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Q 1: With the holiday period over we are back to work and the reality of what we have spent during the festive season is here, which is a lot more than we had hoped. Consequently it feels like we start the new year on a negative note. Do you have any suggestions for how we can better prepare for the reality of December and January spending?

L.K., KAMBAH

A 1: It is certainly easy to spend more during the holidays than planned, and many will relate to the feeling of some financial dread come January. The most powerful suggestion I could give is to set realistic expectations in the first place by planning better for holiday spending. Here are a few thoughts:

1. First, make sure you set a realistic annual spending figure. You may set a spending goal at the start of the year that you would like to stick to, but in reality does not reflect your lifestyle. This only serves to set you up for "failing" to stick to your budget for the year.
2. Second, make sure you set a realistic holiday spending budget. While you may have an annual spending budget, it is not necessarily best to simply divide the annual total by 12 to get your monthly spending limit. Weighting more spending towards December and January will allow you the extra financial room needed in these months, and may assist you in budgeting better throughout the year by having a lower monthly amount for the other 10 months.
3. Third, plan to spend more, and allow yourself to spend more, so long as it is within an overall spending budget that allows you to achieve your longer term financial objectives. If you gave yourself a greater spending limit, whether for the whole year or simply during the holidays, then you may find that you comfortably come under the limit which makes you feel better about your spending.

The point in going through these steps is that you should not just set a limit for the sake of a limit. Get informed about what the limit means. A limit needs to be realistic for you to respect it. A Certified Financial Planner can assist you make sense of what you currently spend and set realistic spending limits. Importantly, they can help you understand the context of a budget in light of your overall financial position.

For example, you could see a financial planner who can prepare financial projections for you showing your anticipated retirement spending should you keep your personal spending to a limit of say \$50,000 pa to retirement. In this scenario you may be heading for retirement spending of say \$60,000 pa in today's dollars. If you instead allowed yourself to spend more each year up to retirement, say \$55,000 pa, which may be a more realistic budget figure, then you may find your anticipated retirement spending may drop to say \$55,000 pa.

On one hand you may be concerned that your retirement spending would drop \$5,000 pa. On the other hand, you may feel that retirement spending of \$55,000 pa would be very

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comfortable anyway. By having this context, you may find that you give yourself permission to spend more now, knowing that your retirement is still secure. Being informed of the consequences of your choices can be financially liberating.

Phil Thompson is a certified financial planner and authorized representative of Rise Financial Pty Ltd (ABN 86350987645), AFSL 311718, an Approved Financial Planning Association Professional Practice. Answers should be used as a general guide only and professional advice should be sought before making investment decisions.

Send your financial questions to phil@risefinancial.com.au