, for example shift work or remote location.

Deductions are subtracted from your gross pay. Taxation is a legislated deduction and is always deducted from your pay. Private voluntary deductions such as insurance premiums, union dues and salary sacrifice payments may also be taken from your gross pay.

What's left over after all the deductions are subtracted from your gross pay is your net pay, or take home pay.

The information on your payslip includes the name of the employee and employer, date of payment, gross pay before tax, amount deducted for tax, any other private deductions, superannuation contributions (paid by your employer) and net pay.

At the end of the financial year your employer provides you with a group certificate which gives detail of your total gross earnings and taxation deduction over the year.

WEEK 3

MUNNIE TALKS (budgeting)

Dear Riley

I'm really having trouble making ends meet lately. I have a great job paying good wages and am still living at home. My parents help me out by charging me minimal rent, but I never seem to have enough money left at the end of the month to pay my bills. My credit card has been maxxed out for the last 4 months. Can you help me?

Julianne

Hi Julianne

It looks like you could be headed down the path of financial difficulty but it's not too late to start making some changes. It's important to do something immediately to reduce your expenses and start saving.

My advice is to act now and create a budget.

A budget can be for a week, a month, a year, whatever suits you. It has three components: income, expenses and savings/investment (earning, spending, saving and investing).

First you should decide on an amount for saving and investing. A good guide as to how much to set aside is at least 10% of your total income. (You can't get ahead if you don't save!)

Next you need to start sorting your expenses into fixed or variable. Fixed expenses, for example insurance premiums, rent and loan repayments, are paid regularly (weekly, monthly, yearly). Budgeting for fixed expenses is easy because the amount is always the same.

Variable expenses, which typically include things like going out with friends and buying clothes, require a spending decision at the time of purchase. However, while most variable costs represent optional spending, some variable costs represent necessities. For example the weekly grocery bill or fuel for your car is never the same amount but it's a necessary expense. These necessary costs are still considered variable because the amount you spend differs from month to month.

Variable costs are usually the first expenses that people try to cut when they need to manage their budget. Unfortunately, they are also the toughest expenses to cut back on, because a constant commitment to frugal decision-making is required.

The important thing to remember is that fixed expenses can be adjusted. You can reduce your fixed expenses by shopping around for cheaper insurance, changing your phone plan, etc. Since fixed expenses typically represent the biggest chunk of your budget, the money you save in this category can be quite substantial. And you won't feel like you're missing out on something (which is often the case with reducing variable expenses).

And lastly make any final adjustments to your expenses to ensure that you actually DO have enough left over to save and invest.

The ESSI Money game has an excellent budgeting tool in the Daily Planner App. Why not take a look at this and start taking charge of your financial future?

All the best

Riley

WEEK 4

SHOPSMART (online shopping)

If you're an online shopper, chances are there's no shortage of shopping sites in your favourites list. Savvy shoppers can smell a bargain a mile away and are happy to spend time hunting down online sellers for healthy discounts on anything from clothing to groceries and even holidays.

But be warned, things aren't always what they seem to be, and you may end up paying for a bargain that never arrives.

Staying smart and safe on all aspects of online shopping means not only making sure you actually receive the goods you buy, but also protecting your identity and personal information.

Aaron Bosworth from online shopping giant **uShop** recommends that you do your research before buying from a site you've not used before. "You should only ever deal with trusted sellers. If you're looking at a new site, search online first for customer feedback, recommendations, and scam alerts before you buy."

It's also important to be absolutely sure of what you're buying says Aaron. "Always read the product description very carefully. I recently heard of a case where someone bought what they thought was a rare teapot but what they actually received was a placemat which had a picture of a rare teapot on it!"

You should double check the site's policies on warranties, complaints, returns and refunds. Be sure that you understand all the fine print on postage and handling, as well as currency conversion issues if you're buying from overseas.

Before paying, Aaron reminds shoppers to make sure they're on a secure web page. "A secure web page protects your data. It should include 'https://' at the beginning of the address bar, and a picture of a locked padlock in the browser." He also warns shoppers to double check the final cost before pressing "pay now".

Keep a copy of your online transactions, and make sure your computer is secure by using current versions of trusted security and antivirus software.

Aaron has one final piece of advice, "NEVER send bank or credit card details via email, but use only secure payment methods such as PayPal, Bpay or your credit card." It's a little known fact, but paying with a credit card offers an extra level of protection, including the right to a 'charge back' (refund of your money) if you do fall victim to fraud.

Shop smart now and check out the **uShop** app.

WEEK 5

EYE ON INVESTMENT (interest generating investments)

Ever wondered about the I in ESSI Money? Well it's all about investing. This week, the Finance Weekly Finterest Feature is the first of a special 5 part series where we take an in-depth look at investment.

When people hear the word "investment" they usually think of shares, but there are plenty of other options for investing your money.

So before we take a look at these options, let's agree on what an investment actually is.

Basically, it's something you buy with the expectation that it will generate income or increase in value in the future.

In other words, investing is a means to growing wealth, something we should all be planning to do.

In fact, the term "investment" can be used to refer to anything that has the potential of generating future income. This can include bonds, businesses, real estate property, and even education (which has the potential to produce more income).

This week we look at three types of investments which pay interest.

Term deposits

Term deposits are a savings product made available by a bank, credit union or building society. Your money is invested for a fixed term and you get a fixed rate of interest over that term. In fact some of you may already have an ESSI Term fixed deposit with FBF Bank. Interest rates may not be as high as for other investments but there's virtually no risk of losing your money.

Bonds

Investing in bonds is a form of lending money to a government or company at an agreed interest rate for a set time period. In return, the borrower promises to repay your loan at the end of the term, and to pay you interest at regular intervals. Interest rates can be fixed or floating. Unlike term deposits, bonds can range from very safe to very risky.

Debentures, secured and unsecured notes

Companies issue debentures, secured and unsecured notes as a way to raise funds from investors. In return for your money, the company promises to make regular interest payments, and return the money you lent it on a date in the future. This type of investment usually offers higher interest rates than bank deposits, but also carries higher risks.

Finally, in order to take the best possible care of your investment, ask yourself these questions before you sign up.

- What are my investment goals?
- Do I understand the relationship between risk and return?
- Have I researched this investment before signing up?
- Am I prepared to monitor the investment?

Look for next month's Finance Weekly ***Finterest Feature*** in this series where we give you the lowdown on superannuation.

WEEK 6

MUNNIE TALKS (verifying identity)

Hey Riley

Help! I'm still at school but just got my first part time job and need to open a bank account ASAP so that my employer can deposit my pay. But it's so confusing. The bank says I have to provide ID, but as I'm only 16 I don't have a licence or a passport. What should I do?

Lachlan

Hi Lachlan

Congratulations on your first job. Yes this can be a little confusing, but banks are required by law to verify your identity before opening an account for you. And this is actually a good thing for you as it protects you against someone fraudulently using your identity.

As well as details like your name and birthday you'll be required to produce identification documents. Different banks have different ways of categorising these documents.

One example classifies ID in three groups - primary ***photographic***, ***primary non-photographic*** and ***secondary***. "Primary" indicates that this is the most important and reliable type of identification.

Examples of ***primary photographic*** include a current driver's licence and a current Australian passport.

Your birth certificate, citizenship certificate and current Centrelink pension card are examples of ***primary non-photographic***.

Documents showing your name and residential address, such as utilities bills, or your ATO Notice of Assessment (which shows your refundable or payable income tax) are examples of ***secondary*** identification.

Banks usually require you to take original documents (and not photocopies) to the branch for sighting or you can send certified copies (verified as true copies by an authorised person such as a Justice of the Peace (JP)) in the mail if you don't live near a branch.

The minimum evidence of identity you could expect to be asked for would include one ***primary photographic*** document plus one ***primary non-photographic*** document or one ***secondary*** document.

Lachlan, because you don't have a ***primary photographic*** document, you would also be asked for an ***additional document***. This could be a current Medicare card, credit card, debit card, bank statement, or tertiary student card with photo.

As you're under 18, other documents which your bank may accept as ***additional*** documents include your current school identity card with photo, letter from your school principal or your Immunisation Statement History.

While it’s not compulsory, you’ll also be asked to provide your tax file number (TFN) so that you can be identified for tax purposes. It’s in your interests to provide this because if you don’t, the bank is required by law to deduct **tax at the highest rate plus the Medicare levy** from any interest earned by your money **before it’s even paid into your account**.

Hope this helps you figure out what you might need.

Cheers

Riley

WEEK 7

WHAT ARE YOU REALLY WORTH? (concept of net worth)

When it comes to making smart financial decisions, ESSI Money players are highly motivated to grow their net worth. But what exactly is net worth?

FBF Bank Manager Joe Collini has a simple explanation, “Net worth is just a basic maths equation: Assets – Liabilities = Net Worth. However, to fully understand this equation, you need to take a closer look at the variables. ”

Collini explains that an asset is basically anything of value that you own. Examples include your house, car, savings, superannuation, technology devices and personal items like jewellery.

But what about the value of the asset? “Well, it’s not what you paid for it, but how much you could get for it when you sell it or cash it in.” says Collini.

He clarifies, “The value depends on whether the asset has appreciated or depreciated. An asset which appreciates increases in value over time, for example real estate, some antiques, and jewellery. Assets which depreciate, like cars, furniture and electrical appliances will lose value over time.”

“If you spend money on something like a holiday, where you have nothing of value to show for it, the amount you spend is an expense and not an asset.”

A liability is an amount of money that you owe, a debt. Credit card debt, home mortgages and HECS-HELP loans are all examples of liabilities. In fact, says Collini, “If you borrowed money from your parents that would be a liability too.”

To test the equation, assume that you converted all of your assets to cash and repaid all of your liabilities. Whatever you have left over is what you’re worth.

Collini says that the equation becomes more interesting when you look at assets which have a liability attached to them. “For example, if you had $5000 cash and borrowed $10000 to buy a $15000 car, you would have an asset worth $15000 (on the day you bought it) and a liability of $10000.”

What is the net worth of the car **on that day**? “It’s $5000, which is what you would get if you sold the car and repaid the liability.” He adds “As you make repayments on the car loan, your liability decreases. Unfortunately, the value of your asset also decreases due to depreciation. And so the net worth of the car changes over time.”

Collini’s final piece of advice? “To make good financial decisions, you need to be across what you own and owe, and how each financial decision affects your overall financial picture, your net worth.”

WEEK 8

DON'T GET RIPPED OFF (online auctions)

Online auction sites are fun to use and full of incredible bargains. But shoppers should be cautious, warns financial guru Riley Munnie, when using marketplace online auction sites like iBuy.

"It's important to read the terms and conditions so that you understand all procedures and costs before buying. If you've bought from an Australian business and something goes wrong, you're generally protected by Consumer Law. However, it can often be very difficult to resolve disputes with overseas sellers."

If you're given the option to buy now without having to bid you will have all your usual shopping rights, unless the seller is a private individual and it is a one-off sale.

Riley cautions shoppers to be aware that online auctions attract scammers who are looking to con you out of your hard earned cash.

"Watch out for fake emails and websites designed to look like they come from iBuy. A seller offers something they have no intention of delivering at a very low price. When the transaction starts, they send the buyer fake invoices, and ask for payment. If you're not dealing with iBuy you're not eligible for the iBuy purchase protection."

Riley warns of another trick used by scammers. "They will claim the winner of an auction that you bid on, has pulled out, and they offer the item to you for payment outside the auction site. Once you've paid, you never hear from them, and again, you have no protection from iBuy."

Riley has some tips for shoppers to avoid getting ripped off.

- Always transact within the iBuy website and avoid private contact with buyers or sellers.
- Keep records of all bids, item descriptions, emails and transaction records in case there is a dispute.
- Use the iBuy website feedback rating system to check comments left by previous buyers.
- Shop around before buying to make sure you're getting a good deal. Ask for extra pictures and descriptions if you have any questions.
- Only pay using a secure system–this is shown through a padlock symbol and web address starting with https://
- Use only secure payment methods such as PayPal, Bpay or your credit card

Interested in finding a bargain? Open the iBuy app now and happy safe shopping.

WEEK 9

EYE ON INVESTMENT (superannuation)

Still wondering about the I in ESSI Money? Well it's still all about investing. This week, in part 2 of our EYE ON INVESTMENT series the Finance Weekly Finterest Feature checks out your superannuation.

Are you aware of exactly what's on your pay slip? Have you ever noticed an amount for superannuation? Did you wonder what it was?

Superannuation is actually a type of investment, a way of saving for your retirement.

Your payslip shows your employer's contribution to your Superannuation. It works like this. Your employer **must** pay 9.5% of your ordinary time earnings (which doesn't include overtime) into a super fund, **it's compulsory!** But that's not the only way you can make your fund grow. You can also contribute by putting in some of your savings or asking your employer to deduct extra money from your pay before tax. The upside of this is that for most people, super will be taxed at a lower rate than for other investments.

Unfortunately we see a lot of superannuation apathy. Young people in particular live for today and really couldn't care less about what happens to them when they retire. After all, it's a long way off . . . . .

Why is it important to think about your future now? Let me give you an example. Would you like to retire by the time you're 60 and travel overseas every year, or would you be happy with working well into your 60s or even 70s and having to make do with an annual holiday camping trip?

Current research shows us that most people (and not just the millennials) let their employer choose their super fund. Most of them don't know how much they're being charged in fees or how their super is invested. They don't read their annual statement.

Another issue of concern is having more than one super account. This is the result of having a number of jobs after leaving school or working part time while studying. Having multiple superannuation funds means multiple fees, which in effect erodes the value of your superannuation.

So, my advice to you is to look after your superannuation, because one day it will be looking after you.

Look for next month's Finance Weekly ***Finterest Feature*** in this series where we investigate the share market.

WEEK 10

MUNNIE TALKS (private health insurance)

Hi Riley

I consider myself to be an excellent money manager. I have a budget which I stick to and save regularly. My savings goal is to buy my own apartment, and I'm on track. I have a great job which pays well and no credit card debt.

My question is about private health insurance. I'm no longer covered by my parents' policy, and I really don't think that I need this type of insurance. But my Dad reckons I do.

My argument is that this is an unnecessary expense as I have a very healthy lifestyle and have never had any serious illnesses. Besides, Medicare will cover me if something did go wrong, right?

Who's right here, me or Dad?

Mia

Hi Mia

Firstly, well done on taking such good care of your financial health by creating a budget and setting goals. I can see why you would want to minimise your expenses. While it's true that you can do without private health insurance there are very good reasons for having it if you can afford it.

As you point out, it could be argued that you may not need private health care if you're fortunate enough to enjoy good health. Perhaps you would be better off putting aside the money you would spend on premiums as a form of savings. You could access this if you ever did get sick but would still have all that money you would have otherwise been spent on the insurance.

But would you be disciplined enough and in a position to commit long term to such a savings plan? And if you didn't have money set aside would you be able to cover any urgent or ongoing expensive medical treatment from your regular income or savings?

So the question is really about risk. Can you afford not to have private health cover?

Before making your decision it's important to be clear on how Medicare and private health insurance are connected.

It's true that most Australians are eligible for health care through Medicare which provides access to a range of medical services and hospital care. Medicare will refund you at least 75% of schedule fees for these services. Taxpayers fund Medicare by paying a levy of up to 2% of their taxable income.

Private health insurance covers some of the hospital and medical costs not covered by Medicare. You can pay for Hospital Cover or Extras Cover (which includes things like dental, physiotherapy, contact lenses, etc) or you can have a policy combining both. Generally, you are not fully covered against all costs associated with treatments and may have to pay some out-of-pocket expenses.

Depending on your income, you may also have to pay the Medicare levy surcharge if you don't have Private Hospital Cover. You could end up paying more than it would cost for private health cover in the first place.

Additionally if you do have an appropriate level of private hospital health insurance you may be eligible for the private health insurance rebate. This is an amount contributed by the government towards the cost of your private hospital insurance premiums.

Private health care insurance is a personal decision Mia, but in this case your Dad may be right. Good luck with your goals for the future.

Cheers

Riley

WEEK 11

ACTING ON IMPULSE (impulse buying)

Rikki Tanaka, 29, is an ex shopaholic who thought nothing of using credit to spend up big on luxury goods. Still living at home with an overflowing wardrobe and mounting credit card debt, things were looking grim.

Now she's not only living in her own apartment, but she's about to buy another property.

Rikki describes her former self as the typical financially irresponsible, materialistic Gen Y stereotype. "I got a great job straight out of uni, and from my very first payday I just spent all of my money, and more!" she told Finance Weekly.

Living at home, Rikki had very few expenses so it was easy to spend her money as she pleased. And what pleased her was living a luxury lifestyle. "Image was everything to me," she said. "My boyfriend felt the same way, maxxing out his credit card, buying clothes and going out. He'd also taken out quite a large loan to buy a luxury car. We liked looking wealthy and we spent up big to achieve that. I'd think nothing about spending one or two thousand dollars on a Gabucci handbag."

"I not only wasted money on things I really didn't need, but I was spending way more than I was earning."

She remembers the day things finally clicked. "I received my credit card statement and felt really sick about how big the balance was. Stupidly, my first thought was to just go out and buy a new outfit to make myself feel better. And then it hit me! I have things in my wardrobe which I've never worn. Why would I want to spend more money on clothes?"

It was a true lightbulb moment and within a couple of days, Rikki said she just had a complete mindset shift. "I realised that my main problem was with shopping and impulse buying, and that's where I had to make the first change. I'd watched my now ex-boyfriend get in over his head with debt, with nothing to show for it. I'm too smart to go down that path and just throw my money away. I was just so thankful that I'd figured this out before it was too late."

In the beginning Rikki took baby steps. "It wasn't easy, but I had to change my behaviour. I started by making a budget. I immediately cut down on buying clothes, and going out with friends," she said.

She also cut up her credit card and only took cash with her when she went shopping. She made a conscious effort to make lists and to never buy anything that wasn't on the list.

"Then I was like, right, I earn a really good wage so I need to start saving, maybe $100 a week. Because I'd cut down on my expenses I was soon able to save even more, and within 6 months I'd repaid my debt and increased my savings. After a year I had enough for a deposit for my apartment."

Rikki lived at home for another 12 months and rented out her apartment to pay down her mortgage. When she did move in she was in a position to start building her savings again, and she's now looking at buying her second property!

Follow Rikki's example and take charge of your financial future now. A good way to start is to create a budget. If you haven't done so already, check out the budgeting tool in the Daily Planner App.

WEEK 12

ARE YOU COVERED? (property insurance)

Research released this week shows that many Australians are selling themselves short when it comes to insuring their property.

Eden Doyle from the Australian Insurance Board said that while most Australians know insurance is a necessary part of their lives, many are unsure about what their policies cover, whether they have enough insurance or even what types of insurance they need. “Some people don’t even have insurance because they simply don’t know how it works, or why they even need it.”

Doyle said that young people were often put off by the cost of insurance, so they failed to insure their personal possessions. “If something does happen to their car, their personal possessions, their phone ….. they can find themselves in a lot of trouble.”

So what is insurance and why do you need it?

Insurance protects you from financial loss when things go wrong. If you have insurance, the cost of repairs, damage, loss or theft can be reduced. It is a form of risk management primarily used to hedge (protect) against the chance of an uncertain loss.

For a payment (known as a premium) you (the insured) make an arrangement with an insurance company (known as the insurer) to guarantee compensation for a specified loss, theft or damage. Your policy outlines the details of your cover.

Doyle recommends, at the very minimum, young people should consider insuring themselves against loss or damage to their household personal possessions and furnishings (content insurance) and loss or damage to their own and other people’s property in the case of a car accident.

She also recommended considering protection for personal items and valuables when you are away from your home. “This is especially important when we’re talking about mobile phones, tablets and laptops which may be necessary for your job. You certainly can’t afford to be without them.”

WEEK 13

EYE ON INVESTMENT (investing in shares)

This week, in part 3 of our EYE ON INVESTMENT series the Finance Weekly Finterest Feature cracks open the share market.

The share market is just like many other markets, where buyers and sellers come together to agree on a price for something by bidding for it. The only difference is that the share market is a virtual market and not an actual place.

To buy and sell shares on the share market you use a broker or broking service. The fee you pay for your share trade is called brokerage.

And once you become a shareholder you are technically a business owner. A share represents a part ownership in a business.

Like other investments shares can be a means to building wealth. This can happen in two ways:

- buy shares at one price and sell at a higher price (known as capital growth)
- earn income (dividends) from your shares (provides an income stream)

A company's share prices go up because buyers value those shares and are willing to pay more to buy them. On the other hand share prices can also go down; capital growth cannot be guaranteed. Be aware that shares will rise and fall so be prepared to ride it out; you may need to stay in for the long haul.

The income earned by shares is the dividend, and this is technically the shareholder's share of the company's profits or reserves. The amount paid in dividends varies from year to year. Companies are under no obligation to pay dividends.

The collection of all the different shares you own is called a portfolio. My advice is to build up a diversified portfolio. Having a range of different types of shares effectively spreads your risk.

Another way to enter the share market is with Managed Funds. These are popular with investors as an easier way to invest. The money of individual investors is pooled and the professional fund manager invests on their behalf. Investors may receive regular payments – called dividends or distributions – from the fund, based on the profit or income it receives from the underlying investments.

The advantage of managed funds is that you get to access to a range of shares as well as other investments such as cash, bonds or property.

Perhaps you've accessed the My Shares app in the ESSI Money Plus game and already have a portfolio. If so, I hope your investment is going well for you.

Look for our feature investment article in next month's Finance Weekly Weekender where I take a look at risk tolerance.

Cheers

Riley

WEEK 14

MUNNIE TALKS (mobile phone plans)

Hi Riley

My parents have always paid for my phone credit in the past, but I'd like to get a new phone on my own. I'm finding it really difficult to choose the right plan for me, because I don't understand all the small print. Can you run through the basics for me?

Thanks a lot

Cooper

Hi Cooper

I'd be happy to walk you through the mobile phone maze. You're right, it is important to understand the lingo before you sign up.

I'm assuming you've been looking at *post-paid* plans. These are a form of credit and you are required to sign a *contract*. So what is a *contract*, and how does it differ from a *plan*?

A *mobile phone plan* is what the *mobile service provider* provides you with, how much it charges you and how you pay.

When you decide on a *plan* you sign a *contract* which is a legal agreement between you and the *service provider* for a set period of time. By the way, don't be fooled by *plans* which include a "free" phone. You still have to pay for it. The cost will be included in your monthly fee.

Next, let's look at what's in your plan. *Included value* is how much you get in *calls*, *texts* and *data* for your monthly fee. *Excluded value* is anything you have to pay extra for like 1300 numbers and international calls.

Just to be clear, *data* includes internet use, emails, live video chat, app updates, downloads and sending pictures in a text message (MMS). *Data* charges using a mobile network are usually higher than on your home connection, so use Wi-Fi whenever you can.

An *allowance* is a component of your *included value*. Included value plans give you voice, data and SMS allowances for a fixed monthly fee. For example, if you choose a plan that costs $50 a month, it may give you an *allowance* of $300 for *calls,* 4 GB *data and* 300 *SMS* each month.

It's important to know how much you actually get in your allowances. $300 worth of calls might sound a lot, but how high are the call rates and connection charge (flagfall) for your particular plan?

Excess charges apply if you exceed any of your *allowances*. For example if you go over your *data allowance* of 4 GB per month, you would be charged for it. To avoid bill shock, always read the small print!

On the other hand, with a *prepaid* plan, you buy credit for your phone before you use it and top up when you need to. If you think you might have trouble staying within your allowances, a prepaid plan is a good way to avoid expensive excess charges.

Ultimately the best mobile phone deal for you is the one that allows you to do the things you want to do at the lowest cost. Good luck with your choice Cooper.

Cheers

Riley

WEEK 15

MUNNIE TALKS (unexpected prize and lottery scams)

I'm not answering any questions this week, because this is the last column I'll be writing for Finance Weekly. In fact, I won't ever have to work again now that I'm officially a millionaire!!!

Last week I received an email notifying me that I've won a million pounds (which is a **LOT** more than $A1 million) and a brand new Monda GT 911 valued at over $600,000 in the British Lottery! All I have to do is send my bank details, make a payment to cover insurance costs, then sit back and wait for the car to arrive and the money to be paid into my account.

Does this sound dodgy? If you're thinking "scam" you're right. This is a form of *Prize and Lottery Scam.* It seems kind of obvious doesn't it, but people continue to be fooled and end up losing their hard earned cash in the hope of easy money.

So how do these scams work?

You are notified by email, text, phone, mail or even social media that you've won money or a prize in a lottery or competition that you don't remember entering. Scammers often use the names and logos of real overseas lotteries so that if you search on line, the scam seems real.

The scammers make money by asking you to pay a fee to cover things like taxes, insurance, bank fees or shipping. But you never receive the prize.

Another trick they use is to ask you to organise collection of your prize by ringing them on a number (usually starting with 190) which charges you at a premium rate.

So if you're asked to pay money up-front to receive a prize or winnings, you can bet it's a scam. Real lotteries don't require you to pay a fee to collect winnings. Never send money or give credit card details, online account details, or personal information to anyone you don't know or trust. This information can be used to steal both your identity and your money from your bank account.

So, it looks like I won't be retiring early after all. See you next week.

Cheers

Riley

WEEK 16

CREDIT CARD DEBT BALLOONS (credit card management)

According to government sources, unpaid balances on Australian consumers' credit cards are continuing to grow. Economist Liam Barnes says Australians are paying massive amounts in interest to banks. "It's time for consumers to take a good look at their spending habits."

Barnes reminds us that people are breaking the basic budgeting rule which is to spend less than you receive. "Because a credit card is so convenient, we can easily lose track of what we're actually spending. Your credit card should be your servant, and not your master. Use it wisely and you can get credit for free!"

To get your credit card working for you, he suggests that as well as monitoring what you spend, keep the card for emergencies only and don't use it for everyday spending. "Always repay the card in full and on time each month, avoid temptation by keeping your credit limit to a minimum, and shop around for the credit card which suits your needs best."

It may be time to consider changing cards. Beware of cards with reward schemes as these usually have a higher annual fee. If you are having trouble paying off your balance, the first thing to do is to check the interest rate. Cards with no interest free days often have lower interest rates.

"Take a good look at what your credit card actually costs you; for example interest rate, annual fee and number of interest free days."

Another option is to look for a card with a honeymoon interest rate (a short term discount on the regular interest rate) and repay the outstanding balance within the honeymoon period. Be aware of the fees and charges associated with the deal, and how much the interest rate rises at the end of the period. However, Barnes warns that transfer strategies like these don't solve the problem if behaviour doesn't change. Research shows that people often spend more when they use a credit card than they would if they were using cash.

WEEK 17

EYE ON INVESTMENT (risk tolerance)

This week, in the fourth instalment of our EYE ON INVESTMENT series, the Finance Weekly Finterest Feature looks at your risk tolerance.

Your risk tolerance is the degree to which you're prepared to lose money to achieve eventual financial gains.

The risk return trade-off is: the higher the potential return on an investment, the higher the risk. To invest wisely, you need to be aware of your risk tolerance, but how do you work this out?

Are you willing to take on investments offering high returns, knowing that the chances of losing your money are higher with this type of investment? Or would you sleep better at night with a much more secure investment like cash, even though it has a low return?

Risk tolerance also has a connection with timeframes. It is affected by your investment goals and your ability to cope with short term losses. To demonstrate this, let's look at the share market. Over a period of time share prices of the largest companies will dip and fall in the short term but historical market statistics will show growth in the long term. This means that you need to take some investment risk to end up with a healthy return on share investment over time.

So if you're interested in investing over a short period of time, shares may not be appropriate for you as their value could drop suddenly, just when you need your money. Instead, you should look for a high interest savings account. However, if you have a long term investment goal, you can take on more risk and ride out the dips and falls in the market over time.

By assessing your risk tolerance you are more likely to meet your goals, protect your capital and maximise returns without exposing yourself to too much danger. Start today by

- Setting clear goals.
- Fixing a timeframe for each goal so that you can work out how much investment risk you can afford to take.
- Diversifying and choosing a range of investments that match your needs and timeframes.

If you are planning on buying shares soon I recommend using the My Shares app. It gives you access to useful information including the history and risk rating on shares currently available in the market.

Look for our final Eye on Investment article in next month's Finance Weekly Weekender where I help get you started on some serious financial planning.

Cheers

Riley

WEEK 18

IT'S YOUR LIFE (life insurance)

Australian Insurance Board's research data suggests that Australia is highly underinsured, especially when it comes to life insurance. But why is this an issue?

Australians face the risk of serious accidents or medical conditions resulting in permanent injury, loss of life, sickness or temporary disability, each and every day. Without adequate life insurance, many people may suffer severe hardship resulting from financial burdens.

AIB's spokesperson Eden Doyle said that while it was common to look after your property, many people neglected to protect themselves and their income.

We asked Eden to explain how we can do a better job of looking after ourselves.

"There are different types of life insurance which cover a number of circumstances, including disability, trauma, and income protection as well as actual life insurance." Eden suggests exploring these to see what's right for you.

"Firstly, actual life insurance pays out a lump sum of money either on your death or the diagnosis of a terminal illness. So if the worst did happen, your family would be able to focus on supporting each other and not having to worry about paying off the mortgage, educating your children or maintaining life style.

"Trauma Insurance provides cover against specific illnesses which would have a significant impact on your life. These include heart attack, cancer and stroke. A payout would enable you to reduce your working hours, access treatment and rehabilitation, or even employ a caregiver.

"Total and Permanent Disability Insurance pays a lump sum if you are totally and permanently disabled. You can use the money to pay debts, cover medical costs and invest to secure an annual income.

"Income Protection Insurance will pay a substantial proportion of your current income should you be unable to work due to illness or injury. Depending on the policy, payments may continue up to retirement age if the disability is ongoing or permanent. Unlike other types of life insurance, income protection insurance premiums are tax deductible. However you are obliged to pay tax on the income you receive if you do make a claim.

"Whilst it's true that default life insurance is included in most superannuation funds, it may not be enough to meet your needs. I'd also suggest that you review your life covers regularly, especially when you reach certain life stages like starting a family, buying a home, or starting out in your own business."

WEEK 19

FINANCIAL FITNESS WORKOUT (financial strategies)

Are you kicking financial goals or are you still on the bench? This week, the Finance Weekly Finterest Feature prescribes a 7 day workout to improve your financial fitness.

MONDAY

Start paying cash instead of using your credit card. Studies show that you are likely to spend more using a credit card than using cash as it's more painful removing the actual cash from your wallet. Most credit cards have interest rates upwards of 17% so if you have credit card debt, you're basically throwing your money away.

TUESDAY

Consider your present self and your future self and set some goals. Make plans to achieve those goals and stick to them. Don't be tempted to stray and spend money that you don't need to.

Consider trade-offs when you make decisions on how you spend your money. Indulgences are fine but too many will erode your goals. Limit yourself to a few, or better still opt for delayed gratification. This means that instead of buying something now because you want it now, make it a goal, save for it, and get it when you can afford it.

WEDNESDAY

Make savings a permanent part of your budget. In fact, why not call it a fixed expense and make sure that you pay yourself first every pay day. Leave your money there, then sit back and watch it grow through the power of compounding. The sooner you start saving, and the longer you save for, the more your money grows.

THURSDAY

Borrowing means obligating future income to support today's spending. Your credit past is your credit future. Don't borrow for what you don't need or what you can't repay. Get rid of debt. If you can't afford to pay cash, go without. If you don't have the money or self-control to service a high interest debt, cut up your credit card before it becomes a problem.

FRIDAY

Bad stuff happens, so take out insurance. Have you ever thought that insurance is too expensive and you just can't afford it? The real question is can you afford to be without your car or computer or phone should it be stolen or damaged? You should monitor your insurance and regularly check the cover you receive for the premium you pay.

SATURDAY

Get a financial adviser, map out your financial future and establish an investment plan. Make sure you know your personal risk appetite and work towards reaching your personal financial goals over time.

For most investors, it can be wise to consider the long-term when investing. Investment is not the same as saving. When you save money you earn interest and your savings grow over time. However, as well as interest, investments can earn other forms of income such as dividends and rental. Also the value of an investment can rise and fall over a period of time.

SUNDAY

Protect your money and don't get caught by scammers. If something sounds too good to be true, it probably is. If you receive an email saying that you're due to receive a rebate from the government for something you didn't pay, an inheritance from someone you don't know or a lottery win that you don't remember entering, ignore it! Scammers ask you to send money up front for fees. You'll never see that inheritance or prize, and if you hand over your money you'll lose it.

WEEK 20

BUY NOW PAY LATER (personal loans)

Latest government figures show that Australian credit card debt continues to spiral and experts warn that using credit cards to access easy credit is a recipe for disaster.

Helping young people use credit wisely is a priority for FBF Bank. We spoke to Chung Ah-woo, FBF Sales and Services Consultant. She said that the best use of credit is for good debt and not bad debt. "Good debt is money owing on items like real estate which increase in value over time. If you have nothing of value to show for the money you owe, for example, a holiday or going out every weekend – then your unpaid credit card balance is an example of bad debt."

Chung recommends saving up for the things you want, rather than being impatient and using your credit card to buy it now. The problem, she explains, is when you don't repay the outstanding balance on your credit card when it's due. "Credit card interest is high compared to most other forms of credit."

She suggests a personal loan is more appropriate if you urgently need cash for something like a car. "The interest will be lower than for credit card debt and you have an allocated time to repay the loan. This gives you cheaper credit and it's easy to budget for because the interest rates are fixed for the term of the loan so your minimum repayments never change."

There are several types of personal loans, but Chung says that most people go for either secured or unsecured. "A personal loan is simply money borrowed for anything that's not a house. If you're over 18 and can demonstrate that you can meet the repayments you can apply for a personal loan with us."

If you're buying an expensive asset like a new car, you'll need to apply for a secured loan says Chung. "The asset for which you require the loan is used as security against the loan. This means that if you were to default (fail to repay the loan) the bank has the authority to repossess the asset, sell it and get the money owing. This means you get a reduced rate of interest, so your repayments will be less."

However, if you're looking for some extra cash for your holiday or consolidating your debts, an unsecured loan could do the job. Chung says that it doesn't require any security against the loan but as it's considered a higher risk for the lender the interest rate is higher than a secured personal loan.

WEEK 21

EYE ON INVESTMENT (financial planning)

This week in the final instalment of our EYE ON INVESTMENT SERIES, the Finance Weekly Finterest Feature does some "financial planning".

What are your plans for building your financial wealth? Do you even have a plan yet? Have you considered turning your plans into action by working with a financial adviser?

A financial adviser or financial planner is licensed to provide advice on investing, risk management, superannuation, insurance and taxation. A financial adviser can help you to come up with realistic goals and give you the confidence to act to achieve them and keep you on track.

Professional financial advice doesn't make you instantly wealthy, but advisers can help you sort out your financial goals and develop a plan to achieve these.

How do you find the right financial planner for you? You can start by contacting The Financial Planning Association or the Association of Financial Advisors, your superannuation fund, your lawyer, your accountant or get a recommendation from a family member or trusted friend. Always use a suitably qualified and accredited planner or advisor.

Before you seek professional advice you should identify your financial goals. Start by sorting into short term goals (like paying off your credit card), medium term goals (such as saving a deposit to buy a home) and long term goals (building your superannuation).

When you meet with your advisor, make sure you're prepared. You will need to provide an outline of your:

- Short term, medium term and long term goals
- Budget (which shows your income and expenditure)
- Assets and liabilities (net worth)
- Current property and personal insurance policies

This first meeting where the adviser examines your financial situation is usually free. You will be billed for further meetings where recommendations are made. You could be charged for advice, fees, product fees and commissions. Make sure that you're aware of these fees before you go ahead.

The financial adviser will provide you with a Statement of Advice (SoA) which outlines a recommended financial strategy and financial products.

Finally, after having gone to the trouble and expense of seeking financial advice, review your situation annually to make sure that you're still on track. You may wish to change your current strategy if there have been any significant changes in your life, such as having children or changing jobs.

Good luck with your investment!

Cheers

Riley

WEEK 22

MUNNIE TALKS (credit card rewards)

Hi Riley

Now that I'm working and turning 18 this month, I want to get a credit card. I really like the idea of a card with rewards points so I can get free stuff. What do you think?

Luis

Hi Luis

Deciding on the right credit card can be a complex process. Credit cards differ widely on interest rate, interest free days, annual fee, rewards program, etc. Depending on your individual needs and spending habits, some cards will meet your needs better than others.

With literally hundreds of options on the market to choose from, you first need to figure out exactly why you want a credit card. Is it just to get the rewards points or perhaps you have other reasons?

- As an easy way to pay for things
- To have a detailed and permanent record for budgeting
- To borrow money
- A combination of these

Cards with rewards schemes give you points for every dollar you spend on your card. You can then redeem your reward points for goods or airline flights. Other benefits may include cash back, free airport lounge access or exclusive concert ticket presales. Some cards allow you to transfer your points to your airline loyalty program.

But beware, rewards are not a gift. As far as points and linking to other reward programs go, it's safe to say that you don't get these for free. Ask yourself why financial Institutions would offer rewards points just for paying with your card. And why would they give thousands of rewards points to new customers simply for signing up for a credit card?

Reward programs are great if you use your card a lot - but only if you pay the balance off in full every month. You can certainly make the most of earning points and using them for flights or other goods, but NOT if you carry over a significant balance on your account from month to month. You will end up paying more in interest charges and higher fees than you gain in rewards if you don't pay off the balance each month.

Generally speaking rewards cards have very high annual fees; up to $1000 and more. Interest rates are usually upwards of 20%. Additionally you may be tempted to spend up big to maximise your points. Credit card providers are clever and often offer bonus points promotions to existing customers.

So Luis, my suggestion is to start with a basic card with a lower interest rate. Don't be tempted by a card with rewards points until you're sure that you're disciplined enough to always pay off the full card balance monthly.

Cheers

Riley

WEEK 23

LOVE YOUR RIDE (motor vehicle insurance)

There's a lot more to looking after your car than regular servicing. This week, the Finance Weekly Finterest Feature looks at motor vehicle insurance.

When David Cohen got up and walked away from a car accident last month, everyone was just grateful that he was ok.

Considering himself to be a safe driver, and not really able to afford it, he didn't think it was worth spending the money to insure his car. The car was a total write off, and David is now regretting his decision.

David warns other young drivers to be smart and protect their car against theft and damage. "I paid $13000 cash for that car. Now I have no car, and no money to get another car. And now I realise how lucky I am that I didn't damage someone else's car or property in that accident because I wasn't covered for that either."

Eden Doyle from the Australian Insurance Board updated Financial Weekly on the four types of car insurance car owners need to be aware of.

1. Compulsory Third Party (CTP) covers you against claims if you injure or kill someone in a car accident. By law, every car owner is required to have CTP insurance. The premium is included in your car registration.
2. Third Party Property protects you against claims from other people if you damage their car or property. It does not cover any damage or loss to your car.
3. Third Party Property, Fire and Theft, gives you the same cover as Third Party Property, plus additional cover if your car is stolen or burnt.
4. Comprehensive provides the highest level of cover, and is the most expensive car insurance option. You are covered against theft and damage to your car and damage to other cars or property resulting from an accident.

"You are taking a risk when you drive your car without comprehensive insurance." warns Eden, "If your car is written off in an accident you stand to lose thousands of dollars." Eden advises young motorists to always include insurance cover in their budget when purchasing a car.

"Many insurance policies, particularly for young drivers, have excesses attached to them. Drivers should be aware that an excess is a contribution they will have to pay towards any claims they make."

David has some final advice for young drivers struggling to pay their premiums. "I've since learned that insurers allow you to increase your excess in order to reduce your premium. Even though I would have to pay for part of my claim, the insurance would pay out the remainder and I would now have another car."

WEEK 24

MUNNIE TALKS (buying a motor vehicle)

Hi Riley

I've been saving for a car since I started working last year. I can't afford to buy a new one, but I have $4000 and can get a personal loan of $6000 from my bank. Do you think that's enough to get a good second hand car?

I read the Finterest article on car insurance last week which was really helpful. Is there anything else I need to know before I get serious?

Evelyn

Hi Evelyn

Great to hear that you're ready to buy your first car, and congratulations on saving that rather large deposit!

Unfortunately Evelyn, when it comes to cars I don't even know how to change a tyre, so this advice comes from Gerri Hensley, Finance Weekly's Motor Vehicle Consultant. She reckons we can get you up and running before you know it.

Yes, it is possible to find a reliable car for that sort of money, but you need to be smart when buying a second hand car. Not only do you have to be careful that you end up with what you wanted in the first place, but you must take steps to ensure your car

- Does not have debt attached to it.
- Has not been stolen.
- Has not sustained any serious damage in the past.

So our advice to you is to buy through a licensed motor vehicle dealer who can ensure that your vehicle is not financially encumbered (has no money owing on it). Also, buying through a licensed dealer means you are protected against loss if the car is later found to be stolen.

There are a couple of things which you can check yourself. Ensure the Vehicle Identification Number (VIN) on the vehicle matches the registration certificate. You should also check the vehicle's odometer (which shows how many kilometres the car has travelled) reading against the service manual. Look for authentic receipts for major servicing.

Consider paying for a motor vehicle inspection to make sure it's in good condition.

If you do buy privately, do a vehicle search on the Personal Property Securities (PPS) Register to check no money is owing on the vehicle.

Next you need to look at your ongoing costs to make sure that you can afford to run the vehicle. Don't assume that all you need to worry about is fuel and regular servicing. You may be a little surprised at what it costs to own a car. Your running costs include:

- Depreciation. As your car ages, it loses value. At some time in the future when you sell the car, the money you don't get back, the depreciation, is a cost.
- Interest. You will have to pay this on the money that you borrow to buy the car.
- Registration. This is an annual compulsory fee and includes CTP.
- Insurance. I always recommend comprehensive insurance.
- Driver's Licence Fee.
- Roadside Assistance Fee if you want a breakdown service (which I also recommend).
- Tyres. Tyres generally need replacing every 45000 km.
- Fuel
- Service. You'll have to pay for regular maintenance usually around twice a year.
- Repairs. Things wear out, and you'll have to repair or replace.

Gerri estimates that the annual running costs of a small car costing around $10000 could be between $4000 and $5000. So you'll need to build this into your budget.

I hope you find your dream car soon Evelyn.

Cheers

Riley and Gerri

WEEK 25

MUNNIE TALKS (credit file)

Hi Riley

I've just been knocked back on a car loan which is pretty disappointing. The guy at the car yard said that I had a poor credit rating but I don't understand how this can happen. How would he even know that, and how did I get a credit rating in the first place? I'm only 18.

I've never been bankrupt or anything, and I nearly always make the minimum repayment on my credit card on time. It's not as if I don't ever pay them. The only time I didn't pay something was the power bill in a share house I lived in a couple of months ago. The account was in my name, but the other guys wouldn't pay their share, and we all moved out anyway.

Do you think that the guy from the car yard made a mistake?

Jake

Hi Jake,

Unfortunately for you, this doesn't sound like a mistake. The information that the guy from the car yard has would have come from your *credit file*.

Who has a *credit file*? Anyone over 18 who has ever applied for any form of credit has one. Jake, you have a *credit file* because you've opened an electricity account in the past. And now your unsuccessful application for the car loan will also be in your file.

Credit files are a record of your *credit history* and are compiled by a *credit reporting agency* (Australia has four.) Whenever you apply for credit from a bank or other lender, or a phone or utility (gas, electricity and water) company, the creditor (lender or provider) will want to know about your *credit history*. The *credit reporting agency* will provide the creditor with a *credit report* which is an extract from your *credit file*.

So what's in your *credit report*?

- Your personal details such as date of birth, address, employment history, etc
- Any credit checks made by creditors on you in the past
- Details of your current creditors and the type of loan you have with them; for example, credit card, personal loan or mortgage
- Your repayment history
- Legal information such as bankruptcy and court judgements issued against you
- Details of bad debts or unpaid bills (such as your electricity bill)

If you have a history of late payments and unpaid bills (as you have with your credit card Jake), you'll have a poor credit report. If you have a poor credit report your ability to obtain credit or get a loan will be affected, as you found out.

The information in your *Credit File* is used to determine your credit rating. The higher your credit rating, the better your chances are of getting a loan.

Jake, you can improve your credit rating by creating a budget and sticking to it, and paying your bills on time. You should also check your credit report at least once per year. This is a precaution against mistakes and identity theft. Anyone can get a copy of their *credit report* for free. If you think that there is an error in your report, you can apply to have it investigated.

In the meantime, a good move for you would be to start saving so that you can get that car as soon as possible. You should also check out the budgeting tool in the Daily Planner app if you’re not already using it.

Cheers

Riley

WEEK 26

BON VOYAGE (travelling overseas)

Are you planning an overseas holiday soon? This week, the Finance Weekly Finterest Feature shows you how to travel smart.

First things first, how exactly are you paying for your holiday? Do you have big holiday dreams but not enough cash to make them come true? Problem solved, get a personal loan, right? Wrong! This is one of the worst uses of credit. You'll be making payments long after you've returned and all you'll have to show for it will be a killer debt. That's not a good souvenir.

Good money managers set goals and save for holidays. The easiest way to do this is to have part of your pay paid directly into a dedicated holiday savings account. You should only go as far as your savings allow you. If you don't have enough money now, wait until next year.

Ok, so paying for the holiday is sorted and you're ready to make your bookings. Flights are usually one of the biggest travel costs but if you can be flexible with your dates, you'll save money. The cheapest times to fly are off season, midweek, before 8.00 am and after 8.00 pm. Use reputable comparison sites to book accommodation.

The next thing you ABSOLUTELY MUST DO is to take out travel insurance. You should organise your policy as soon as you pay for your trip. This is to ensure that you're covered in the event that you have to cancel your trip due to an event such as illness or a natural disaster.

Travel insurance is as important as a passport. Urgent medical treatment, in particular, can cost you a lot if you don't have travel cover. Most policies also cover you for disruptions to your travel plans and loss or theft of baggage. You should also check that your home and contents insurance is up to date before you travel.

How are you going to pay for things while you're away? Finterest recommends a prepaid travel card. You load it before you go and you can use it to pay for goods and services, and to withdraw cash from ATMs. (Try to limit ATM withdrawals as these usually attract hefty surcharges.)

A prepaid card is a good option because you can only spend what you've loaded onto it. Of course you should also take some foreign currency with you for the times when you can't use the card. A credit card or another debit card is handy for emergencies. Just be wary of exchange rates and charges on credit cards and make sure you don't get stung with foreign currency conversion charges.

Keep your money safe by checking your dockets and using internet security on your phone and tablet. You should keep your cards secure and protect yourself from being scammed. NEVER do your internet banking on a public computer.

Next, let's look at using your phone while you're overseas. International roaming is when you are able to use your mobile on another mobile network overseas while still being billed by your usual Australian mobile service provider. But beware! Most carriers have extremely high charges for roaming, particularly for data. The best option is to turn off data and use Wi-Fi only. Making and receiving calls can also be very expensive, but one way to get around this is to get a local sim card which gives you calls at a reduced rate. You'll need to make sure your phone is unlocked before you go.

And finally, how about keeping costs down when you get there. We've put together a few tips.

- Buy a travel card and use public transport in foreign cities.
- If there are a few of you travelling together, an apartment will be cheaper than a hotel plus you don't need to spend a lot of money eating out.
- Stay and eat a little further away from the tourist hot spots.
- Look for free walking tours in major cities to get to know your way around before you venture out on your own.
- Look for places with free entry.

All you need to do now is start packing. Bon voyage!