

Banking Structures



Having a budget is the key or cornerstone to a successful financial plan, and the best way to plan where you are going to direct the financial resources that God has provided you.

To support the implementation of a budget, it is essential to get your banking structure set up correctly. It is recommended that all income go into a bill paying account, otherwise known as the Non-Discretionary Account. All funds are then directed from this account according to their purpose. This would include all direct debits for non-discretionary expenses such as insurance, rent, mortgages, rates etc.

It is then prudent to set up a separate Emergency Fund. If you have a mortgage, then a mortgage offset account is a very good way to go. A mortgage redraw however is not desirable. The aim should be that once funds go into a mortgage – they never come back out.

Next comes various accounts for lumpy budgeted expenses, such as holidays, car upgrade, home savings / renovations, investments, extra giving etc. It is wise to set up online savings accounts that have no fees to hold these different allocations. It much like granny's jars or the envelop system that previous generations used so successfully... it's just we've bought it all into this modern banking system.

Once the budget has been worked out, it is important to have some money allocated for discretionary spending – or 'fun' money. This should be a fixed amount every pay period where it is allocated to a separate account. The fixed amount is paid into this account every pay period and then spent freely on whatever you want. However once the funds are exhausted, there is no double-dipping... you can't go back and get more out of other accounts.

For couples, it is highly recommended that each person has a separate account as this allows some privacy. This works really well, for example, when you'd like to buy your spouse something special but not have them see it come up on a bank statement. Given you've set the budget together, and set the amounts each person will receive as 'fun' money then there is no need to be further accountable. A little discretion or freedom is beneficial.

Types of Accounts...

It is recommended that the following types of accounts be used...

- **Non-Discretionary Spending Account:** Bank Account with ATM and Debt Card Access.
- **Discretionary Spending Account:** Bank Account with ATM and Debit Card Access.
- **Emergency Fund:** High Interest Savings Account or where there is a mortgage, a Mortgage Offset Account.

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- **Savings Accounts:** Fee free, high interest online savings accounts.
- **Investment Accounts:** For short-term investments a Fee free, high interest online savings account is suitable. For medium or long-term investments then other investment vehicles should be considered, for example shares, managed funds etc.

Note: there are no credit cards or store cards in this account structure.

