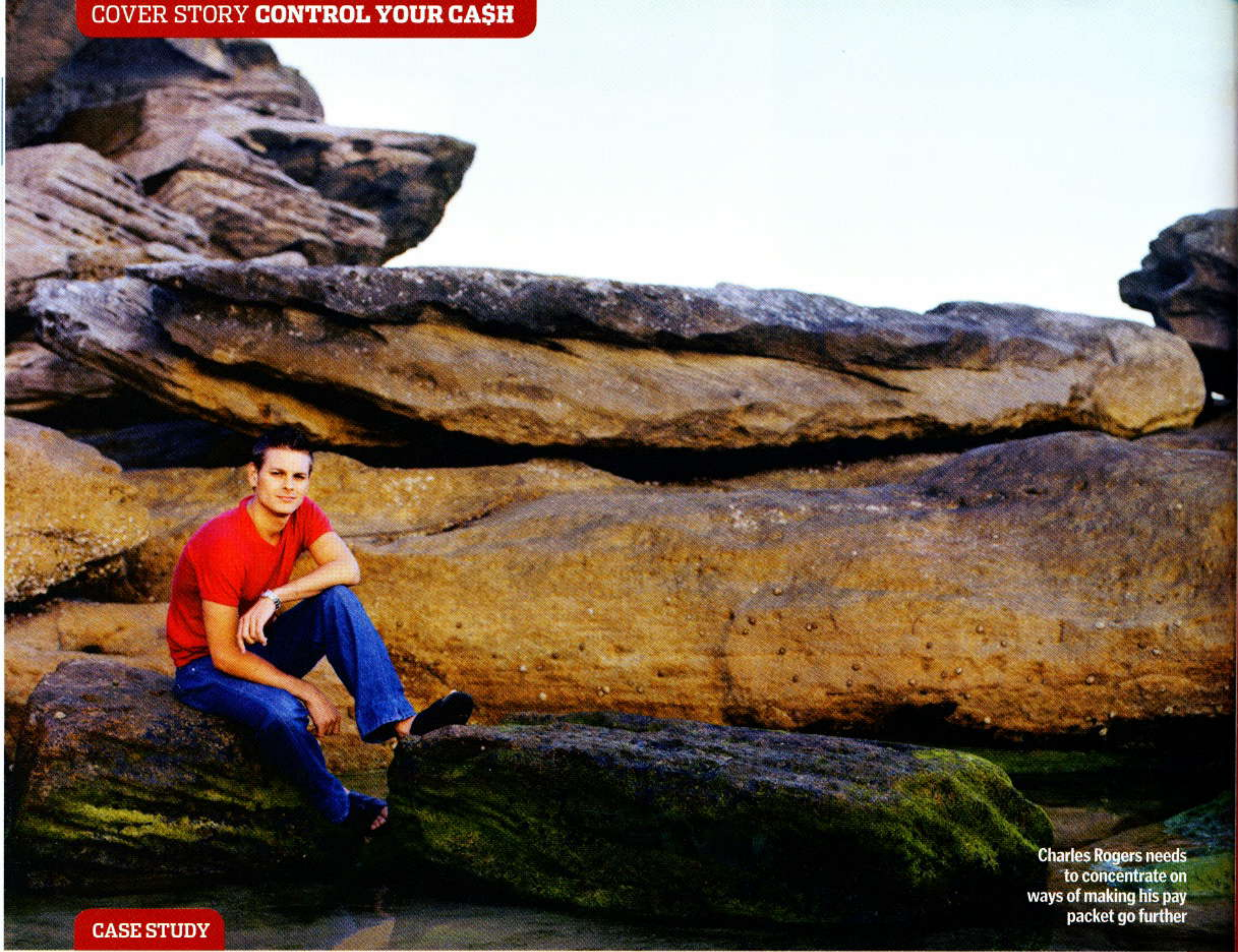

Charles Rogers needs to concentrate on ways of making his pay packet go further

CASE STUDY

The shrinking pay packet

The solution starts with a saving plan

Charles Rogers, 27 years old, volunteered to be a case study for *Money's* budget makeover because he was sick of getting to the end of the month and not knowing why there was so little of his pay packet left – a common problem! Having nothing left over obviously makes it impossible for Charles to achieve one of his goals for 2006 – to save for a house or a holiday. Another of Charles' goals for the year ahead is to pay off loans totalling about $11,000. We asked Charles to fill in a budget planner and passed this on to Sam Henderson, of Henderson Maxwell, for his thoughts on what Charles could do to achieve his financial goals.

Henderson felt that Charles had underestimated his grocery and restaurant expenses, which may be the reason he doesn't have any cash flow. "Most people spend around $200 per week on groceries including food, alcohol and general supplies," he says.

Another thing Henderson thinks Charles should try to take off his list is cigarettes. "Quit smoking – it's a great time of year for new year's resolutions and it's an expensive habit."

Henderson says if Charles wants to save money he needs to change his mindset. "Charles needs to establish a regular saving plan that should include a direct debit from his bank, the moment his salary is paid. This way, he pays himself first before paying everyone else," he says.

Henderson suggests Charles try to save $100 into a regular cash account associated with a share portfolio such as Commsec or E*Trade.

"Once the account balance hits around $2000 Charles should apply for a margin loan equal to the amount he is going to invest, i.e. $2000. As his cash savings keeps hitting $2000, Charles should keep topping up his share portfolio.

"He should invest ONLY into bluechip shares with solid dividends and positive track records. The dividends will pay the interest and if there is a difference it will be tax deductible."

Another way Charles can increase his cash flow is to focus on paying his debt off as quickly as possible.

"If the debt is a credit card, then look at a balance transfer at a low (or 0%) rate of interest to reduce the interest and repay it as soon as possible," says Henderson. He adds that it's important not to take out more debt to buy depreciating consumable items. "It's a waste of money and the only winner is the bank or retailer!"

Charles could also try to boost the amount of money he's making. "Remember, unemployment is extremely low at the moment and a massive skills shortage exists, so now is a good time for Charles to renegotiate his package or look elsewhere for better money," says Henderson.
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