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Tracking spending helps you save money by highlighting cost of little things



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Four Australians who tracked their spending for an experiment have each identified hundreds of dollars a month they can save by cutting back on small purchases.

The four volunteers were all from Melbourne and included two men and women, two Millennials and two Gen X-ers. From youngest to oldest, they are warehouse worker Mathew Slater; ambulance driver Olivia O'Neill; project manager Nicholas Butcher; and talent manager Lucinda Chismon.



Nicholas Butcher, Olivia O'Neill, Lucinda Chismon, Matthew Slate. Photo: Simon Schluter



Nicholas Butcher, 37, thinks he could save \$100 a month by forgoing a second takeaway coffee a day. *Photo: Simon Schluter*

For example, Butcher, 37, found he spends more than \$1200 a year on a second takeaway coffee each day that he could be putting to better use.

Just one \$3.50 cup of coffee every morning will cost more than \$1200 a year with a two-cup-a-day habit costing twice that. And that's without the smashed avo on toast.

Laura Menschik, a financial planner and director of WLM Financial Services, says sometimes when she talks to people about their income and expenses there will be expenses not accounted for.

"I ask them where the money went," she says. "Did it go into the mortgage?". And they just can't account for it, Menschik says.

Claire Mackay, a planner and chartered accountant at Quantum Financial, says no one tracks their spending for the fun of it.

"But you cannot make changes to your spending if you don't know how you are spending your money in the first place," she says.



Olivia O'Neill, 26, realises she needs to save money for costs such as new tyres and dentist bills. Taking lunch to work is one way she could achieve that. *Photo: Simon Schluter*

Track spending

The four volunteers tracked their spending for one month to see if it would help them to better manage their money. It has made them realise how much they fritter away and how they could be saving for worthwhile things.

Slater, 26, is trying to give up smoking and cut down on his \$200- a-month spending on video games.

"Tracking my spending has changed my life in that I've realised saving is possible if I simply cut some things out," Slater says.

Together with his girlfriend, he wants to start saving for a deposit for a house.



Mathew Slater, 26, is trying to cut back on smoking and video games. Buying drinks for friends is another savings trap for this age group.
Photo: Simon Schluter

Tracking my spending has changed my life. Matthew Slater, warehouse worker from Melbourne, age 26.

After tracking his spending and identifying savings he is now motivated to open a savings account with his girlfriend and start saving for that deposit.

"Now that I have some goals to work towards, I have more incentive to watch my spending and grow my savings," he says.

"If I cut out all the takeaways I'm consuming, I reckon I could save \$300 per month, with the added benefit of improving my health, which is priceless."

Spontaneous spender

The four participants tracked their spending using the Australian Securities and Investments Commission's app, TrackMySpend.

The volunteers used the app to record everything they spent money on, such as groceries, takeaway coffee and food, transport tickets, clothes and bills.

As the app was downloaded on their smartphones, they could record their expenditures straight away. They tried not to alter their spending habits during the tracking period.

The exercise was particularly useful for Butcher, a self-described "spontaneous spender".

He reckons he could save \$100 a month just by forgoing his second takeaway coffee each day.

"Tracking my spending was like a food diary," Butcher says. "It made me think twice about my spending after seeing how the little everyday expenses accumulate over time and make you cringe to see them all listed down.

"I didn't realise how much a second takeaway coffee was contributing to my overall spend, which can be easily cut out. It was quite habitual and I had no idea how it was adding up. I have now broken that habit and am hoping to reduce it to one per day from now on," he says.

Happy with spending

Chismon, 46, says she doesn't save money, she breaks even. "I am already quite savvy around what I spend my money on."

Chismon says she "probably didn't get as much out of tracking my spending compared to say someone that is in debt or has trouble paying off their credit card each month."

"I pay the minimum amount on my mortgage and pay off my credit card each month – I'm happy with that," she says.

Chismon says there is not enough in her super "at this point" but is not making any extra contributions to her retirement savings. "It's not something I do but I am aware of it."

If she wanted she could cut \$600 from her spending each month, mainly by reducing how much she spends on takeaway food and restaurant meals. She has local takeaways during the week and something "more special" on weekends and brunch on Sunday. She plans to cut down on entertainment expenses when she "gets a bit older".

O'Neill, 26, says tracking her spending was worthwhile.

"Now that I know where my money is going I feel more in control and inspired to save," she says.

"It's harder when you don't know if you can save or don't have a goal to work towards."

It made her realise that she needs to have more savings to cover costs such as new tyres for her car and dentist bills, O'Neill says.

Budget

A survey of 1500 households by ME Bank found almost six out of 10 do not record their monthly expenses.

A little over half of the households surveyed said they did not have a weekly or monthly budget during the second half of last year when the survey was carried out.

Mackay says neither a financial planner nor anyone else can tell you exactly how to stop spending.

"It's like seeing a dietician or going on a weight-loss program, you have to want to make the changes yourself," she says.

"It helps you to be able to save for longer-term goals like paying off the mortgage faster, saving for a deposit on a house, or so that you can have a holiday without going into debt," she says.

Long term

Mackay says, even those who are just covering their expenses and are comfortable with that should ask themselves how their financial futures are looking.

For example, those with variable interest rate mortgages should be asking themselves if they have the means to easier cover higher mortgage repayments when interest rates rise.

They should also be asking themselves how their retirement savings are tracking, Mackay says. Nic Emery, head of deposits and transactional banking at ME, says that for "live-for-today" types, regular savings habits might not come naturally.

"If you're one of these people, consider introducing processes such as automatic transfers that helps you set, forget and save," he says.

According to research by ME, only one in five households set-up automatic transfers to a savings account.

Emery says that saving is a bit like exercising. If you start going to the gym, behaviours change. Reviewing spending helps you to save.

Mackay says those who struggle to get their spending under control should give themselves a weekly budget and only have that amount in cash in their wallet each week.

"You don't use a credit or debit card because you don't know how much you are spending as it seems less real," she says.

It can also mean that when you buy a coffee, you don't buy a snack to go with it. And when going to the pub with friends, you don't buy drinks for others who do not buy drinks for you, Mackay says.

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