



Your Finances, Your Way

A simple guide to managing your money

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practical emotional financial support

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Your Finances, Your Way

Staying in control of your finances and keeping out of debt isn't rocket science: it just requires good practices and a little forward planning.

It's no secret that everyday living can be expensive, and unless managed well, those expenses can easily snowball to create a debt that's bigger than Ben Hur.

Despite our best intentions, there are a variety of circumstances that can contribute to us falling into debt. Whether it's a sudden reduction in your income because you have had to stop work due to illness, or simply because you have forgotten to prioritise paying bills as a result of feeling stressed about living with HIV, debt can happen to any of us.

The best way to handle debt, or avoid it all together, is to have a budget plan in place to ensure your income can cover your expenses, as well as your everyday living and recreational costs.

This booklet is designed to give practical advice on managing your finances, offer tips on reducing everyday expenses, and arm you with the right tools to avoid debt.

It also provides a list of organisations that can support and advise you on a range of financial issues.

Types Of Debt

Housing • Utilities

Transport • Medical • Dental

Credit • Taxation • Fines

Keeping Track Of Your Finances

It's important to make the most out of every day, and with that comes unavoidable expenses such as rent, mortgage, groceries – the list goes on.

In order to keep track of your expenses or any debts you might have incurred, it's important to take a bigger picture approach.

A good starting point is to devise a yearly planner. You can begin by making a list of all your monthly living expenses and note when each payment is due.

Next, make a list of all your income by month. This will allow you to plan any months where there is not enough income to meet your expenses. By knowing when payments are due and when money is available to meet them, it is possible to get an idea of your cash flow and then build a budget around it.

With budgeting, it's a good idea to list your expenses according to importance. This list is unique to everyone but there are three givens that should be on your list:

- A roof over your head
- Food to eat
- Utilities

Outside of this, you should prioritise other expenses accordingly. Some people may choose to pay their credit card and not their rent, for example. The bank might be happy with this, but your landlord won't, and you certainly don't want to jeopardise the roof over your head.

To help sort out your day-to-day expenses, it is a good idea to keep your monthly receipts to identify just what you're spending your money on. If you can't be issued a receipt, simply jot down the expense in a notebook.

Armed with this knowledge you can start making informed decisions around which expenses you can reduce, find cheaper elsewhere or eliminate altogether.

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How to Deal with Debt

Everyone loves a quick fix but when it comes to debt 'easy ways out' can often lead to disaster. While winning the Lotto would be fantastic, it's a somewhat unrealistic solution, so for now let's forget that option.

Another pitfall to avoid is loan sharks who promise they'll clear your debt with the wave of a magic wand. This wand can be loaded with outrageously high interest rates that will ultimately get you further into debt.

What is needed is a sensible, planned approach that can be executed over a period of time. Keep in mind that if you can't increase your income you should decrease your spending. You may need to save one month to pay the next month's bills.

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Housing Debt

Whether you are renting or own your home, housing-related debt can come in many forms and can negatively impact on your standard of living. The following tips will help you in both the rental and home ownership scenarios.

Rental

- If you are starting a new tenancy then you may qualify for government assistance to help with your initial rent and bond.
- Under the new Tenancy Act (enforced in NSW as from January 31, 2011) bonds can now be paid in instalments.
- If your current rent is too high, consider finding accommodation that is more affordable and within your means.
- Consider applying for community housing, government housing or the government subsidised private rental scheme (available specifically for PLWHA). These options will mean that you only pay a quarter of your income in rent (you will need to be in the low income bracket to be eligible).
- If you are behind in rent try to negotiate a repayment plan with your landlord. Under the new Tenancy Act, any reasonable plan needs to be accepted.
- Obtain a Centrelink no-interest cash advance and pay the rent in arrears.
- If you are being charged water usage, keep in mind that the landlord now has to bill you every three months, rather than deducting the accumulated total from the bond when you vacate. The landlord is also now required to install water-saving devices.

*“Knowing that Tigger
and I have a home
makes me feel safe
and secure.”*

*Louise
BGF client*



Rental *(continued)*

- When it comes to home contents insurance, shop around for a low premium, pay monthly and elect a higher excess amount. Be realistic as to the value of your contents and check to see whether the policy is for new items or for replacement of old ones. Also check to see whether discounts are available to people receiving Centrelink benefits.

Home Ownership

Mortgage

If you are struggling to meet mortgage payments, negotiate with your lender to restructure your mortgage to either increase the length of the term or change to an interest-only loan. Either option will see the monthly payments reduced.

- Have your transaction account offset against your mortgage account.
- Look at renting out a spare room, if you have one available.
- Consider selling the property and downsize to a more affordable one.

For short-term relief, Housing NSW can provide up to \$20,000 in mortgage assistance for a maximum period of one year.

Other Related Costs

- If you are behind with the levies for your apartment, negotiate a payment plan with the body corporate. The same strategy applies to arrears of council rates.
- Shop around for a lower building and contents insurance policy.
- Don't forget to budget for ongoing maintenance.

Utility Debt

Electricity and Gas

It's important to pay your utility bills on time as it's these utilities that provide us with our creature comforts. Here are a few tips on how to manage utility debt:

- Add your bills from the previous 12 months and divide the total by 26. This will give you your average fortnightly cost which is a starting point for forward planning so that you can set up a direct debit to pay utilities each fortnight. If you receive a Centrelink benefit then it can be deducted automatically through the Centrepay scheme; there is no charge for this service.
- Apply for Energy Accounts Payment Assistance vouchers (EAPA). This scheme helps people who are experiencing difficulty paying their electricity or gas bills because of a crisis or emergency situation such as: a loss of income; a very high bill (not for bottled gas); an illness; a family crisis; or unexpected expenses or bills. Each voucher is worth \$30 and is issued by a participating community welfare organisation, such as the Bobby Goldsmith Foundation.
- Look at ways you can cut down on energy consumption. See Energy Australia's website for more details as well as their Energy Wise newsletter. Refer to the Helpful Websites section of this booklet

Phones and Internet

Whether you like a good chinwag on the phone or can't get enough of YouTube and eBay, phones and the internet have become a part of everyday life. Managing the costs that come with these conveniences are an important part of staying out of debt. Try these tips to stay ahead of the eight ball.

- Switch to a cheaper monthly plan for your phone, internet or both. This can be effective in reducing costs, but always read the fine print of your contract first.

- Make sure you stay within the usage terms of your contract for data and voice, as any extras will be billed at additional rates.
- Consider choosing a bundled or packaged plan that includes your mobile phone, landline and internet.
- Look at whether you can dispense with your landline altogether.
- Until your finances improve you can have your Telstra landline changed to a no-cost service that allows incoming and outgoing calls to emergency services. You must be an eligible pensioner or Health Care Card holder to apply for this.

*“Through BGF’s
Financial Counsellor,
I managed to sort
out numerous
financial problems.”*

*Kim
BGF client*



Transport Debt

Whether you live in a city or in the country, transport is an important, and often expensive, part of life. If you own a motor vehicle you may have costs such as:

- Vehicle registration – Free if receiving a pension.
- Driver's licence – Free if receiving a pension.
- Compulsory insurance (Green Slip) – Shop around for a low premium. If you are a low-income earner, apply for a no interest loan (NILS) through BGF.
- Pink Slip – Due each year if your vehicle is more than five years old.
- Maintenance – If you are a low-income earner apply for a NILS. NAB has a StepUp loan at very low interest. To be eligible, you need to hold a current Centrelink Healthcare card, a pension card, or receive Family Tax Benefit – Part A.
- Vehicle insurance – If you own an older car with low market value, then a cheaper option is available. Known as Third Party Property Only insurance it protects you against financial loss arising from any damage to another vehicle or property, but it will not cover the damage to, or theft of, your own vehicle. It is the cheapest form of voluntary vehicle insurance that you can buy.
- Consider selling your vehicle altogether, especially if you have moved or are considering moving. If so, it would be worth choosing an area close to public transport.

Using public transport?

- Buy a weekly, a TravelTen or other multiple-journey tickets as this will reduce costs.
- Take advantage of unlimited daily travel for only \$2.50 if you hold a Pensioner Concession Card.
- You are eligible for a 50% Travel Concession Card if you are receiving Newstart Allowance.
- Walk when practical, as this is also a good form of exercise.



Medical Debt

Depending on your individual situation and the frequency with which you require care, your medical expenses can accumulate as sure as the sun rises. Understanding Medicare and Pharmaceutical Benefits Scheme (PBS) thresholds is key to keeping these costs in check.

- Visit doctors who bulk bill so you are never out of pocket. If your doctor does not offer this service, retain your receipt for presentation at your local Medicare office. If applicable, you may receive cash back on a percentage of the costs.
- The Medicare Safety Net is the difference between the doctor's charge and the Medicare rebate. The difference counts towards the eligibility threshold. For concession cardholders and Family Tax Benefit recipients, the threshold is \$562.90. For all others the threshold is \$1,126. Once the thresholds are reached the safety net covers 80% of the difference between the doctor's charge (for non-inpatient services) and the Medicare rebate. Eligibility for the threshold lapses on 31 December each year and must be re-established from January 1 each year.
- If you need a lot of medicine in a calendar year, the PBS Safety Net helps you with the cost. Once you reach a safety net threshold you can apply for a PBS Safety Net card, which will mean your PBS medicine will be less expensive, or even free, for the rest of the calendar year.
- If you choose a more expensive brand of medicine, or if your doctor prescribes one, the extra amount you pay won't count towards your Pharmaceutical Benefits Scheme (PBS) Safety Net. Ask your doctor for a generic medicine if available. The current threshold for Concession cardholders is \$336 and for all others is \$1,317.20.

Other Medical Assistance

- Some ambulance services are provided free of charge to eligible pensioners holding a Health Care card. St John Ambulance provides a 50% concession for anyone holding a current Pensioner Concession Card from Centrelink.
- Life Support Rebates are available if you require medical equipment in your home that is necessary to sustain your life, such as: home dialysis, respirator, oxygen concentrator, and external heart pump machine. The Life Support Rebate is additional to any pensioner rebate to which you may be entitled.
- BGF will assist eligible clients with payment of HIV medications.

Dental

- The Medicare Chronic Disease Dental scheme allows chronically ill people who are being managed by their GP, under an Enhanced Primary Care (EPC) plan, to access Medicare rebates for dental services. It is available for most services provided by a dentist, dental specialist or for dental prosthesis in private dental surgeries. Dental services covered include dental assessments, preventive services, extractions, fillings, restorative work and dentures.
- Eligible patients may access Medicare benefits of up to \$4,250 in total over two consecutive calendar years for dental services. The primary purpose of the dental treatment must be to improve oral health or function. Medicare rebates will not be paid for dental services that are purely cosmetic in nature. The Federal Government are planning to remove this \$4250 subsidy on December 31st 2011.
- Free dental assistance is available to eligible people through public dental clinics.

Credit Debt

What is credit?

Credit is borrowed money that allows you to buy goods or services now and pay for them later or over time. All credit involves a potential cost – be it the annual fee or the interest you might pay.

The credit card trap

The biggest trap with using credit cards is that they allow you to spend money that you don't necessarily have. The convenience of 'buy now pay later' is not so convenient when you simply can't afford to pay back your debt now or later.

- If you have a \$1,000 balance on your credit card, your monthly repayment will be around \$25. At this rate it will take you 11 years to pay it off, if you just pay the minimum monthly payment.
- On a \$10,000 credit card balance, your monthly repayment will be around \$288 and will take 27 years to pay off. During those 27 years, you will have paid \$11,000 in interest – that's a total repayment of more than twice your original balance.

What to do?

By simply doubling the monthly repayment amount in both the above examples (to \$50 on a \$1,000 and to \$500 on a \$10,000 debt) the entire debt would be repaid in two years and save thousands of dollars in interest repayments. Keep these figures in mind the next time you go to use your credit card.

- If you can't repay the entire balance of your card each month, pay as much as you can. Alternatively, look at a 'balance-transfer' credit card with another card provider as this option will mean that you pay less or even 0% interest while you concentrate on bringing down your balance.
- Talk to your bank or financial institution or a BGF financial counsellor if you get into trouble paying off your credit card and

see whether you can organise a payment schedule that works for you. The sooner you identify the problem and notify the institution, the sooner you may be able to get the situation under control.

- Credit card consolidation is another option but will depend on a good credit history and your ability to meet the monthly payments. You will only have one monthly bill to handle. You can do this by transferring all your card balances to a balance-transfer credit card offering a zero or low interest rate for the life of the debt. Alternatively, you can apply for a personal loan at a lower rate than for credit cards or you can refinance your mortgage and use the equity in your home to consolidate the cards as this will be at the lower mortgage interest rate.
- Keep in mind that if you have a savings account with the same institution as your card is with, then under the terms of your card account, monies can be transferred if you are behind in your minimum monthly payments.

A debit card is truly fantastic plastic

If you need the convenience of a credit card for phone and internet banking, EFTPOS or ATMs, or if you're just not comfortable carrying around too much cash, then switch to a debit card.

A debit card looks and behaves just like a credit card and is issued by both Visa and MasterCard. However, a debit card accesses funds in your own linked cheque or savings account – so you are spending your own money, not accruing a balance that has to be repaid.

A debit card will allow you to take control of your spending because you can only access funds that are in your account. When you link your debit card to your own finances, choose an everyday transaction account, not your emergency fund or your savings account.

Keeping your savings and your spending money separate will help you build financial security.

Also, it's good to get into the habit of paying your bills and buying your groceries first and then use the remaining amount as your spending money.

Taxation Debt

It's impossible to avoid the tax department, and even harder still to avoid taxation debt if you let it get out of control.

Taxation debt can commonly occur if you work more than one job. This is because, although each job may be taxed at a lower rate, the combined income may well push you into a higher tax bracket and that extra tax would not have been deducted while you were working.

Taxation debt can also occur if you are running your own business and underpay the due tax. The following tips can come in very handy when dealing with this kind of debt:

- Once a debt has been 'raised' by the Australian Tax Office (ATO) then a general interest charge (GIC) will start to accrue – the current rate is around 12%.
- If you are working and still receiving the Disability Support Pension, the pension amount is non-taxable. However, if you are on Newstart Allowance it becomes part of your taxable income.
- Tax debts that are not for the current year are cancelled by bankruptcy (see later section on bankruptcy).
- If you have been advised you have a tax debt, contact the ATO immediately so you can arrange a repayment plan. You will have two years to repay this debt by regular instalments.
- If you are experiencing severe financial hardship there are various avenues of relief available. These may include a total write-off, a waiver (until your financial situation improves), removal of any accrued GIC, or a 'Not Pursue' order (until you resume working again).



Fines

Apart from a waste of money, incurring a fine can be incredibly frustrating. Whether it's a traffic or parking fine, court fines or something as odd as a fishing fine, all fines should be paid and never left to accumulate if you can avoid doing so.

Unfortunately unpaid fines don't just disappear – they go to the NSW State Debt Recovery Office and incur a further penalty of \$50.

The SDRO has various options for enforcing payment of the fines that include: suspending your driver's licence; cancelling your vehicle registration; property seizure; garnishee order on your wages and/or bank account; charge on land; and Community Service Orders or Work and Development Orders.

The best approach is to try to pay a fine upon issue or look into a payment arrangement that suits both yourself and the issuer of the fine.

The SDRO also has the authority to collect and enforce Commonwealth fines such as taxation, social security/Centrelink or breach of customs laws. Commonwealth fines can only be enforced by the SDRO if a NSW court has imposed the fine.

The SDRO does not have the authority to enforce fines issued or ordered against individuals by agencies or courts in other states or territories of Australia.

If your fine is referred to the SDRO and you can't pay it, then you can apply for one of the following:

- Time To Pay Arrangement
- Work and Development Order
- Stay of the Enforcement Order
- An annulment of the fine
- A write-off
- Remission of the fine

Or, you could consider bankruptcy, as penalty notices and enforcement orders imposed in New South Wales are covered by this claim. However, court fines are not, and you will be required to pay these fines regardless (see later section on bankruptcy).

Fines imposed by a court must be paid within 28 days. You can seek an extension or make an instalment payment arrangement by completing a written application and lodging it with the court. If you do not pay the fine within the allotted time, or do not make all instalment payments required, the fine will be referred to the SDRO for further action.

*Unfortunately unpaid fines
don't just disappear...*

*The best approach is to try to
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Centrelink Debts

If you incur Centrelink debt and you do not repay the amount owing, and Centrelink has not agreed to extend the time for payment, further action may be taken. This includes:

- Referring your account to an external collection agency (Dun & Bradstreet or Recoveries Corporation).
- Reducing your payments from Centrelink or Family Assistance Office to help repay the amount owing.
- Referring your case to solicitors for legal action, and/or issuing a garnishee order to take money from: your wage or salary income, your tax refund, or other assets and income (including money you may hold in a bank account).

The standard repayment rate is 15% of your Centrelink payment. If you have other income, such as earnings from employment or investments, the repayment rate can be higher than 15%, as it is calculated using a sliding scale based on your income. Different deduction rates apply to Family Assistance Office payments.

Deductions may also be made to recover money owed to some Australian Government departments, including the Child Support Agency and the Department of Veterans' Affairs.

If you incur Centrelink debt and you do not repay the amount owing, further action may be taken.

Bankruptcy - A Last Resort

Bankruptcy is a big step that can involve significant restrictions on your life. These restrictions continue until you are discharged from bankruptcy, which usually occurs automatically after three years. However negative effects continue beyond the bankruptcy period and include being:

- Default listed by a credit reporting agency for seven years.
- Placed on the public National Bankruptcy Registry indefinitely and having to declare, if required, that you have been bankrupt. This may be asked by landlords and creditors.

You will be released from the majority of your debts on discharge from bankruptcy, but not from all debts. A trustee will be appointed to your case when you are in bankruptcy and in order to pay your creditors, this trustee will:

- Sell your assets (although you will be able to keep certain types).
- Depending on your income, enforce payments from your earnings once you make over a certain amount during the period of your bankruptcy.
- Investigate your financial affairs and may recover property or money that you have transferred to someone else for inadequate consideration.

Most unsecured debts are cancelled by bankruptcy and include:

- Personal loans, credit cards and goods and services obtained on credit before bankruptcy.
- Trade-related creditors incurred before bankruptcy.
- Taxation debts incurred before bankruptcy.

Centrelink will not try to recover their debt while you are bankrupt, but can pursue the debt once you have been discharged.

Penalties imposed by the Australian Taxation Office for late payment or the late lodgement of returns are also cancelled by bankruptcy.

However, the ATO is entitled to keep any tax refunds due to you during the period of bankruptcy and apply these to your unpaid income tax. Tax refunds after discharge from bankruptcy may be retained by you.

Debts that are not cancelled by bankruptcy include:

- Secured debts. These arise from loans which are backed-up by the right for the business lending the money to sell property (such as a car or a house) to repay the loan. (When there is still money owing after the sale then that amount becomes an unsecured debt and can be cancelled by bankruptcy).
- Student loans and Higher Education Contribution Scheme (HECS) or Higher Education Loan Programme (HELP).
- Centrelink debts due to fraud.
- Court-imposed fines.
- Child support and maintenance payments.
- Council rates.

If you are thinking about bankruptcy, keep in mind that it is very difficult to obtain any credit during that period and you will definitely not be able to obtain a large loan such as a home mortgage while you are in bankruptcy.

Bankruptcy should be seen as a last resort and only considered after obtaining the advice of a financial counsellor.

Centrelink will not try to recover their debt while you are bankrupt, but can pursue the debt once you have been discharged.

*There are many
online resources to
help manage your
current finances and
plan for the future.*



Handling Debt - Helpful Websites

- **Anz Money Minded** - www.moneyminded.com.au
- **Australian Tax Office** - www.ato.gov.au
- **Bobby Goldsmith Foundation** – Financial Counselling - www.bgf.org.au
- **Centrelink** - Good for debt issues - www.centrelink.gov.au
- **Consumer Credit Law Centre** - www.cclnsw.org.au
- **Energy Accounts Payment Assistance (EAPA)** - www.industry.nsw.gov.au/energy/customers/help
- **Energy Wise** – Newsletter - www.energyaustralia.com.au/EnergyWise/newsletter.aspx
- **Fined Out (Inner City Legal Centre)** - www.iclc.org.au/fined_out
- **HALC (Hiv/Aids Legal Centre)** - www.halc.org.au
- **Housing Nsw** – For mortgage assistance scheme - www.housing.nsw.gov.au/Home+Buying+and+Building/Financing+Options/Mortgage+Assistance+Scheme.htm
- **ITSA** - For bankruptcy matters - www.itsa.gov.au
- **Legal Aid** www.legalaid.nsw.gov.au
- **Local Courts** – Debt recovery - www.lawlink.nsw.gov.au
- **Money Minded** - Financial education - www.moneyminded.com.au
- **Money Smart** – (Commonwealth Govt.) - www.moneysmart.gov.au
- **Residential Tenancies Act 2010** - www.legislation.nsw.gov.au
- **Tenant's Union** - www.tenants.org.au
- **Welfare Rights** – Social Security law & Centrelink. www.welfarerights.org.au

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practical emotional
financial support