Money Mechanics

Strategic Financial Advice

2026 EDITION

MONEY MECHANICS E-BOOK

Taking Control of Your Cash Flow

A simple account system for knowing what it really costs to be you

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About Us

Scott Malcolm is director and principal consultant of Money Mechanics, a specialist Financial Life Planning firm in the areas of Superannuation, Wealth Creation and Education services.

Our values-based financial life planning process brings together technical expertise and the human touch to create a solution tailored towards your overall life goals. We choose not to take upfront or ongoing commission on financial products, so our clients have a clear fixed fee for advice that isn't tied to any product provider.

Money Mechanics believes in the value of education and financial literacy. There is an array of jargon in the financial world and we aim to demystify it through regular education programs, our podcast and our social channels.

Our mission

To educate and inspire people around their money, so that they can live a rich life. Everything in this e-book starts with your values – the 'why' behind your money decisions – before we get anywhere near products or strategies.

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Podcast	Money Mechanics with Scott Malcolm (Apple Podcasts, Spotify and more)

Notice: While we have checked everything within this booklet, no person should rely on the contents without first making their own inquiries or obtaining advice from a qualified person regarding their personal circumstances. This e-book is general information only and does not take into account your objectives, financial situation or needs.

Please read this e-book together with our Financial Services Guide (FSG) and Privacy Policy, issued by Infocus Securities Australia. Both are available on our website or on request.

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Taking Control of your Cash Flow - Outcomes

Understanding and managing your cash flow puts you into control of your money rather than it being in control of you. Cash flow management and planning is one of the key foundations to your overall financial planning strategies now and long term. How much you need to live on today is often not reflective of what you will need once you reach retirement.

This process is an ongoing journey. As you spend more time listening to your inner voice you get a greater depth of understanding: 'be patient with yourself, team up with a buddy for support / accountability, and remember we all have our own unique path.' This can be a challenging process so remember you are not alone and there are a range of support services available.

With Money Mechanics you will understand:

- How your values, current habits and behaviours impact your current cash flow and budgeting.
- How to structure your cash flow in an easy to follow system.
- The financial planning process and critical elements of your own financial life plan.

Note: Please be aware of your own personal experiences and how these may affect you in reading this e-book. Most of us will currently have a number of thoughts, both positive and negative about money and what it means to us. We all come with different beliefs and attitudes, and everyone's experience is valid. We ask that you look out for yourself and enjoy the process as you get a deeper understanding of your relationship with money. From a finanical planning perspective eveything in this e-book is of a general nature and does not constitute financial advice.

Exercise

You have been given a $10,000 pay increase. Consider what you would do with that money and how would it make a difference in your life today? You can do anything with it, no questions, no requirement to negotiate with someone else it is solely for you.

What would you do with the extra money?

Values Based Financial Planning

What is your passion for life? What gives you the get up and go every morning to go to work or do what you do?

Values Based Financial Life Planning looks at answering some of these questions.

- Why do some people appear to be good financial managers, while others do not feel comfortable managing money?
- Why do some friends always borrow money?
- Why does someone never let others pay the bill?
- Why do couples argue about finances? Is money the problem?

It isn't about money it is about your upbringing and attitudes towards money or your "Money Stories".

Money is a means to an end meaning most people don't just want a pile of money but the lifestyle or assets it brings. As a learned behaviour we can all upskill and become better with money in our life.

As with any planning, before we start, it is important to have a clear picture of what you are trying to achieve. This can be hard to define and will change overtime.

Many people we have worked with say 'I want enough to be comfortable' or 'I just want to feel in control of my money'. 'Comfort' or 'control' for everyone could be a very different outcome. Understanding what this outcome is for you is the foundation in being free around money in your life.

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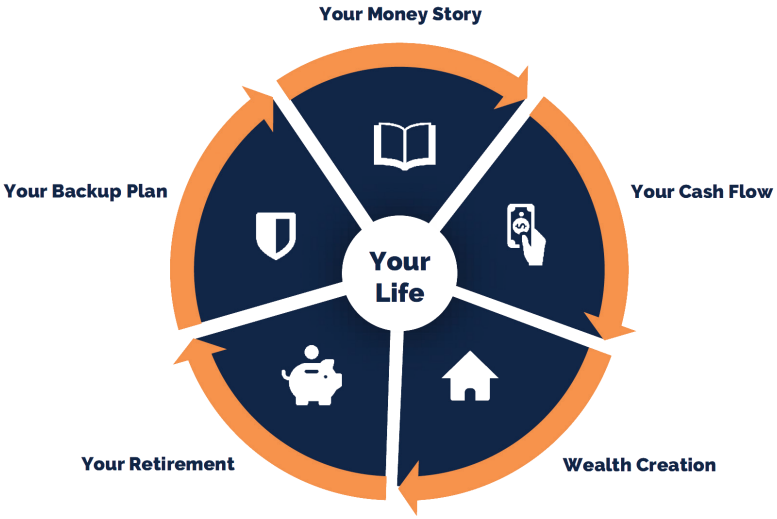
Our Advice Proposition

Money Mechanics brings the following elements together to create your **Financial Decision Making Framework**. It's a fluid process – as your life changes, so does your plan.



Your Life – The who, what, where, when and why this is important to you. This may be a specific financial goal or outcome you are aiming for. What matters most is alignment to what you value and the role money plays in your life. This connects to **Your Money Story** – your conscious and unconscious past behaviours, thoughts and feelings when it comes to money.

Your Cash Flow – What you earn and where it goes, knowing what it really costs to be you. Cash flow management, salary sacrifice and packaging strategies. Your budget should tell your story.

Your Wealth Creation – Pay as you earn, company, family trust, partnership, borrowed funds, regular savings plans and dollar cost averaging strategies and structures.

Your Retirement – Your post-retirement strategies and your ability to sustain your lifestyle without the need to work. Defined benefit, accumulation, self-managed super and retail or industry super funds can be product solutions, as well as top-up amounts through the Centrelink system.

Your Backup Plan – What if the worst was to happen? These are your estate planning and protection strategies – insurances, wills, powers of attorney and testamentary trusts.

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What is Money?

Are you operating at the level you want when it comes to money in your life? At Money Mechanics, we often say to people that we are all purely custodians of money while we are on this earth and some people will have more and some will have less. We can all change how we interact with money. Money on its own has no meaning or feelings. A $100 bill is a piece of paper. It is the energy and value we as human being place around it

Definition*:* Money is any object that is generally accepted as payment for goods and services and repayment of debts usually country or economic group based. The main functions of money are distinguished as:

- a medium of exchange
- a unit of account or store of value.

What the dictionary says:

"the most common medium of exchange; functions as legal tender"

How do you define money?

What does money mean to you in your life?

What are Values?

Definition*:* Values are deeply held beliefs about what is good, right, and appropriate. Values are deep-seated and remain constant over time. We accumulate our values from childhood based on teachings and observations of our parents, teachers and other influential and powerful people.

What the dictionary says:

"an ideal accepted by some individual or group"

"a set of rules or ideals to live by"

How do you define values?

What does values mean to you? What key values do you want to live by?

Your Money Style – Where Do You Fit In?

Our values and money stories show up in six areas of everyday money: how we **earn**, **spend**, **save**, **invest**, **give** and **borrow**. At Money Mechanics we've built our six money styles around those six areas. Your money style is the area where you feel most at home – the one you lean on to feel safe, successful or happy.

Most of us have a lead style and a back-up, and they can shift with age and circumstances. You'll probably recognise yourself (and your partner) straight away.

Area	Money style	At its best	The other side of the coin	The question it asks
Earn	**The Hustler**	Hard-working and resourceful. Backs themselves and always finds a way to earn.	Work crowds out life. 'One more year' becomes five. Self-worth gets tied to income.	*'Can I earn my way there?'*
Spend	**The Experiencer**	Money is for living. Makes memories, says yes to life and is a generous host.	Lifestyle creep. Future you misses out, and payday arrives with nothing saved.	*'Will we remember this in ten years?'*
Save	**The Nest Builder**	Always has a buffer, rarely in trouble, and sleeps well at night.	It never feels like enough. Finds it hard to spend, even when they can afford it.	*'What if we need it later?'*
Invest	**The Grower**	Patient and curious. Understands compounding and plants seeds early.	Checks the balance daily, chases the next big thing, and every dollar has to earn its keep.	*'What's the return on that?'*
Give	**The Provider**	Generous and loyal. Looks after family, friends and community.	Says yes at their own expense. Their own super and buffer come last.	*'Who needs looking after?'*
Borrow	**The Stretcher**	Confident. Uses good debt to get ahead sooner, for a home, a business or investing.	Always stretched. One rate rise or job change away from stress.	*'Can we make the repayments?'*

Three pairs, two sides of the coin

The styles come in pairs, each one two sides of the same coin: **the Hustler and the Experiencer** (earning for later, or enjoying it now), **the Nest Builder and the Stretcher** (saving before you buy, or borrowing to get there sooner), and **the Grower and the Provider** (money working for the future, or money looking after people today).

There's no best style. If you and your partner sit on opposite sides of a pair, that's often a strength, because each of you balances the other. The trouble starts when we turn a difference in style into a judgement of character.

The Money Mechanics money styles are a self-reflection tool, not a psychological assessment.

Your Money Style – A Quick Self-Check

Tick the statements that sound like you. Go with your first reaction, and think about what you *do*, not what you think you *should* do. If you have a partner, tick separately, then compare.

Style	Statement	Me	Partner
Hustler	If I want something, my first thought is how I could earn more to pay for it.	☐	☐
	I find it hard to switch off from work, even on holidays.	☐	☐
Experiencer	I'd rather spend on a great experience than own more things.	☐	☐
	My spending tends to creep up when my income goes up.	☐	☐
Nest Builder	I feel uneasy unless there's a healthy buffer in the bank.	☐	☐
	I find it hard to spend money on myself, even when I can afford it.	☐	☐
Grower	I like knowing my money is working for me, not sitting idle.	☐	☐
	I check my investment or super balance more often than I need to.	☐	☐
Provider	Looking after my family financially is one of my biggest priorities.	☐	☐
	I find it hard to say no when someone I love asks for help.	☐	☐
Stretcher	I'm comfortable using debt to get ahead sooner, if the numbers stack up.	☐	☐
	A rise in interest rates would put real pressure on my budget.	☐	☐

My lead style is:

My back-up style is:

If I have a partner, their lead style is:

> **Want to go deeper?**
> Our **Your Money Style Workbook** has the full 30-statement quiz, scoring, a balancing tip for each style, and pages for couples to compare their styles and agree how they'll work together.

Your Money Style – What It Means for You

Every style has real strengths, and every style has another side of the coin. The aim isn't to change your style. It's to use its strengths on purpose, and borrow a little from the other side of your pair.

Style	Strength	Watch out for	A values-based nudge
Hustler	Drive and resourcefulness	Working so hard you forget to live	Put a finish line on the hustle
Experiencer	Enjoys life and makes memories	Lifestyle creep	Pay future you first, then spend guilt-free
Nest Builder	Buffers and peace of mind	Never feeling it's enough	Give your buffer a number
Grower	Patience and long-term thinking	Chasing returns, checking daily	Review quarterly, not daily
Provider	Generosity and loyalty	Forgetting yourself	Put your own oxygen mask on first
Stretcher	Confidence to get ahead	Always stretched	Test new debt at a higher rate

Reflect

Which styles do I most relate to, and how do they show up in my earning, spending and saving?

Which side of my pair do I lean towards, and what would a little more of the other side give me?

If I have a partner, how do our styles differ, and where do they clash or complement each other? If I'm single, how do my styles compare with the friends and family I spend money with?

> **From the podcast**
>
> Ara Jansen and I unpacked how to have the money conversation early in a relationship in 'Money Conversations and First Dates'. It's a great one to listen to together.

Your Cash Flow Matters

Do you know how much it costs to be you? What amount of money do you need coming into you bank accounts to cover your lifestyle? Do you know how much you earn as net income (after tax) and do you know where it all goes? Or are you a free spirit with your cash flow management leaving this up to your partner or to chance.

Budgeting is about having an understanding of how much money you have coming in and how much is going out. This doesn't always have to be a formal written document (although this does help), however, knowing your lifestyle is an important foundation step to your future financial plans.

Our golden rules when it comes to your cash flow framework…

Be clear on what it costs to be you

Spend less than you earn.

Keep it real.

Plan for major expenditure.

Use debt wisely.

Review regular expenses every two years to ensure you are getting the best deal.

Team up with a buddy or partner to stay accountable

Having a handle on your cash flow can give you empowerment over your day to day life and puts you into control of your money rather than it being in control of you.

Cash flow management and planning is one of the key foundations to your overall financial planning strategies now and into the longer term. How much you need to live on today is often not reflective of what you will need once you reach retirement from the workforce as you will have time on your side which may result in the desire to spend more funds on travel and lifestyle.

Your Cash Flow Framework

We suggest a **Four Account Structure** (plus additional accounts for any long-term savings or investment which carries ongoing expenses) to give you transparency and control over your day-to-day cash needs.

Account 1 - Working account
This account should be used for your day-to-day expenses such as food, lunches, coffee and entertainment expenses. The discipline here is once the funds are used you do not spend any more money on these items. **This should be your standard working account with ATM access.**

Account 2 - Bills Account
Use this account to plan for your regular annual expense and bills. Again each fortnight you should work out an amount to go into this account. The process here is if you are going for a haircut, or clothes shopping transfer the money across from the Bills Account to your Working Account, try to limit impulse buying and have a plan / purpose in mind when you go shopping. **This account ideally should be an offset account if you have mortgage debt and you should have NO ATM access on this account.**

Account 3 - Active lifestyle savings
The fun stuff, like regular holidays, travel and hobbies. ***If you have a mortgage, this could be offset account number 2, with NO ATM access.***

Account 4 - Future savings and debt reduction
Long-term savings, extra debt repayments and investing. This is where any surplus goes, and future you will thank you.

Compare High Interest Savings Accounts (HISA) at moneysmart.gov.au.

Start by downloading your transactions from your bank account over at least the last 4 months. Include all your income and expenses. Keep any investment related costs separate so you can be clear on lifestyle. You'll need to decide if your budget will be done on a weekly, fortnightly or monthly basis. As a tip most people like to match this to their pay periods. If monthly pay is too long consider paying yourself on a weekly basis as a drip feed for your weekly cash account number 1.

- **Total Income - Total Expenses = _____ Profit or (Loss)**

Your Working Account	Your Bills Account	Your Lifestyle Savings / Worth Living	Debt Reduction / Future Savings
YOUR TOTAL EACH PAY = $	YOUR TOTAL EACH PAY = $	YOUR TOTAL EACH PAY = $_____	YOUR TOTAL EACH PAY = $_____

Four Account Approach – Your Cash Flow Planner

Our Cash Flow Planner puts the four-account structure into practice. It sorts everything you spend into four buckets, each with its own bank account, so you can see at a glance where your money goes. Include the items that are part of your lifestyle and add any that aren't listed – you can change any label to suit you.

Basic expenses are often non-discretionary, meaning we have little choice over spending the money. Discretionary expenses are where we have more choice. Food can fit into both categories, as we all need to eat – but how often do we eat out or buy lunch?

1. Your weekly cash expenses

Account 1 – Working account (ATM and PayPass access)

Pocket money, supermarket, fruit and veg, cosmetics and toiletries, petrol, road tolls and parking, buses and trains, hobbies and kids' expenses, bars and clubs, alcohol, cigarettes, music and movies, newspapers and magazines, restaurants, lunches, takeaway and food delivery, coffee and tea.

Consider paying yourself a set amount each week into this account. Once it's gone, it's gone until next payday. These are the only expenses you need to track closely.

2. Your lifestyle costs

Account 2 – Bills account (no ATM access)

Home: rent or mortgage, rates, home and contents insurance, maintenance and repairs, new furniture. **Utilities:** electricity, gas, water, internet, mobile phone. **Health:** private health insurance, doctors, dentist, psych and physio, eyecare and glasses, medical and pharmacy, life insurance. **Car:** insurance, maintenance, car loan, rego and licence. **Personal:** clothing, hair, gifts, celebrations, hobbies and kids' expenses, gym, personal training, vet, donations and charity, fines and bank fees.

If you have a mortgage, consider using an offset account for these expenses so your bills money reduces your interest until it's needed.

3. Your active lifestyle savings

Account 3 – High interest savings account (no ATM access; one or two accounts)

Holidays, travel, domestic flights and other hobbies – the things that bring you joy and need saving up for.

Some people keep one account for travel and a second for other lifestyle goals.

4. Your future savings and debt reduction

Account 4 – Long-term savings, offset or investment account

Regular savings, extra debt repayments and investment expenses – future you will thank you.

This is where any surplus goes. See 'Super vs Debt vs Investment' in our podcast list.

Putting the Planner to Work

Enter each amount **per fortnight**. The planner multiplies by 26 to give an annual figure, then divides by 12 for monthly and 52 for weekly. Your cash flow summary then compares what comes in with what goes out across all four buckets:

The cash flow equation

Income – (weekly cash + lifestyle costs + active lifestyle savings + future savings) = **surplus**

Here's an example for a couple with a combined take-home pay of $5,200 a fortnight:

Cash flow summary	Per fortnight	Per year	Per month
Income (take-home pay, both partners)	**$5,200**	**$135,200**	**$11,267**
1. Weekly cash expenses	$900	$23,400	$1,950
2. Lifestyle costs (bills)	$2,700	$70,200	$5,850
3. Active lifestyle savings	$400	$10,400	$867
4. Future savings / debt reduction	$600	$15,600	$1,300
Total going out	**$4,600**	**$119,600**	**$9,967**
Surplus	**$600**	**$15,600**	**$1,300**

Figures are illustrative only and rounded.

A $600 fortnightly surplus is $15,600 a year (about $1,300 a month) that can go towards a goal – an emergency fund, extra mortgage repayments, super or investing. If the surplus is negative, it's time to review, reduce or stop (see the next page).

Tips for using the planner

- Change the labels and items to suit your lifestyle – it's your plan, not ours.
- We've assumed fortnightly pay. If you're paid weekly or monthly, let us know and we can help adjust it.
- If you're spending more than you earn, go back and see what you can stop, reduce or review. Don't pay for things that don't bring you joy.
- Only track the discretionary spending – entertainment, going out, clothing, gifts and celebrations. Regular bills should stay much the same each month.
- If utilities jump with the seasons, ask your provider to average your bills across the year to smooth out the cost.

Get your copy of the planner

The Cash Flow Planner spreadsheet is attached to this PDF – open the attachments panel (the paperclip icon) in Adobe Acrobat Reader. Or email advice@moneymechanics.com.au and we'll send you a copy. Prefer an app? Try the free Moneysmart budget planner. Listen to Cash Flow and Budgeting on our podcast to hear our account structure in action.

Review, Reduce or Stop

Once you have written all your expenses down this is a good exercise to go through every few years to review, reduce or stop

Review - any expenses which you have not renegotiated or reviewed in the last 2 years. Companies love that life is busy and life admin is hard. You should contact your insurance companies, mortgage providers, and utility providers to see if you can get a better deal on regular costs. New customers to an energy company or insurance company will often get discounts while existing customers have their premiums or costs increase year on year.

Reduce – any expenses you can. If you are focused on a savings goals in the short term or living on more than you are earning. Cut back to the basics for your expenses so build up a greater buffer or reduce your costs. Get haircuts less often, reduce car running costs or change where you go shopping for groceries to spend less.

Stop – any expenses you no longer get value from. If you are paying for pay TV or subscription services that you no longer use cancel these. If you are aiming to save extra funds or cut back for a certain goal. You could look to stop paying for any expenses which no longer serve you or which are not aligned to achieving your goals or outcomes.

Accountability Buddy and Discipline

The final key to staying on top of your cash flow is having discipline and accountability to what you have agreed to spend.

- Set your framework and what you agree to spend in each area.
- Talk to a friend or your partner as your accountability buddy to ensure you stick to this plan.
- Be present and mindful for the first 30 days when you are spending money in discretionary areas.

If you slip up along the way reset and reframe and consider what occurred to try and change your behaviour or ensure this can be managed in the future.

How are you going to stay accountable around your day to day cash flow?

How do we get more money?

There is an abundance of money in the world and plenty of ways in which we can get it. What are some of these ways and skills you can tap into to get more money in your life?

Consider: *ask for a pay-rise, upskill to get a promotion, the sharing economy like Uber, army reserve, etc..*

Based on the above what changes can you make TODAY to start the process?

What areas do you need to upskill in or gain more understanding or knowledge about?

Where to from here?

Having a handle on your cash flow gives you empowerment over your day to day life and puts you into control of your money rather than it being in control of you.

- Unpack any limiting beliefs around your money;
- Write down and understand what it costs to be you and what you need day to day to cover your lifestyle.
- Continue to educate yourself and remember money skills are a learned behaviour that with time everyone can upskill in;
- Have honest open conversations around money with those important people in your life;
- Get an accountability buddy to stay disciplined in your approach.

Remember this process is an ongoing journey. As you spend more time listening to your inner voice you get a greater depth of understanding and we always say: 'be patient with yourself, team up with a buddy for support / accountability, and remember we all have our own unique path so try not to compare.' This can sometimes be a challenging process so remember you are not alone and there are a range of support services available.

Your Cash Flow Checklist

Get clear

- [ ] Write down every expense – how much does it cost to be you?
- [ ] Enter your amounts per fortnight into the Cash Flow Planner.
- [ ] Use the cash flow equation to work out your surplus (or shortfall).

Set up the four account approach

- [ ] Account 1 – a working account for weekly cash expenses.
- [ ] Account 2 – a bills account with no ATM access for lifestyle costs.
- [ ] Account 3 – active lifestyle savings, and Account 4 – future savings and debt reduction.
- [ ] Automate your transfers each payday so the system runs itself.

Review, reduce or stop

- [ ] Review any expense you haven't renegotiated in the last two years – insurance, energy, phone and your mortgage.
- [ ] Reduce what you can if you're saving for a goal or living beyond your income.
- [ ] Stop paying for subscriptions and services you no longer value.

Grow and keep going

- [ ] Look for ways to get more money – a pay rise, upskilling, a side income.
- [ ] Point your surplus at a goal: an emergency fund, extra debt repayments or investing.
- [ ] Find an accountability buddy and review your planner every three months.
- [ ] Single? Set a guilt-free fun money amount, build your buffer for one income, and have a money date night with yourself.

> **Scott's tip**
>
> Pay yourself first. Move your savings out on payday, before you have a chance to spend them.

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Listen and Learn – Our Podcast

Want to go deeper? Each of these episodes of our podcast, **Money Mechanics with Scott Malcolm**, unpacks a topic from this e-book in plain English – often with a guest expert. Click a title to listen on Apple Podcasts.

Cash Flow and Budgeting (with Ara Jansen) 2022
Setting up your accounts, and how to find out what it really costs to be you.
Resources mentioned: Moneysmart – Budget planner

Winter Spending: Have Your Spending Habits Changed? 2026
The 'convenience tax' that creeps into cash flow, a weekly convenience cap and a winter bills buffer.

Inflation: The Cost of Living Crunch 2026
What's driving prices, what rising rates mean for households and three actions you can take today.

The New Financial Year: Reset, Review and Realign Your Money 2026
Build a one-page money framework, use a values filter and choose one practical action for the year.

Super vs Debt Reduction vs Investment: Where Should Your Next Dollar Go? 2026
Why the maths doesn't always match how we feel, and a framework to balance all three.

Debt Consolidation (with Laura Sicari) 2024
When rolling debts together helps, when it doesn't, and where to get free help.
Resources mentioned: National Debt Helpline | Moneysmart – Personal loan calculator

Interest Rate Increases and Managing Your Mortgage (with Evrim Turner) 2023
Stress-testing your repayments and when it pays to review or switch your home loan.
Resources mentioned: Moneysmart – Mortgage switching calculator

Buy Now Pay Later (with Jonathan Shapiro) 2021
How BNPL works, who pays for it and how it can quietly change your spending.

Talking to Kids About Money (with Will Rainey) 2021
Pocket money, saving jars and building good habits early.
Resources mentioned: Bluetree Savings – How much pocket money?

Dumb Money Decisions We Don't Regret 2026
Careless spending versus conscious spending – and why some 'dumb' decisions are still worth it.

Find every episode

Search 'Money Mechanics with Scott Malcolm' on Apple Podcasts, Spotify or your favourite app, or visit moneymechanics.com.au/thehood. Got a question you'd like us to unpack on the show? Email advice@moneymechanics.com.au.

Episodes are general information only. Rules, rates and thresholds change – episodes recorded before 2026 reflect the rules at the time, so check the current position in this e-book or ask us.

How We Work With You

The Money Mechanics Formal Advice Process – a clear five-stage journey designed around you. It always starts with a conversation about what matters to you, not with a product.

1

Connect

We connect to understand your goals and priorities and define the scope of our advice.

2

Collect & Scope

We gather the information we need and explore your current position, goals and opportunities.

3

Design (Analyse + Strategy)

We analyse your situation and design a tailored strategy to help you achieve your goals.

4

Agree & Document (Present + SoA/RoA)

We present our advice and recommendations and document the advice in your Statement of Advice (SoA) or Record of Advice (RoA).

5

Implement & Review

We implement your strategy and regularly review progress to keep you on track.

Advice that's strategic. Personal. Ongoing.

Client focused
Your goals and priorities are at the centre of everything we do.

Expert advice
Thoughtful strategies backed by experience and ongoing education.

Clear communication
We explain things simply so you can make informed decisions with confidence.

Ongoing support
We review, adapt and support you as your life and goals evolve.

Glossary of Financial Terms

Annual percentage rate - The rate at which interest is charged over a yearly period in respect of money that is owed.

Bankruptcy - A legal process that people go through when they can not pay their debts. A bankrupt person gives control of most of the debts and assets to a bankruptcy trustee. The trustee decides which (if any) of the assets can be sold to pay off the debts.

Comparison rate - The interest rate on a loan that includes interest and most (but not all) fees and charges for the loan. For example, if a bank advertises an interest rate for a home loan of 5.49%pa, the comparison rate (once fees and charges have been included) might actually be 6.75%pa.

Compound interest - Interest earned on money that is invested over a period of time that is added to the original amount invested (the principal) and interest is then paid on the entire amount. Over a long time compound interest can be a good way to increase your savings.

Creditor - Someone who is owed money.

Debts (liabilities) - A debt is money that is owed. Another name for a debt is a liability.

Debtor - Someone who owes money.

Debt to Equity Ratio - This is the amount of the loan compared to the value of the property or asset purchased with the loan funds, expressed as a percentage. For example, a loan of $400,000 to buy a property worth $500,000 results in a debt to equity of 80%. Also known as Loan to Value Ratio (LVR).

Equity - Equity can mean shares in a company or an equity position in a property. For example, owning equity in a company is having an ownership interest in a company.

Expenses - The amount it costs you for your everyday living including food, transport, housing, clothing and entertainment.

Fixed interest - An annual percentage rate, or an interest rate that does not change for a specified fixed period.

Income - The amount of money you earn, such as wages and salaries, rental income, interest and government allowances. For a business or a company, income is equal to revenue less expenses.

Interest only - An 'interest only' loan means that your repayments only go towards repaying the interest for a specified period, rather than repaying the principal amount of the loan. For example, paying your loan "interest only" means that the principal balance stays the same.

Managed funds - An investment fund that pools together money that has been contributed by many investors for the purposes of investing the total amount in different investments such as shares, listed property trusts, bonds and cash.

Net worth - Your assets less how much you owe on your assets is your net worth. In order to meet basic needs and life events, an increase in your net worth should be a basic financial goal of most people.

Offset account - A bank account that is linked to a nominated home or residential investment loan. The balance of the offset account reduces the amount of interest payable on your linked loan.

Per annum (pa) - This means for the year.

Principal - For an investment, the principal is the amount of money invested. For a loan, the principal is the amount of the loan (the face value of the loan) upon which interest is then calculated and charged.

Power of Attorney - operates in circumstances where you may be suffering from either a temporary or permanent legal disability and are unable to make decisions for yourself.

Simple interest - Interest is paid on a set principal only and not re-invested.

Superannuation - An employer is required to contribute a proportion of a person's salary or wage to a superannuation fund on behalf of the employee. The money in the superannuation fund is invested with the aim of generating returns for retirement.

Term deposit - A banking product that offers a slightly higher annual percentage rate than savings accounts payable on the amount invested. A term deposit has a fixed term (which can vary) during which the amount invested cannot be accessed.

Trust – An agreement to hold an asset for another person usually called a beneficiary.

Trust Deed - A document, which explains how, a trust has been set up and the rules involved in its operation.

Trust account - An account that is usually used by lawyers, accountants and other professionals such as stockbrokers to identify and control their clients' money.

Variable interest - A type of interest where the rate may go up and/or down during the term of the loan.

Will - A legal document stating how you wish your possessions to be distributed after your death.

Further Resources

Government agencies

Australian Securities and Investments Commission (ASIC) – Moneysmart
Consumer protection regulator for financial services, with free calculators and guides.
Phone: 1300 300 630 Web: moneysmart.gov.au

Australian Taxation Office (ATO)
Information on tax and super, including your caps, carry-forward amounts and lost super (via myGov).
Personal tax: 13 28 61 | Super: 13 10 20 Web: www.ato.gov.au

Services Australia – Centrelink and the Financial Information Service (FIS)
Government payments, the Age Pension and free, independent financial information seminars.
Retirement services / FIS: 13 23 00 Web: www.servicesaustralia.gov.au

National Debt Helpline
Free, independent and confidential financial counselling across every state and territory.
Phone: 1800 007 007 Web: ndh.org.au

Complaints, advice and super

Australian Financial Complaints Authority (AFCA)
Free, fair and independent dispute resolution for super, insurance and financial advice. AFCA replaced the Superannuation Complaints Tribunal and the Financial Ombudsman Service.
Phone: 1800 931 678 Web: www.afca.org.au

Financial Advice Association Australia (FAAA)
Find a qualified financial planner or CFP® professional (formerly the FPA).
Phone: 1300 337 301 Web: faaa.au

SMSF Association
Find a specialist SMSF adviser (formerly SPAA).
Web: www.smsfassociation.com

Moneysmart – Budget planner
Free online budget planner that works alongside our four-account approach.
Web: moneysmart.gov.au/budgeting/budget-planner

Moneysmart – Mortgage switching calculator
Check whether refinancing your home loan could save you money.
Web: moneysmart.gov.au/home-loans/mortgage-switching-calculator

Australian Securities Exchange (ASX)
Share market information and investor education.
Phone: 131 279 Web: www.asx.com.au

CPA Australia
Represents accountants, including those who provide financial advice.
Phone: 1300 737 373 Web: www.cpaaustralia.com.au

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Important Information

Take Control of Your Cash Flow
Author: Scott Malcolm, Money Mechanics

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