THE AUSTRALIAN

WEALTH > PERSONAL FINANCE

Slash bills and build a budget to survive high inflation's cost crunch

Money experts outline ways to fight back as the cost for housing, electricity and groceries continue to hit household budgets.

By ANTHONY KEANE

4 min read 5:00am July 05, 2026

Even if you scored a July 1 pay rise, chances are your household income still feels like it's falling behind rising costs.

Despite recent relief at fuel pumps as oil prices fall, Australian Bureau of Statistics figures show housing costs have jumped 6.5 per cent in the past year and electricity rose 21 per cent after government cash giveaways ended, while three interest rate rises in 2026 have pushed up repayments on an $800,000 mortgage by $360 a month.

And with a big-spending federal government keeping pressure on inflation with new taxes paying for spending, the likelihood of inflation falling back to the Reserve Bank's target band for 2-3 per cent is some way off.

MyBudget founder and director Tammy Barton said many families now had depleted savings buffers after costs had climbed in almost every major category, and the single biggest strain was housing.

“Nationally, servicing a new mortgage requires close to 50 per cent of the median household income, which is well above the traditional 30 per cent mortgage stress benchmark,” she said.

“This leaves virtually no wiggle room between income and expenses. This financial pressure is hitting middle- to high-income earners just as hard as lower-income households.”

Money specialists say households should brace for another high-cost year but say there are things that can be done to minimise the financial strain.

Control what you can

Ms Barton said it was normal for people to feel financially overwhelmed, “but panicking won’t change the numbers”.

“Try to remain focused on the immediate day-to-day factors that are within your power to manage,” she said. “Grocery shopping is an area where you can apply some quick wins.”

Shopping savings were possible by sticking to a weekly meal plan, checking “50 per cent off” catalogue specials before shopping, pivoting away from expensive brand names and shopping online to eliminate “checkout shock” and impulse buying, Ms Barton said.

Consumers also should shop around to avoid paying a loyalty tax on their household bills, she said. “Insurance companies and utility providers are notorious for bill creep, where loyal existing customers pay significantly more than new customers for the exact same service.”

Compare prices and negotiate a better deal with your current provider, Ms Barton said. “Generally speaking, they are open to price-matching just to keep your business,” she said.

MyBudget director Tammy Barton prefers to grocery shop online. Picture: Supplied

Reset your finances

In some cases people must make tough decisions about slashing spending to combat rising living costs.

There are countless online and AI suggestions for those who search for them, many unpalatable. For example, stop using the clothes dryer altogether, leave the car at home and walk or ride, stop all discretionary expenses and only reinstate the ones you need, or delay purchases by a month to ensure you really need to make them.

Certified money coach and Women Talking Finance founder Karen Eley said households should prepare for another year of uncomfortably high living costs, even if inflation moderated, and could consider selling unused items or incorporating an extra 4-8 per cent increase in expected expenses when planning a budget.

“The challenge is that inflation does not need to keep rising rapidly for households to feel under pressure,” she said.

“Prices have already moved higher, and many families are now dealing with a permanently higher cost base across groceries, housing, insurance, utilities, health and transport.”

Ms Eley said people could use the start of the new financial year to reset money habits, starting with one small regular action such as checking accounts once a week or transferring a small extra amount to savings or a mortgage.

Avoid savings stuff-ups

Interest rate rises since February have increased returns on cash savings, but many people still do not realise their bank balance is effectively going backwards. Most savings accounts offer interest rates below 4.8 per cent, and if you're paying 30 per cent tax on that and the CPI is 4 per cent, your money is shrinking in real terms.

Experts say it may be better directed to mortgage or other debts where interest is paid using after-tax dollars. Also understand the fine print of bank deposits, where base rates near zero apply if you don't meet specific conditions.

Beyond Bank chief member banking officer Sophie Scott-Young said now was a good time to check your banking set-up and whether your loans were working for you.

"Most people set up their banking once and then don't give it another thought," she said.

"Check where your money is sitting – $10,000 sitting in a transaction account earning nothing might be better off in an offset account or in a high-interest savings account," she said.

Ms Scott-Young said, where possible, July pay rises could be used to build up a bigger buffer for a rainy day. "Even if it is only a small amount each pay, don't let lifestyle creep get the better of you," she said.

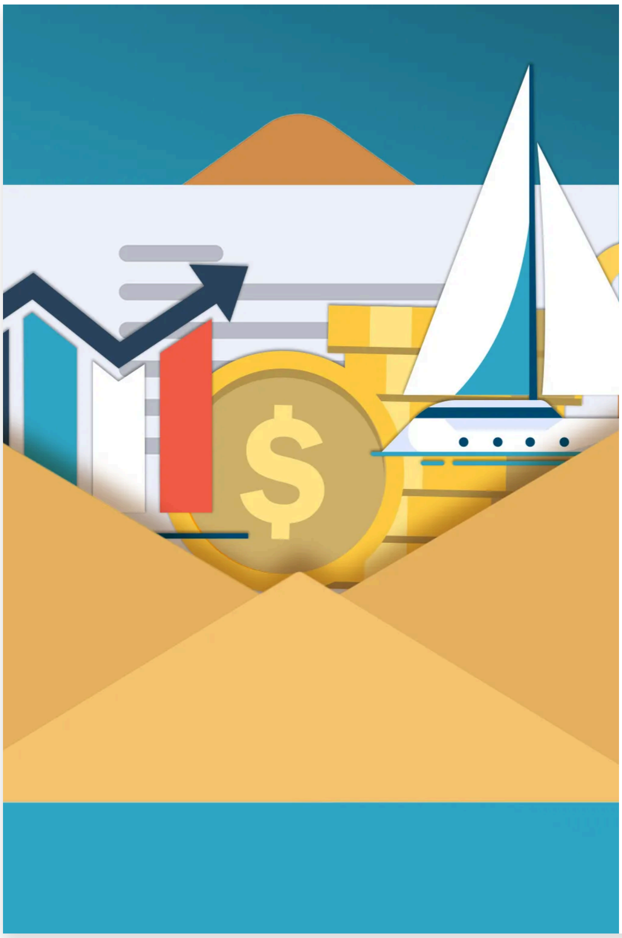
Money coach Karen Eley says use July to reset money habits. Picture: Supplied

Try to get ahead

Tax time is here and, on average, most people will collect a tax refund of about $2700 in the coming months.

Ms Scott-Young said people often found themselves scrambling before June 30, then missing out on opportunities to reduce taxable income and deliver a bigger refund.

“Early planning matters, and understanding where you are sitting means you can take advantage of ways to legally minimise tax,” she said. Extra contributions to super via salary sacrifice can lower tax while boosting your retirement nest egg.



Ge

Join

Ms Barton said it was important to set yourself a financial goal "and then automate your money to help you achieve that goal".

"If you haven't already, start a household budget," she said.

"A budget is really the only way to get that complete visibility of your finances. A structured budget that spans 12 months allows you to proactively see upcoming expenses, like car registration or seasonal bills, before they become a problem."

MORE ON THIS STORY

'It's my super': The myth fuelling divorce battles

By ANTHONY KEANE

‘Negative equity’: Horror warning for beneficiaries of Labor’s homebuyer scheme

By JAMES HARRISON

New financial year brings big changes for millions of Australians

By TIA CLARKSON-PASCOE

Read related topics: Savings Wealth

ANTHONY KEANE PERSONAL FINANCE WRITER

Anthony Keane writes about personal finance for News Corp Australia mastheads, focusing on investment, superannuation, retirement, debt, saving and consumer advice. He has been a personal finance and business writer or editor for more than 20 years, and also received a Graduate Diploma in Financial Planning.

@keanemoney

Anthony Keane