ABC NEWS

I asked a mortgage broker, financial adviser and money coach to fix my finances. Here's what happened

By Bridget Judd

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I had a goal, I had a budget, and I had the tools to maximise my savings.... and then I proceeded to change absolutely nothing. *(Supplied)*

Trying to fix your own finances is a bit like submitting to a colonoscopy: you never know exactly what you're going to find, but chances are, the end result is going to be crap.

Like almost half of all Australians, I find myself living pay cheque to pay cheque most weeks — and it's entirely my fault.

You see, I'm one of those awful latte-sipping millennials you've read about — the type who could probably buy a small island were smashed avo to become legal tender.

Two-for-one sale on activewear? Well, it'd be rude not to. Fishing rod with lever drag performance? Talk about an investment.

The upside is, I'm never short of tights and I think I could give Rex Hunt a run for his money.

The downside, of course, is that my savings could be conservatively described as "a bit skint", and my hopes of home ownership are more of a distant dream.

It got me wondering: what would happen if I tried to apply for a home loan? Would I be laughed out of the building, or is it possible for someone like me to fix my money woes?

I asked a mortgage broker, financial adviser and money coach to analyse my spending to see if I could fast-track my finances in just a month.

The fishing rod really was an investment. *(Supplied)*

So what am I working with?

I should probably paint a more accurate picture of my financial situation (beyond "it's a mess"). I'm a 26-year-old middle-income earner, work full-time and have no mortgage or dependants.

My saving grace (if I have one) is that I have a relatively low level of debt. My car is on track to be repaid within the year, while my HECS debt should be done and dusted by the time I hit 30. I also have no credit card and have never signed up to any "buy now pay later" schemes.

But to put it politely, I'm living a Beyonce lifestyle on a Kelly Rowland budget.

Before I sat down with the experts, I sifted through a month of my online transactions to get a better sense of exactly where my money was going.

As you can see from the table below, my expenses can be broken down into three general categories:

As you can see from the graph, I spend more on non-essentials than living expenses. *(ABC News: Bridget Judd)*

While there's definitely scope to cut costs around my "non-negotiables" (I'm looking at you, overpriced West End apartment), I'm not particularly keen on getting a roommate, and don't want to deal with the added stress of trying to change electricity suppliers or phone carrier.

So, for the purpose of this one-month experiment, I decided to focus on the factors I could change overnight.

Let's take a closer look.

Where my money goes

When I combine my living expenses and non-essentials, it's clear to see I spend a huge amount on petrol (more than double what I spent on groceries in the same period).

Unfortunately for both my hip pocket and health, I'm also partial to a ciggie and a drink, and I really wasn't lying when I said I love a good "bargain" (17 per cent of those expenses for the month).

My bad habits are bound to catch up with me sooner or later. *(ABC News: Bridget Judd)*

Despite living just three kilometres from work, I'm incredibly lazy and insist on driving in every day (parking made up 10 per cent), while it would appear I subsist solely on coffee and Uber Eats (6 per cent and 4 per cent respectively).

I think it would be fair to say there's room to cut costs and fix my lifestyle in the process.

So let's see what the experts have to say.

How much could I borrow?

In order to overhaul my finances, I needed to first establish how much money I should be aiming to save.

I sat down with Caroline Jean-Baptiste, a mortgage broker with Mortgage Choice, and the author of Buy That House.

I sat down with Caroline Jean-Baptiste to crunch the numbers. *(ABC News: Bridget Judd)*

The results were disappointing. Based on my lifestyle, the lenders were prepared to offer me a maximum of $230,000. In Brisbane speak, that's probably enough to get me a nice tent under the Kurilpa Bridge.

> "The way to increase that would be either earn more, owe less or live leaner," Ms Jean-Baptiste quipped.

So, we crunched the numbers again — only this time, we made a few tweaks.

My salary, HECS debt and "non-negotiables" remained the same, but in this scenario, I agreed to quit smoking, stop parking at work and cut back on frivolous expenses.

We also ran on the assumption that I would be applying for a home loan in a year's time, when my car repayments would be finalised. Hypothetically, all of this money should now be now going to savings.

Suddenly, I had a borrowing capacity of around $400,000.

What $230,000 (top) and $400,000 (bottom) will buy me in the same suburb of Brisbane. *(Realestate.Com.Au)*

"That's what you're sacrificing by living a little larger," she said.

"They [the banks] want to see the commitment to savings, and that's why genuine savings is important, they want to see that willingness."

Introducing: the money coach

Armed with my newfound knowledge, it was time to put this advice into practice, so I decided to pay a visit to a self-styled money guru.

David Wright is a money coach and founder of Simply Budgets and the Spending Planners Institute.

He's all about the numbers, so the first port of call was splitting my expenses for the month into three different categories:

1. **Bills:** this is where I entered my predictable expenses (think those "non-negotiables" like rent, utilities and repayments).
2. **FFFI:** food, fuel, fun and incidentals (think living expenses and non-essentials)
3. **Savings:** this one is pretty self explanatory.

He came back with a projection of my bank balance over the course of a year — and unsurprisingly, I was in the red.

While I don't own a credit card, I treat my very sporadic savings account like my personal pot of gold — and it shows.

Echoing Ms Jean-Baptiste, Mr Wright advised me to "get a second job, ask for a pay rise or start cutting back spending somewhere".

Seeking financial advice

Short of my boss taking pity on me after reading this piece and offering me a pay bump, I figured tinkering with my expenses would be the next best step towards financial prosperity.

I had to decide what day-to-day and non-essential expenses (FFFI) I would be willing to give up or cut back on. *(ABC News: Andrew Harrison)*

Ultimately, I decided I could commit to consistently saving a little over $400 per month. That would allow me to put away around $5,000 per year without sacrificing all of the things I enjoy, with the goal of coming up with a $20,000 deposit to enter the property market in four years' time.

I again agreed to quit smoking, stop parking at work and buying coffee, and cut back on frivolous purchases and petrol.

At the start of my pay cycle, I was tasked with moving the money set aside for those FFFI expenses into a second account, and my savings into a third account. The money remaining in my everyday account was to be used for bills only.

If I spent too much on fuel, for example, it was up to me to cut costs elsewhere (like food or fun), but at no point was I to touch the bills or savings account.

> "Your bank account doesn't lie," Mr Wright warned. "So if you don't follow the plan, I can't help you."

Maximising my savings

With Mr Wright's word of warning in mind, I set out to establish what else I could be doing to maximise my savings to get into the property market faster.

My next port of call was Suzanne Haddan, managing director of BFG financial services. The point of difference here is that Ms Haddan is an accredited financial adviser and can offer a more holistic take on my money woes.

Her assessment of my new budget was pretty heartening: she too is a proponent of separating your expenses, like bills and non-essentials, and liked the idea of being forced to cut back in certain areas if I spent too much elsewhere.

However, Ms Haddan believes I could be getting more bang for my buck from my savings by contributing it to super, instead of moving it into a third account that I'm (hypothetically) able to access.

To put it simply, if I want to hit my goal of $5,000 a year in savings, I know I have to put away roughly $400 a month. But because about a third of that is taxed, to deposit $400 I actually have to budget to put aside $610.

Or if I was to sign up to the First Home Super Saver (FHSS) scheme, I would be able to voluntarily contribute that money ($610), and withdraw it (plus earnings, less tax) when I'm ready to buy my first home.

"If you did that, if you saved for four years and took it out in five, instead of having $20,000 you'd have nearly $28,000," Ms Haddan said.

Time to put it into action

Empowered by the experts' advice, I entered the first fortnight of my month-long quest with gusto.

I had a goal, I had a budget, and I had the tools to maximise my savings.

... and then I proceeded to change absolutely nothing.

> The mortgage broker, money coach and financial adviser had served me up health, wealth and prosperity on a platter, and I repaid the favour with disappointment.

Despite knowing just how my spending was impacting my borrowing capacity, I decided I definitely needed a new wardrobe for a weekend away ("What would your money coach think?", my boyfriend quipped).

The gum I'd bought to quit smoking was promptly shunted to my corner of failed self-improvement ventures (right next to the kettlebell), and I executed a gold medal performance in mental gymnastics to convince myself that it was probably too hot to walk to work and I should just drive instead.

And while I had initially separated my expenses, I proceeded to spend beyond my budget, meaning I was forced to withdraw the first $200 I had put into my savings.

This probably isn't how you were expecting this story to go, huh?

Turns out all those motivation quotes your unsuccessful friends post on Facebook might be right: "Your dreams don't work unless you do".

I turned things around (sort of)

Faced with a looming deadline to write this piece and no money to my name, I decided it was time to buckle down.

When my pay hit at the start of the second fortnight of this financial fishing expedition, I immediately moved $400 to savings. To make up for the shortfall of the previous fortnight, it meant I had to live on $200 less than what my budget had stipulated.

But as I discovered, trying to play catch-up isn't easy — and certainly not something I'd recommend.

> I don't know if it was the prospect of public humiliation, or the guilt of having to screen my money coach's calls because I didn't want to fess up to my failures, but it actually sort of worked.

It forced me to drive far less and pull back on nights out. I scammed food from my mum (sorry), and left my debit card at home so I wouldn't make any impulse purchases.

While I did pay for parking, I only did so three days out of the fortnight, and I started chewing that gum I'd bought to quit smoking when things were looking a bit skint.

The end result was that I managed to put away about $262 — more than what I was supposed to for that fortnight, but still $138 short of my goal for the month.

It doesn't sound like a major difference, but over the course of a year, it adds up: at this rate, I'll only save $3,144 annually instead of my $5,000 goal.

That means I can kiss goodbye to my dreams of home ownership in four years.

So what did I learn from all of this?

Although this may sound like another failed exercise, it was actually a pretty eye-opening experience.

While I was unable to accomplish what I'd set out to save for the month, I do genuinely feel like I'm on the right path and will eventually (for lack of a better phrase) get it together.

So what did I learn from all of this?

1. Be realistic

First and foremost, I discovered that a month really isn't long enough to completely overhaul your finances when it involves some serious lifestyle changes. And that's not something the experts can fix for you — the onus is on you to be realistic about it.

My bike is sitting in storage with two flat tyres, so how did I expect to get to work? *(ABC News: Bridget Judd)*

Likewise, while I said I'd stop paying for parking, I hadn't put much thought into how I now planned to get to work. My bike is still sitting in my storage unit with two flat tyres, and I actively refused to wake up earlier to walk (which is why I ended up driving in on 13 out of the 20 days that I said I wouldn't).

Instead of building a completely new lifestyle around my budget, I should have built my budget around my existing lifestyle, while making concessions for smaller changes.

2. I spend money when I see it

My bid to play catch-up during that second fortnight taught me that I do, to the surprise of many, have some level of self-control when it comes to my finances — and it's part of a wider trend I've been able to identify since being forced to take a long, hard look at my bank balance.

While it'd be fair to say I consistently spend like a moron and have an ad hoc approach to my savings, I don't spend beyond my means. That is to say, when I run out of money, I don't go and borrow more from the bank or start making purchases through "buy now pay later" apps.

I accept that I'm broke, bask in self-pity, and drive to my mum's place with my tail between my legs in a bid to convince her to cook me dinner (which speaks to a whole different issue of privilege, which I won't even try to unpack here).

For that reason, I've started looking into the First Home Super Saver (FHSS) scheme. For someone like me, having that money taken out before it's even able to hit my account could be beneficial — if i can't access it, I can't waste it, right?

3. Log your spending

Breaking down my spending when I first started this story gave me an invaluable insight into exactly where my money was going.

Unfortunately for my bank balance, that's where it started and ended.

While my budget set out spending limits for certain expenses (for example, $65 per fortnight on groceries), I wasn't logging my transactions to see if that's how much I was actually forking out.

It doesn't give me a deeper insight into my actual spending habits.

Tracking my purchases has already started to change the way I spend money. *(Flickr: Dave Dugdale)*

For that reason, I've started using ASIC's interactive budget planner. It requires me to log all of my purchases online — from big ticket items like rent, down to a pack of lollies from the servo.

And although it's only a recent addition to my financial fast-track arsenal, it's already changed the way I'm spending my money — mostly out of embarrassment.

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