Home
Managing money
Saving
Spending
Tax
Life events
Find a savings account
Find a term deposit
Managing money tools
Loans and credit
Property
Your home
Insurance
Super and planning
Shares and funds
News and analysis
Business class
Small business
Tools and calculators
Compare and apply
MoneyGuides
Money magazine
Search Money
Go

Site services
Money as RSS
Newsletters

Managing money

You are here: ninemsn > Money > Managing money

A- A+

How to manage your finances in 2009

By Gillian Bullock, **ninemsn Money**, December 2008

The 2008 calendar year may have gone down as an *annus horribilis* for those who were heavily exposed to the sharemarket, but does 2009 look any better?

For those who expect to keep their jobs and only had a low exposure to shares, things couldn't really be better and this situation will continue throughout 2009. Low interest rates, low petrol prices and bargains being offered by many retailers all make for good times.

For others, particularly those in the 35-45 age range with young families, mortgages and possibly jobs under threat, times will be tough. Here is a rundown on what's in store on the personal finance front.

Also in this section

- Free cash: All about hot water rebates
- Reward for no withdrawals: BankWest's savings lure
- Wedding dreams crushed as brides go budget
- Green saver: Energy incentives worth a look
- Smart spending: Power to the toothbrush
- Love and money: Joint account hazards

Do you like this article?

Rate this item

Current user rating by 19 users:

Taxes

If you are earning between $80,001 and $180,000, then the good news is your tax rate is coming down from 40 to 38 percent on July 1. But don't get too excited. If you are earning $85,000 that will only mean another $250 in your pocket over the course of the entire year. And even if you were earning $150,000 you'd still only be $1550 a year better off. (Both calculations are without allowing for the Medicare levy.) While not a fortune, it is still better than a kick in the teeth. At the lower end of the scale the threshold for moving from a 15 percent tax levy to 30 percent rises from $34,000 to $35,000.

Michael Forsdick, a tax partner at PricewaterhouseCoopers, says the big thing for 2009 will be secretary to the Treasury Dr Ken Henry's review of the Australian taxation system, commissioned by the federal government. This overhaul will look at the entire tax system, with only two areas deemed off limits: the GST rate and the tax-free nature of super for those more than 60 years of age. While it is not due to be released 'til December, it will nevertheless be a central talking point throughout the year.

Credit cards

Despite interest rates forecast to fall as low as 2.5 percent next year which would bring the standard variable mortgage rate down to about five percent, credit card interest rates are still hovering just below the 20 percent mark.

But according to ANZ chief economist Saul Eslake, credit card rates have in fact already started coming down, even if it is only from 19.9 to 19.35 percent.

With credit card interest rates at such high levels relative to mortgage rates you might consider either consolidating your credit card debt and rolling it into your mortgage (not always a good thing as it usually entails turning short-term debt into long-term debt) or at least shopping around for the best credit card deals. Some credit cards offer honeymoon rates for transferring your debt balance over to them. This is worth considering but it's important to try and shift this debt as quickly as credit cards offer honeymoon rates for transferring your debt balance over to them. This is worth considering but it's important to try and shift this debt as quickly as possible as the honeymoon period won't last forever. Endeavour to pay off more at this lower rate so you can at least start to make inroads into the principal dept as well as the interest.

If you are concerned about your employment prospects in 2009 and your ability to pay off your credit card debt, then most providers offer credit card protection which will help you meet your minimum monthly amount. The Commonwealth Bank, for instance, will charge a monthly fee of $0.45 for every $100 outstanding at the end of the month. So if you owe $300 you will be charged $1.35 and if you have no outstanding balance then you won't pay anything. The rate at Westpac is $0.52 for every $100.

Mortgages

With rates heading southward you can expect to have lower monthly repayments on your variable mortgage. However, it might be worthwhile maintaining the higher levels you were paying last year to clear your debt. Of course this is contrary to the Reserve Bank of Australia's intention of stimulating consumer spending by lowering rates, but if you are uncertain about your employment outlook, it may give you peace of mind.

While fewer people are opting to fix rates in the current climate of falling rates, some of the fixed mortgages on offer are very appealing right now. But what you need to remember is that fixed is fixed so if you are retrenched there will be little, if any, room to move.

Insurance

A new financial year always offers a good opportunity to examine your current insurance — both general and personal — and make sure you are getting a good deal. In an ideal world it would be great if an insurance policy existed for those fearing retrenchment who could take out ahead of time to cover their commitments once that happened. Sadly, it doesn't exist.

"People would only take out the cover in times like these," says Chris Eade, managing director of Lifebroker. "As a result if such a product existed for redundancy, the premiums would be huge."

Super

Don't panic about your super in 2009. Many experts believe the worst may now be over and while super funds have lost almost 20 percent in value (some $200 billion) in the year to November 30, a recovery is mostly tipped for 2009. And if you are contributing regularly to your super then you are in effect dollar cost averaging and will reap the benefits of that over the long term.

"It's a great time to be investing in super as it's still the best way to accumulate retirement savings," says Jeff Bresnahan, chief executive of SuperRatings. After all, if superannuation fund unit prices are low, you will be able to buy more units for the same amount of money. When the market recovers, you will benefit from having a greater number of units.

New technology

Demographer Bernard Salt of KPMG believes there will be few innovations in the world of finance in the next 12 to 18 months. "Nobody is going to be getting creative," Salt says. "Maybe after the turbulence you will see a new generation of personal finance architecture. In the meantime you will see a rise in comfort spending, comfort food and comfort behaviour."