Keeping bill pain at bay

Anthony Keane

The bills won't go away but you can ease the shock, writes personal finance editor **Anthony Keane**

WE all have bills we need to pay but some consumers create unnecessary stress by failing to take the right steps to stop blowouts.

For retirees, juggling bills can be tricky because there is usually no opportunity to grab more household income through extra employment.

The latest ASFA Retirement Standard outlines the annual bill costs for an average retiree couple who own their home and live relatively comfortably.

Each year, they will fork out an average $7386 for fuel and car running costs, $4349 for health insurance, $2944 for electricity and gas, $2048 for council rates, and $1316 for water charges.

Financial strategist Theo Marinis says some retirees have had a financial boost in 2020 after receiving money from cancelled cruises and overseas trips, but the flip side has been higher electricity and gas costs at home.

"People are certainly complaining about energy costs," he says. "South Australia's energy is up there with the most expensive energy in the world."

Commonwealth Bank's head of behavioural economics William Mailer says our brains can work against us with bills, through simple forgetfulness or people's tendency to avoid information that's complex or uncomfortable.

"We can often be overconfident and overoptimistic in our planning and this can lead us to underestimate our future expenses or overestimate our ability to comfortably meet them," he says.

"This might mean we don't plan appropriately or factor in enough buffer for higher or unexpected bills."

Many service providers offer bill smoothing, where you pay a similar amount each bill cycle rather than face seasonal ups and downs.

"Some may even allow you to change the billing date to arrive in the days after your pay day," Mailer says.

"Such arrangements can take the stress out of bill time by keeping things predictable, regular, and by ensuring you have more cash on hand as bills arrive."

Technology is helping consumers keep on top of bills. CBA's new bill sense feature in its app helps people predict upcoming bills.

Mailer says technology will increasingly become available to help people match bills with pay cycles, deliver reminders and identify support services. And wasting money on unnecessary bills is a cash killer.

"Set a time in the diary now to carefully review all of your recurring bills to work out which you may be able to reduce or eliminate," he says.

Beyond Bank Australia national operations manager Sophie Scott-Young says opening a separate bills account can help if you have worked out roughly how much your bills are and when they arrive.

And have a buffer so surprises such as car repairs or appliance breakdowns won't smash your finances.

If large quarterly or annual bills cause stress, speak to your bill provider about getting them sent more regularly – perhaps monthly.

"Bill shock is real so if you pay a smaller amount more often, this will reduce the stress of having to find large amounts of money when they come due," Scott-Young says.

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