

In January 2009, Dun and Bradstreet's Consumer Credit Expectations Survey reported that 39% of working Australians could survive for only 30 days on their current savings if they lost their jobs.

This statistic highlights the importance for people facing redundancy to understand their rights and options regarding their bills and debts for both the short and long-term.

People who've lost jobs or are working reduced hours need to carefully plan how they'll manage financially, at least until they find a new job. Many are finding getting new work takes longer than usual. They're also learning they're not immediately entitled to Centrelink payments, and when they are, it's a small amount to live on.

MoneyHelp's financial counsellors can help people who've lost income because of the economic downturn to prepare a budget and plan to tackle their debts.

Job loss and lifestyle change

The lifestyle of an employed person is geared to the injection of new funds each week, fortnight or month. A reduction in or sudden halt to income due to job loss usually requires an immediate lifestyle adjustment. The bottom line is that unemployed people have to manage with less. Living on a limited income can be very challenging.

Preparing a budget helps them understand how long their money will

last if they maintain their current lifestyle. It will also highlight where their money is going and where they can reduce spending as well as what they can and can no longer afford.

What is a budget?

A budget is a plan of how money will be spent over a certain period. It identifies how much should be kept for essential expenses like mortgage, rent, utilities, food, and transport. It also identifies non-essential spending and areas where spending can be reduced in line with income in a person's current situation.

There is no fixed and correct way for people to assess their current financial situation and plan their future finances. Some consider budgeting a tedious process they've never used in the past and feel reluctant to use now.

However, there is no way around this. Whenever somebody approaches their bank, Centrelink or creditors for help with financial management at this difficult time, they'll be asked to provide a clear summary or snapshot of their finances. A budget will provide this.

A budget compares income and expenses. Where expenses exceed

income, such as with job loss, changes must be made. Income will need to be increased or spending reduced so some degree of financial control is maintained.

Budget templates

A number of free budget templates are available online. These provide a prompt about categories of regular and periodic expenses (like a checklist) and are helpful even if a person doesn't want to go through the process of preparing a formal budget.

MoneyHelp recommends the template available at www.fido.gov.au, a copy of which is attached.

What does a personal budget look like?

A budget doesn't have to be a complicated document, and there's no particular way it has to be prepared. It can be as simple as jotting down what expenses, tallying them and comparing this figure to income (or savings for people who currently don't have an income).

Need more information?

Visit www.moneyhelp.org.au

Or call 1800 149 689

Most budgets are weekly or monthly, but what period works best is really an individual decision. It's important to include bills that are paid yearly on a pro-rata basis in the calculation.

When living expenses are subtracted from income, the money left can be used for non-essential expenses like other bills and debts. A budget should also include a buffer for unexpected expenses like car repairs and medical bills.

A budget should be reviewed and updated every few months to make sure it continues to work as a plan for managing finances.

How precise does a budget have to be?

It's not important that a budget accounts for every dollar, rather a budget indicates balance or the degree of imbalance between incomings and outgoings. To get a better idea of where money is going, keeping a spending diary for a week can be useful.

The most effective budget will have some flexibility. A buffer of funds for emergencies will prevent common unexpected expenses like car repairs or medical bills from blowing the budget. Some rewards should be built in for good management and commitment.

Talk to a financial counsellor

A financial counsellor can provide advice about budgets and debt management. People who have lost their jobs or are working reduced hours as a result of the economic downturn can contact MoneyHelp's phone (1800 149 689) or email (www.moneyhelp.org.au) financial counselling service for no-cost assistance.

Further information

MoneyHelp: 1800 149 689

Sources:

MoneyMinded: How to prepare a budget

Fido website

www.fido.gov.au

Key messages

- A budget highlights essential and non-essential spending
- Many retrenched workers will have to wait several weeks to be entitled to Centrelink payments
- A MoneyHelp financial counsellor can help Victorians with reduced income due to the economic downturn draw up a budget

The information on this fact sheet is general and does not constitute legal advice.

MoneyHelp's products and services have been prepared for the information of Victorians who have experienced or are facing job loss or reduced working hours because of the economic downturn. These people can phone 1800 149 689 to speak to a MoneyHelp financial counsellor. A financial counsellor will discuss a range of debt payment options based on an individual's circumstances.