

PERSONAL FINANCE

SPENDING AND SAVING INCOME

- Expenses are categorised as **fixed** or **variable** expenses.
 - o Fixed expenses include bills, rent, taxes, mortgage and bank fees.
 - o Variable expenses are other money used to buy other items, like CDs.
- **Tax** may include income tax, GST (goods and services tax), rent, loan repayments, bank fees, utilities, educational expenses and superannuation.
- **Saving money** is used for purchasing expensive items, such as a house, emergencies or superannuation.

BORROWING MONEY

Good	Bad
- Immediate satisfaction	- Interest
- Convenience	- Impulse buying
- Forced saving	- Loss of control

- Types of loans:
 - o Personal Loans
 - Secured loans – with deposit, unsecured loans – without deposit
 - Mainly used to purchase cars, furniture and travel
 - o Mortgage loans to purchase house or land
 - o Bank overdraft – cheques more than the amount in account (high interest)
 - o Credit cards – buy now, pay later
- A **credit rating** is a record of your credit **reputation**
 - o If you have a bad credit reputation, you may have been in debt, or not paying bank fees

BUDGETING

- Budgeting involves the following steps:
 1. Calculating total income – through jobs, money through parents
 2. Recording expenses – both fixed and variable expenses
 3. Total expenses, and compare income with expenditures
 4. Check your financial position, and modify budget if required.

INSURANCE

- **Insurance** is the **protection** from sudden situations.
 - o Insured people pay a **premium** (a sum of money) to protect against **future loss**.
- Insurance can be taken out on:
 - o Health and travel insurance
 - o Car insurance – compulsory CTP, protects against injury or death
 - o Home contents – storm, flood or fire
 - o Life insurance – life, disability and income protection

CONSEQUENCES OF POOR MANAGEMENT

- Consequences of poor management include:
 - o Repossession – taking goods away from you
 - o Wages garnished, taken off income
- **Legal consequences** include:
 - o As a **debtor**, you must **meet obligations** or **legal action** will be taken against you to recover money
- **Social consequences** include:
 - o Debt → stress and pressure → illness or family breakdown

FINANCIAL ADVICE AND LAWS REGULATING CREDIT CARDS

- Financial advice can come from the financial services industry