

How to Supercharge Your Savings Rate - A Complete Guide



Hi, I'm Dave from Strong Money Australia. In this guide, I share my best savings tips and strategies to optimise your lifestyle and spending.

These are strategies I used personally, to take my savings rate from 20% in the beginning, to over 70% towards the end of my FI journey.

Our savings rate is the number one factor that affects our ability to retire early. Even more important than our investment returns!

Making the most of our income brings our FI date forward by years and years. So, let's get straight into it. **Here are my top 10 ideas to supercharge your savings rate...**

#1. Housing

The elephant in the room for Aussies. I've written (and spoken) about housing costs numerous times, like [here](#) and [here](#).

Regardless of where you live, housing is likely to be your biggest household expense. For this reason, it deserves the most scrutiny. How can we find ourselves a nice comfortable place to live without breaking the bank?

Forget rent vs buy

For as long as I can remember, across most of Australia, it's been cheaper to rent than to own a house. Things are a little different lately. We now have ultra-low mortgage rates at around 2%.

Buying a house means you're on the hook for: council rates, water rates, insurance, maintenance and repairs, moving costs and maybe even strata fees. Even so, the cost will be similar to rental yields in most places. This means other factors are now much more important.

Don't buy too much house!

Captain Obvious here with some great advice ;) But seriously, the best way to keep your mortgage or rent down to a modest level is to *buy a house which is what you need, not what you want.*



We all know people who have bought their 'dream house' and are now effectively working just to pay their mortgage. No flexibility, no savings, and no freedom. Don't be one of these people.

On top of that, [statistics show](#) that most Aussies have 1 or more spare bedrooms that we do absolutely nothing with.

We can either rent that space out to make it pay its way, or we can simply choose a slightly smaller property to avoid wasted space.

Choosing a moderately priced home to live in is one of the best decisions you can make for your personal finances.

Consider the trade-offs

If you have your mind (and let's be honest, your heart) set on a particular location, you could make a trade-off between size and spot.

Which are you willing to compromise on? A better spot and a smaller space, or more space for a less ideal spot?

You'll also see suburbs right next to each other in the same area, with one much more expensive than the other.

Often it's for no good reason, other than the perception of one area being 'better' than the other. And funnily enough, these 'ugly duckling' suburbs tend to catch up and gentrify over time.

You can take advantage of this opportunity by choosing property in well-located areas which aren't quite as pricey as neighboring suburbs.



Get the lowest possible mortgage rate

Having a mortgage rate of 2.2% instead of 2.8% doesn't sound like much. But it makes a huge difference to your cash flow!

On a \$500,000 mortgage, the savings amount to \$3,000 every year. I helped a friend do this last year and he was astonished at how much it's saving him. Not only that, but it only took around 30 minutes at the bank.

If your current bank is not willing to give you a good rate, refinance to a lender who is. There is huge competition in the mortgage market right now, so get out there and take advantage of it.

#2. Transport and Cars

One of the greatest money pits is, of course, [cars](#). We use them to get from A to B. But we also, increasingly, use them as a status symbol and part of our image.

And in that issue lies the solution. Separating ourselves from status symbols.

The truth is, many of us love the convenience we get from driving. It often saves time, especially when we need to get to those places which are far away from where we live.

More on this in a minute. But first, the greatest car cost is one that nobody talks about..

Opportunity cost

Opportunity cost is what we could have done with the money that is tied up in our vehicles. How much is sitting in your driveway right now? \$10,000? \$70,000?

A family who has two \$30,000 vehicles in the driveway has \$60,000 tied up in car ownership. Imagine they switch to two (still safe and reliable) \$10,000 vehicles.



This frees up \$40,000 to invest. In just 13 years, that grows to about \$100,000 (assuming a 7% return).

Less expensive cars are cheaper to repair, insure, and eventually replace, creating an increasing snowball of benefits over time. Plus, having a smaller, more efficient vehicle will be just as safe, far more economical, easier to park, and have lower ongoing costs.

Re-thinking convenience

We think of driving as convenient. But *true convenience* is when we don't have to drive at all. When the things we need most (work, shops, recreation) are all close by. Now, that's convenient!

Commuting to work is a huge burden in terms of cost and our time. We should rethink where we live to find the optimal solution here. It might be worth spending more on housing to be in a location that's more central, or with better public transport. Then you can even go completely car-free!

At the very least, a couple should make sure that one spouse's work is close by, to reduce the need for two cars, saving thousands per year.

The Driving Habit

Drive less often and combine trips. It's crazy how many people go to shops every day or two. Plan your meals and shopping in advance and do it all in one trip. Think of what errands can be combined or delayed to avoid unnecessary driving.

Do things that are nearby in your spare time. The weekend is a great time to get out and enjoy some freedom. But that doesn't mean we need to grab the car keys.

How can you enjoy your local area more? Go to the local park, ride your bike to meet someone for a coffee, work on your hobbies or exercise. Tons to do without driving!



#3. Food

Like most people, I like to eat nice food. That can easily cause the grocery bill to climb higher over time. The following strategies help us get a good amount of nutrition and enjoyment, while saving thousands per year...

(for more, check out my popular article: [Frugality & Food - The Grocery Strategy](#))

Cooking and planning

Without some type of food plan or rough idea what you'll eat during the week, your grocery costs are destined to blow out.

Just a few good ideas for bulk dinners will do the trick. Keep a short list of favourite recipes you can rotate through.

Of course, you'll want to avoid pre-packaged, pre-cut food that comes at a premium. By preparing and making the food yourself

Shopping

A powerful shopping habit to get the best deals is to look at food costs 'per kilo' 'per 100g' and 'per litre'. Those tiny numbers on the price tags - that's your guide. Whether it's coffee, veggies, nuts, it doesn't matter.

Comparing foods this way lets you consider how much nutrition you're getting for those dollars.

There are tons of low cost 'per kilo' foods that can be combined into highly nutritious meals. Shopping with this habit will save you a small fortune.



Brands

In the last ten years, store-branded products have really increased in quality. It's now very difficult to tell the difference between a store-brand and a fancier brand.

If you're not convinced, I'm telling you, try it out. Coles and Woolies will refund any of their products you're not happy with.

The possible savings on offer here are huge. And quite often, the name-brand stuff and the store-branded stuff are made in the very same factory!

Specials

You already know it's smart to buy more of something when it's on sale. But it's something we can take to the next level ;)

Specials tend to be kinda predictable. For example, you may notice the same thing go on sale every 4-6 weeks. So here's a good rule of thumb: stock up as much as you think will last you until the next time the item goes on special (or maybe a bit extra just in case).

Play the substitution game

Another strategy is to simply substitute or switch to foods that are similar yet offer better value. Things like frozen berries vs fresh. Lower priced cuts of meat. Peanuts vs almonds. Apples and oranges instead of mangos (for non-tropical states).

We've found the frozen fruit and veg to be just as good (if not better) than the fresh stuff. Typically it's frozen at a stage of freshness anyway, whereas the store stuff might be a bit old.

Very often, we can simply switch ingredients to get similar nutrition and taste at much lower cost.



More veg, less meat

Look, I know this is a contentious issue. Some people will be unwilling to alter their meat consumption. I used to be a heavy meat-eater myself.

But I ended up reducing and then removing meat from my diet (for ethical reasons). After switching my diet to focus on other foods, I felt better and had more energy.

What really surprised me was our grocery bill started melting away! To put some numbers on it, our weekly food spend fell by about 35%.

The benefits of reducing meat intake are many: better for the planet, better for our wallet, better for the animals, and better for our health. So try going meat-free for one meal a week, then one day per week, and so on. It'll make a surprisingly large difference.

#4. Holidays

Travel is something most of us enjoy. And when there's no global pandemic we tend to spend a lot of money in this area. It's not hard to spend \$20,000 per year on luxurious overseas holidays.

But is it possible to balance our desire for Financial Independence with our desire to enjoy our time off work and see new places? Yes! Let's look at how we can optimise the cost of holidays.

Appreciate Australia

Spend more time locally, visiting the many beautiful places we have in our own country, which, ironically, people from all over the world come to see!

I think we tend to under-appreciate what's in our backyard because it seems normal to us. Amazing beaches, beautiful forests, fascinating wildlife.



You'll often find that road trips, camping and exploring is just as much fun (if not more) as hotels and tours. You can even rent lovely short-term accommodation and take your dog. That's what we do and we love it! Our dog is family so I'd hate to leave him behind.

Take time off for a taste of FI

Use your annual leave for more time at home to get a real taste of early retirement. Whether it's a few weeks or a few days here and there, you create more freedom in your life straight away without higher spending.

We did this while on our FI journey and I highly recommend it. Having lots more days off throughout the year was amazing.

After all, if freedom is the ultimate goal, why not get a taste of it on a regular basis sooner?

More time off lets you recharge your batteries, take better care of yourself, catch up on things you've been meaning to do.

When you go back to work, you'll be genuinely refreshed. Sometimes travel itself can be tiring and you don't feel like you got to properly unwind.

Rotate between experiences

Even if you still want to travel overseas, you can still have a high savings rate. Spreading those trips out more will help enormously.

Instead of an overseas holiday every year, do it every 2 or 3 years. Even better, take turns between doing local trips, having more time off at home, and international travel.

This strategy massively lowers your spending on holidays (and your carbon footprint), while also getting the best of all three things: more free time now, enjoying the beautiful country we live in, and occasionally visiting other cool places too!

(more thoughts on travel, holiday and savings [here](#))



#5. Cafes and Restaurants

We all do a certain amount of social-related food spending. Meeting friends for coffee or lunch. Going on a little date with a special someone. Getting some takeaway on the weekend.

So, reducing this category to zero is not the goal. But you already know that small expenses on a regular basis add up. So my advice here is pretty simple.

Lifestyle Habits

Our habits have a huge impact on our personal finances. A daily latte and sushi for lunch seems like nothing. And it's true, \$15 is peanuts really. But when it's every single day of the month, it becomes a problem. It turns into a \$4,000 per year habit.

Now, there is some level of enjoyment we get from eating out and doing this kind of social spending. No argument there! But when it's a daily habit, we're running on automatic. We don't get that same level of enjoyment each day, because it's simply a routine.

Every now and then is fine, but save most of your eating out and cafe and restaurant spending for social events. You'll enjoy it much more, it becomes a genuine treat and it'll also save you a fortune.

Some common sense goes a long way too. You can have an equally good catch up with someone over \$5 coffee, as you can with a big lunch and beers costing \$60. Each option is fine, but you'll want to do more of the first one!

If it helps, give yourself an allowance for the month. And once that 'cafe' budget is empty, that's it till next month. You can start the allowance at your normal level and then reduce it over time to improve your habits and increase your savings.



#6. Phone and Internet

A smartphone and a good internet connection is basically a staple of modern life these days. But I still see a lot of room for improvement for most people.

Let's start with smartphones.

The new phone trap. It blows my mind the amount of people still signing up for new phone plans. Frankly, it's for those who *can't afford* the up-front cost of a new phone.

But you don't get around that by locking yourself into a \$2,500 contract. You get around that by saving up some cash, or getting a good quality second-hand phone.

At this point, you're free to choose the best prepaid deal from any provider you like. This is a hugely powerful position to be in. That's because fierce competition has driven costs down massively.

The best deals. You'll probably find the 365 day expiry plans are the best value for money. I've been using these for years. As an example of what's available, I recently nabbed a great deal on a 365-day plan with Catch Connect for less than \$100!

Read that again. That's less than \$10 per month, and it runs on the Optus network. Most people are paying 6 times that amount, according to [this article](#).

You'll usually find good value with companies like Catch Connect, Kogan, Boost and Amaysim. By the way, I've listed Catch Connect and various other things I'm a fan of on the [Strong Money recommendations page](#). There are tons of cheap providers these days using the same networks as the more expensive plans, with different levels of data depending on what you use.

Given we're home a lot, and our home broadband has plenty of data, we can go for the lower tier phone plans. Speaking of broadband...

Home broadband. Given I do a fair bit of computer stuff at home with the blog and podcast, we upgraded our slow pre-paid internet to the NBN. It's more costly than the



phones at around \$60 per month, but it also allows us to have much cheaper phone plans since we can just use WiFi at home.

There are so many providers now it's hard to keep up. So my advice is shop around. We chose Aussie Broadband since it's good value and had excellent reviews.

Other tips. One of the best ways to reduce your spending here is to simply keep your current phone as long as possible. If it still works fine, keep using it.

Oh and get a phone cover! It amazes me the amount of (usually young) people with no phone cover. Or just one that goes around the border. They drop it, and the screen is a web of cracks. So they go and buy a new phone. And the cycle repeats! Get a good cover that opens and closes. Problem solved!

7. Power & Gas

Shop around. Here in WA, we currently have only one electricity provider. But there's plenty of competition in the gas market, with Kleenheat, Origin and now Simply Energy offering 35-50% off previous prices.

On the east coast, you have a lot more choice! Do your homework because deals are changing regularly. You might want to check out the energy provider website [Energy Made Easy](#) to compare local providers.

Pay extra for energy efficient appliances. Paying more for something is maybe not what you were expecting. But it can be worth it when it comes to appliances - especially big power suckers like fridges. It may cost a couple hundred extra now, but the energy savings can be multiples of that over time.

Solar panels if possible. Related to the above, you should consider getting solar panels if you're a homeowner. From people I've spoken to, it's one of the best things they've done.

Over time, improving technology is making solar panels cheaper and also more efficient. You'll generally get a very high return on your investment.



Minimise usage. Rug up in winter, more clothes, slippers, blankets etc. while on the couch. It's more cosy, reduces your environmental footprint and saves money.

In the summer, use ceiling fans and go for as long as you can without turning on the air-con. Instead of just having the AC out of habit, by being mindful of your power usage, you'll become surprisingly adaptable to changes in weather.

#8. Insurance

Insurance is a sticky topic. There's no one right answer for everyone and our emotions play a big part in how valuable we perceive insurance is.

Given that insurance is generally a loss-making purchase, we should only insure the things which could cause us real financial damage. Here are my top tips for saving money on insurance while being prepared for unlucky events...

Build your savings. Once you start building up your savings and investments, this acts as your own emergency fund. This is a type of insurance in itself, and the first piece of your financial strength. It allows you to get rid of what I call 'small problem' insurance.

Things like 'extras' insurance, warranties for your phone and new appliances, and even contents insurance. You can comfortably replace all these things over time with your emergency fund and ongoing savings.

Health. If you're on a high income, hospital-only health insurance makes sense, but 'extras' usually isn't worth it. For most of us, our health system (medicare) is more than sufficient. In fact, it's one of the best healthcare systems in the world. And it's not a government freebie, we're already paying for it as a levy each year in our taxes.

Car. Get third-party only. You'll be driving a reasonably low-cost car anyway, remember? Repairing or replacing your second-hand car won't cost a huge amount (\$5k-\$10k), which your emergency fund will cover. And importantly, you'll be covered for everyone's favourite example... hitting a Ferrari! For the big insurance policies you keep...



Shop around (see a theme?). The sad fact is, insurers jack up the price every year to customers who stay with them. It's called The Loyalty Tax. The best rates always go to new customers. So, stay a new customer by switching your insurance!

Excess. Go for the highest possible excess you can afford. This will lower your annual premiums. Doing this across insurances will add up to many hundreds of dollars. Another example of how having savings helps you by covering part of the cost yourself.

Consider insurance inside super. You may already have some insurance policies inside your super. Check what they are and how much you're insured for.

If you're planning on becoming financially independent at a young age, I would put insurances like income protection and TPD inside super. This allows you to save and invest more outside super where it's accessible so you can retire earlier.

Thoughts. As a rule, it's always useful to try and look past the fear and put things in perspective. Generally, the stronger your financial position, the less you need insurance to cope with life's bumps in the road.

Remember, if you can spend less on insurance, you're able to invest more and grow that money over time. And that money can be called on at any time to help with unexpected events.

#9. Health & Fitness

Avoid the fancy health club. Some of these places will set you back more than \$1,000 per year, and come with a bunch of extra facilities you'll probably never use.

I understand that some people need the gym setting as a motivator. If that's you, then find a low cost local gym instead.

DIY Fitness. An even better approach is to buy some equipment you can use at home. Simple, inexpensive stuff like kettlebells and dumbbells. This stuff lasts forever and you can create all sorts of workouts with just a few items.



We cancelled our gym memberships and bought our home weights setup over 10 years ago and never looked back. It saves time driving, avoids traffic, we don't need to wait for equipment, and we can use it anytime we like. It's the ultimate in convenience!

Maybe you don't even need weights. Your health plan could consist of riding your bike everywhere, pushups, bodyweight squats, swimming, or all sorts of accidental exercise like playing with the dog, yard work, home maintenance etc.

Gear and nutrition. For some reason, when people start focusing on their fitness, they also add \$500 worth of clothes and supplements to the yearly bill. Both are completely unnecessary given you likely already have clothes and healthy food at home ;)

The truth is, we can achieve much better health and fitness spending absolutely nothing more than we do now. Effort goes a long way in this area!

#10. Hobbies & Entertainment

Of course, when we're not at work, we want to spend our time doing enjoyable things. If we're not enjoying our free time, our lives would be pretty miserable!

This is where it gets tricky. Everyone likes different things, so you'll naturally gravitate towards activities that fit your personality. But there are activities we can all do to keep our health and happiness up, without knocking our savings rate down.

-- **Time with family and friends.** Enjoying the company of your loved ones doesn't cost much at all. You can catch up over a coffee or a home cooked meal, and have just as good a time as if you went out for a \$100 meal.

-- **Focus on your health.** This is a big one. Making time for this now is important. Why wait until you're financially independent before you start taking care of yourself? You could end up wealthy, but with health issues.

Without our health, wealth is meaningless. Carve out some free time to prepare healthy meals, exercise or learn a little more about nutrition. You'll be glad you did.



-- **Spend time learning.** You're already doing that right now, so congratulations! Listening to podcasts, reading books, watching youtube - take advantage of the abundance of content in the world today at basically no cost.

...The truth is, unless your entertainment involves gambling, shopping, strippers or binge-drinking, it's unlikely that this category will blow out your budget.

As for hobbies, they range from free (see above, plus volunteering, helping people, etc.) to expensive (like jet ski rides and boating), to profitable (creating things, gardening, fixing up your house, or side-jobs you might do for enjoyment.

I'm yet to meet a person who doesn't enjoy being at the beach or a beautiful park. And we're lucky to have a ton of both in Australia.

It's really about building the habit of choosing to do more of the lower cost activities and less of the higher cost ones.

Bonus tip #11. Pay off all consumer debt!

Now, you could argue this isn't really a savings tip. But it is. If you haven't already, paying off consumer debt is one of the highest returns you will achieve, for zero risk.

Let's say that investing in shares will provide a long term return of 7% per annum. Paying off a credit card charging 15-25% per annum is a no brainer.

Paying off a personal loan or car loan with a 7-10% interest rate is also better than investing. When the interest rate is 5% or below, the choice is less clear. For a car loan, I would still opt to pay it off.

Once you get rid of all consumer debt, you'll have less outgoings each month. This makes your cash flow simpler and easier to manage.

And that puts you in great shape to begin building your investment portfolio!



Final thoughts

The secret to a high savings rate is realising we don't need to spend a lot of money and constantly buy things to have a great quality of life.

If you follow these tips, your savings rate will climb higher than you thought possible.

You'll notice that none of these tips are 'extreme' or involve some insane level of sacrifice. Instead, it's a bunch of simple and straightforward guidelines to stop money leaking out of your life.

The principle is to approach everything with a value mindset. How can I get the most benefits for the lowest cost?

I hope these savings tips help to increase your savings rate and propel you towards Financial Independence.

I wish you all the best on your journey, and I'll see you on the other side.

-Dave



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