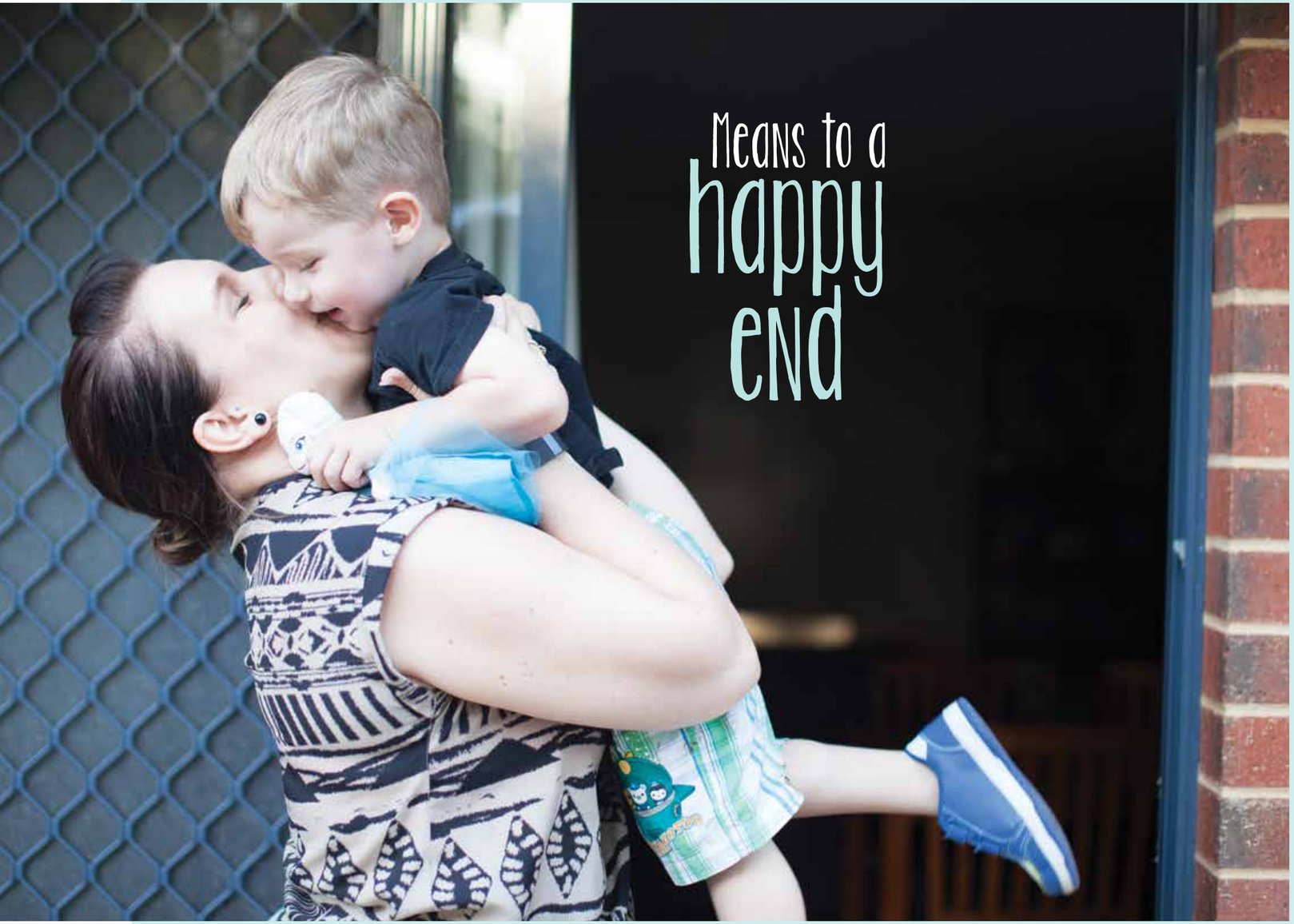

Means to a happy end

LIVING WITHIN YOUR MEANS MIGHT SOUND LIKE A LUXURY ONLY PREVIOUS GENERATIONS COULD MANAGE, BUT THAT DOESN'T HAVE TO BE THE CASE. WE MEET TWO FAMILIES WHO DISCOVERED MORE TO THEIR MONEY WITH SOME SIMPLE PLANNING.

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For their twins' third birthday, Richelle and James Fowler held a party at their home. It wasn't luxurious but there was plenty of food, helium balloons, games with prizes and party bags for every child. The twins got the gifts they wanted, too. For Richelle and James, it marked a turning point in their lives.

"We paid for the party out of our savings," Richelle says. "It sounds small, but it's a massively important parenting goal to provide for your children with money earned and saved, not borrowed."

The twins' first birthday was a different story. Held in a park and combining a naming ceremony, the couple had to ask friends and family to provide the food, had a friend make the birthday cake as a birthday gift, and instead of presents, asked guests to gift money so they could afford to continue the twins' swimming lessons. "We had to scrimp and borrow to have the party. I did some work for the woman who owned the hire company so we could afford it. It was a huge stress. It was 40 degrees on the day and I only had money for one bag of ice."

James is a stay at home dad and also carer to Richelle, who suffers from a neurological disorder similar to Parkinson's disease. While she has a part time job as a function coordinator at a golf club, she also receives a part-time pension, and James receives a carer's pension, making sorting their income out confusing at the best of times.

"It was a full-time job trying to stay on top of our finances," Richelle says. "We were living pay to pay, trying to manage my income plus our different Centrelink payments. When I went on maternity leave, it got even more confusing because some payments stopped and other payments started."

It wasn't for lack of trying. The pair had set up a monthly budget and did their best to stick to it. "You know what it's like with kids, it kept getting more expensive. An unexpected bill would come in and we were constantly negotiating payment terms because we could never afford to pay things upfront."

Things went from bad to worse when Richelle was on maternity leave and they got behind on a payment arrangement with their electricity company and debt collectors got involved. James was rushed to hospital and they found themselves with a $900 ambulance bill, at the same time Centrelink informed them they'd been overpaid and had to pay back a large sum.

"I thought, I can't handle any more of this. We weren't living. We were just trying to survive."

It was James who suggested they get professional help with their budgeting – after a friend told them how the MyBudget service had helped them. Richelle made the call. "I thought we should be able to do it on our own, but when I spoke to them, they were so understanding, I burst into tears and said, 'Please help us'."

Working with a personal budgeting specialist, the pair established a long-term, flexible budgeting system that took into account every expense, from utilities to haircuts and holidays. "We now look at the money we have coming in and all the commitments we have going out and we know exactly how much we have to live on, not just this week but for the whole year."

The budgeting service manages payment of all the bills and savings, giving the couple access to a set amount of spending money. "The first six weeks were really hard because I had to learn to give up control. It took that long to feel it was working, that we were actually catching up with our bills and having money to live off. Now when we get a new bill, I just call them and it's taken care of. In the past, I would have been in tears."

The couple have learnt to control random spending, making sure their expenses are covered first, and are on their way to building up their savings to provide the things for their family that not so long ago, they could only dream of. "We want to be able to buy their Christmas presents and take family holidays. It's little things like being able to take them to the museum and not worry if they want food, or for them to be able to go to other kids' parties. Before, the thought of three birthdays in one weekend was nauseating because there was no way we could afford three presents."

"It's like having a chocolate bar in the fridge - if it's there I'll eat it, but Daniel can let it sit there for a week."

To look at Leanne and Daniel Martin in their cosy home today, their four-year-old son Brock playing on his trampoline, it's hard to believe that it wasn't so long ago they were living with Daniel's family, and barely making ends meet.

The pair had each brought considerable debt into their relationship – Daniel's significant debt was a hangover from an expensive car hobby he indulged in during his twenties. It all seemed manageable until they found themselves expecting a baby, and considering moving interstate.

While living in Western Australia with little savings, they were financially unstable, with Leanne's limited employment opportunities, and Daniel's shifting between various jobs. They moved to Adelaide, and to get on their feet, lived with Daniel's family. Shortly after the birth of their son, Daniel was offered the opportunity within his company to work at a South Australian mine site; however, it wasn't until Brock turned one that they were able to move into a rental property of their own. Even so, money was still tight on one income, and they were struggling to service their debts and other financial commitments.

"We would often fight about money, mainly how we'd find the money to pay bills, or why we didn't have enough in savings to buy a bigger ticket item or visit friends and family interstate", Leanne says. "I know Daniel felt the pressure, providing for me and our son, as well as dealing with the guilt that he had created the debt for us."

Like the Fowlers, Leanne and Daniel felt they should get out of their financial problems on their own. They tried 'the envelope' method, which involves putting money for expenses into envelopes. "In our case, it didn't work. We're both impulse spenders and, if we knew the money was there, we'd often use it on bill-free weeks. We were always paying bills late, and never had any savings."

A chat with a professional budgeting service proved much more successful. "We looked at what we could actually achieve on our income with a long-term budgeting plan, and it was a pleasant surprise."

The service took control of paying the bills and saving a portion of Daniel's income, leaving the couple with a set amount of spending money each pay period to cover weekly living expenses. They looked at where they could make savings on their expenses, such as reducing the levels of their insurances, cutting back on personal appointments, and saving fees by having bills paid on time.

"We were never really big on going out a lot, we never had a luxurious lifestyle so we didn't have to cut back on a lot of 'extras'. It was about creating savings for us to fall back on if we needed it, and reducing the impulse spending. It was more of a mental shift in realising that just because spare money is there, you don't have to spend it," Leanne says. "For me, it's like having a chocolate bar in the fridge – if it's there I'll eat it, but Daniel can let it sit there for a week. One thing we have learned about savings is that it must be treated as another bill. If you wait to see what you have left at the end of your pay, it's difficult to get ahead with your savings. If you pay it as a top priority bill from the start, you can see it climbing steadily every month".

With impulse spending and late-payment fees removed from the equation, Leanne and Daniel found their money going much further. "We were able to make double payments on our debts, plus we saved for a house deposit and paid for our wedding," Leanne says. "We've learnt to save for the things we want and we don't have a credit card any more. We're expecting another baby this year, which means I'll be on maternity leave, and the assistance will be vital in helping us get us through it."