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taking financial stock

The start of a new financial year provides a useful mid-year point to review your personal finances. Giving your budget, mortgage, credit card and savings plan a quick check can pinpoint areas where you could save money or make a bit extra.

The cold winter nights provide an ideal opportunity to review your household budget. If you're feeling strapped for cash, your budget will show where you need to rein in spending. If you don't have a budget or you're not sure what's involved, download a free budget planner from the Federal Government's Understanding Money website (www.understandingmoney.gov.au).

The Reserve Bank may have kept rates on hold in its July meeting but plenty of homeowners, especially first timers, are finding it hard to cope with the rate hikes of previous months. One of the best ways to get ahead with your mortgage is by paying more into your loan, and thanks to recent tax cuts many workers now have a bit of extra cash to do just that.

From 1 July, workers earning between \$40,000 and \$60,000 annually should find an extra \$10 in their weekly pay packet. Using this tax cut to make extra payments on a mortgage of \$300,000 charging 7% interest, can see you save as much as \$20,000 on long term interest. Additional payments don't just save

on interest, they whittle away the loan balance making it easier to cope with any future rate increases.

With rates on hold for the moment, credit card holders with an outstanding card balance have a chance to get the debt under control. Rates on credit cards have been creeping up over the last year, and chances are you could be paying more on your card than you realise.

That makes it worth looking around to see if you're paying too much on your current card. According to the RateCity website, (www.ratecity.com.au), some of the cheapest cards available are offered by Community First Credit Union (10.99%) and Aussie (12.99%).

There are plenty of balance transfer deals available charging low or even zero interest for the first six to 12 months. You need to be sure you can pay off a good chunk of the card balance in the low rate period for these offers to be worthwhile. A much higher rate applies to any part of the balance transferred that remains outstanding at the end of the introductory period.

If you've got some spare cash sitting in an everyday bank account, think about using it to kickstart a savings program and build a buffer of emergency cash. It could mean you won't have to resort to credit cards

when unexpected bills crop up.

Online savings accounts make it easy to transfer any surplus cash from your transaction account to an interest-bearing account. Some of the best deals at present are available through UBank's online saver (paying 6.51%), RaboDirect (6.40%) and Citibank (6.35%). These rates compare favourably with many term deposits, with the added bonus that your money is at call.

Taking some time to fine tune money matters today could see your finances in much better shape when summer - and the big-spending holiday season, finally arrives.

Paul Clitheroe's 'Making Money' for the week beginning 12 July 2010



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