

## STEP 2: BANK ACCOUNTS – SETTING UP YOUR ACCOUNTS

The first rule for making money work **for** you is to have it organised in such a way that it is very difficult for you to mess things up by accidentally spending money that was actually intended to pay for other commitments.

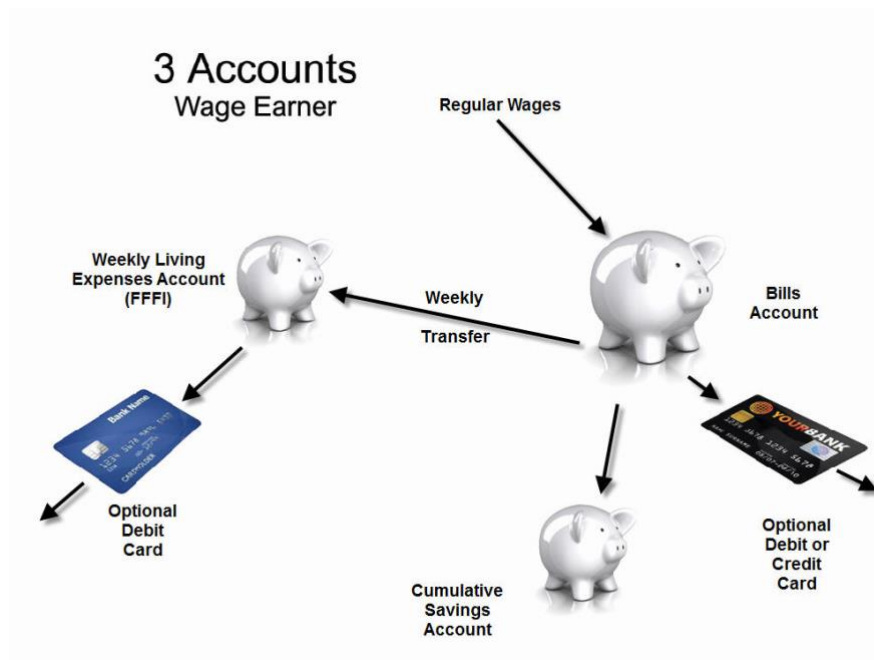
Remember: YOU may be your number one worst enemy when it comes to getting the most out of your money so you have to protect you from YOU.

By structuring the flow of your money through a number of strategically arranged accounts, each with its own role to play, you take a giant step towards achieving that protection and at the same time, gaining the ability to have more of what you want with less financial stress.

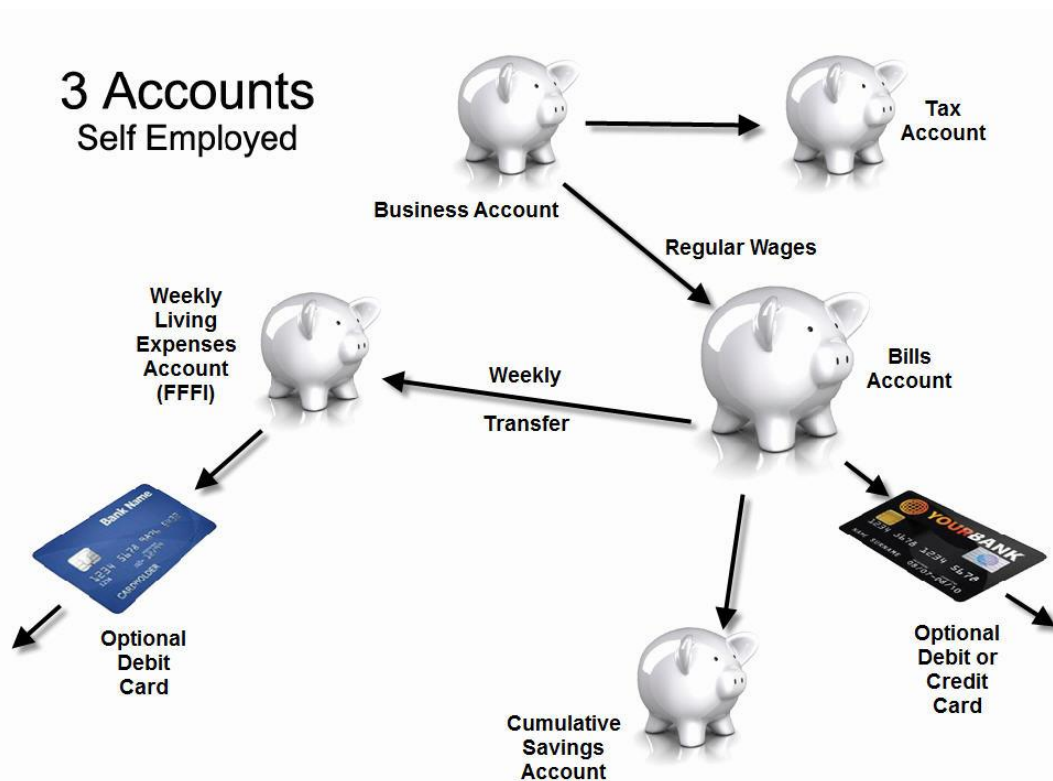
At first you will need a minimum of three accounts to give yourself the best chance of success.

1. A 'Weekly Living Expenses (FFFI)' account that will deliver money each week for your Food, Fuel, Fun and Incidental Expenses.
2. A 'Bills' account to store money for your regular predictable bills (might be a mortgage or set account).
3. A Savings Account to set money aside for less predictable expenses.

The way the money flows through these accounts is shown below:



If you are self-employed you will also require a business account from which to draw wages and you need to protect your tax money so it is available for payment when due (see below).



If you have a mortgage you may want to store your tax money there if you have a Line of Credit or a Redraw Facility that does not penalise you for making withdrawals (you should seek financial advice regarding matters where interest and tax is involved).

### 1. 'Weekly Living Expenses' Account (FFFI)

This account gives you access to regular weekly funds for Food, Fuel, Fun and Incidental miscellaneous expenses.

You should open (or identify) a savings account that will have funds deposited on a weekly basis where you can get access to that money easily. If you spend it all each week it won't matter because you will still have funds saved in your Bills Account to pay the larger less frequent expenses.

#### Rules for the Weekly Living Expenses (FFFI) Account

1. This account should be with an institution where you have easy access to an ATM or a local branch.
2. If you would like the convenience of using a Card to make purchases make sure the institution you choose can offer you a Debit Card that gives you access to your money but it has no credit facility attached to it, so you can't spend money that is not yours.

3. You should not have any automated regular payments coming from this account.

The amount you deposit each week into your 'FFFI' account must be included in your Spending Plan to ensure the amount you spend each week on food, fuel, fun and incidentals is affordable and part of the plan. Schedule these expenses in your Spending Plan as 'weekly' so they coincide with your payday. If you are paid less frequently than weekly, try to set this so it falls on payday on the weeks you are paid.

## **2. Bills Account**

This account gives you freedom by allowing you to have funds allocated for each of your chosen, predictable expenses that fall due within a yearly cycle.

You will be using the online Spending Planner system to create a plan for this account to ensure money is available when each of the nominated expenses fall due, so not only are you planning to have enough money allocated for your Regular Expenses, you are also going to make sure that the timing of that money works for you as well.

If you are paid less frequently than weekly, this account acts as a dam to hold and release funds to your 'Weekly Living Expenses' account each week so you always have allocated money for your living expenses.

### **Rules for your Bills Account**

1. Prepare a plan for this account using the online Spending Planner system.
2. Each week you need to compare the Target Balance and the Actual Balance of your Bills Account to make sure you are on track. Your Spending Planner will e-mail you on a regular basis to help keep you accountable to your plan and to make sure the plan is working.
3. You may pay your planned Regular Expenses from this account directly using EFT.
4. You may use a Debit Card linked to this account to pay planned Regular Expenses.

### **'Optional Credit Card'**

If you do not have Credit Card debt, you may use a Credit Card to make planned purchases and payments.

The online Spending Planner system will calculate the Credit Card payments which should be made in full each month. The Credit Card should only be used for the purpose of paying your planned bills and if you make any other purchases using this card you should already have the funds available to pay these at the time you make the purchase! For the Regular Expenses you plan to pay with this Credit Card, assign them in the Spending Planner online system to a Credit Card Account and set the monthly payment for that account to come from the Bills Account.

### **3. Rubbery Expenses 'Savings' Account**

Some things in life are totally unpredictable so having money set aside for these unpredictable or 'rubbery' events places you in a much more comfortable position.

Then there are other expenses that may happen quite frequently but the amount may vary dramatically or the frequency may be very unpredictable.

Your Rubbery Expenses Account provides a mechanism for these less predictable 'Rubbery' expenses.

Once you have your basic needs covered you may want to add more savings accounts to keep funds separated for other expenses from the 6 Expense Types.

#### **Check List**

1. Open or identify your 'Weekly Living Expenses (FFFI) Account' - Should not have any automated regular payments. If you share finances with a partner and you feel it would be a good idea to split this money into two, then open or identify two accounts.

For example; one partner might be responsible for paying for Food and Incidentals and the other might be responsible for the Fuel and Fun money.

2. Open or identify a Bills Account
3. Open or identify a Rubbery Expenses Account you can use to store money for when you have to pay for those less predictable expenses.
4. Let your Spending Planner know when you have completed these steps.

#### **Optional**

Apply for or identify a Debit Card to access funds in your FFFI Account (you may need two if the Weekly Living Expenses money is split between two partners).