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Melissa Browne



Melissa Browne is an author and serial entrepreneur. She is CEO of the award-winning accounting and advisory firm A&TA, CEO of the financial planning business for 28-48 year olds who want to financially grow up The Money Barre, and Director of Business at the long-day Preschool, Thinkers.inq.

Melissa uses her unique, sometimes irreverent but always inspiring voice to speak and write about all things numbers, business, play with purpose and strategy. Her first book *More Money for Shoes* compares building a business to building a wardrobe and shows you how to build a profitable, successful business. Her second book, *Fabulous but Broke*, uses financial fairy tales to challenge money messages that readers may have and question the notion that you need a fairy godmother or knight in shining armour to save you.

Melissa also writes a fortnightly column for the Money Section in the Sydney Morning Herald and Melbourne's The Age and has also been a regular contributor to CEO Magazine, Latte Magazine and Gloss Magazine. She makes regular TV and radio appearances including the Today Show, Weekend Sunrise, Weekend Today, Sky Business, Triple J and The Daily Edition. In 2013 she was featured as one of Australia's 100 most inspiring women in Madison magazine and in 2016 was named one of The Financial Review's 100 Women of Influence.

Contents

| | |
|--|-----------|
| Chapter one - The psychology of money | 7 |
| Financially dire to financially resilient to financially well..... | 8 |
| Empowered vs reactive..... | 10 |
| Your turn: What do you think about money? | 12 |
| Chapter two - Goals | 17 |
| Where are you headed and do you care? | 17 |
| What are you aiming for?..... | 20 |
| How far out to plan – the next 12 months..... | 22 |
| Chapter three - The good bad and ugly of debt | 27 |
| Bad debt..... | 29 |
| OK debt | 30 |
| Good debt..... | 31 |
| Chapter four - Everyday finances | 37 |
| Bank accounts | 38 |
| Automating..... | 42 |
| Budgets and trackers..... | 43 |
| How to find more cash..... | 43 |
| Chapter five - Investments | 47 |
| Property | 48 |
| The stockmarket..... | 50 |
| Chapter six - Maintenance | 59 |
| Daily..... | 61 |
| Weekly..... | 61 |
| Monthly | 62 |
| Annually | 62 |
| Budgets, tracking apps and more | 63 |



The psychology of money

In my grandparents' day there was a set path and limited choices.

It was generally accepted you would get a job, marry, buy a house, have at least two children, retire at 60 from the same company you started with, receive the old age pension and join the grey nomads in their caravans until the grandchildren arrived.

Today there are hundreds of paths and almost unlimited choices. With new paths appearing and disappearing daily.

These paths are affected by skyrocketing house prices, rising rents, ever-changing technology, artificial intelligence, globalisation, changes to the traditional family unit and the appearance and disappearance of jobs and careers. We can add to this mix easy access to credit, the ability to spend 24/7, a wanting to keep up with the Joneses who now are simply names of accounts on the internet and a growing unease around what the future will hold for us and our children.

While all this choice can be a great thing, it can leave many of us feeling more than a little dazed and confused. Particularly when it comes to our finances.

The problem for many of us, is that money is already something we're not comfortable talking about. Or thinking about. In a time of growing change and uncertainty, we need to have better conversations about money and receive more help with our finances. Yet we're doing less of both.

Financially dire to financially resilient to financially well

Some of us are stockpiling funds in a bank account and stressing about the less than 2% interest we're receiving but scared to do anything else. Or we're defaulting to what we think we should be doing which is often just paying down the mortgage and hoping desperately it will be enough. Or perhaps we're spending and burying our head in the sand and choosing to have a great time now, because who knows what tomorrow will bring.

In other words, many of us are being reactive rather than proactive with our finances. And in a time of rapid change, this can be a recipe for financial disaster.

That's because the media may call it mortgage stress but it's so much more than that. It's feeling as though you're in a place that's financially dire. That maybe because you're in over your head with the debt you're carrying, it may be because you have six credit cards maxed to their limit, it may be because you've amassed a large amount of cash in a bank account and you're scared to do anything with it or it may be because you've opted out financially because you feel you have no choice.

It all leads to a place where you're feeling financially stuck.

Now, dealing with money may never be something that lights you up. Dealing with money may never be something you're completely comfortable with. You may always feel overwhelmed by choice or frustrated by your lack of choice. It's important to understand whether you make one consciously or not – there's always choice.

How you whittle down the number of paths so you have meaningful choice is ultimately whether you can move from being financially dire to financially resilient and ultimately financially well.

Now financially dire or financially stuck we get. But what about financially resilient? Financial resilience may not sound particularly exciting but resilience or grit is incredibly important. It's become something of a buzzword in 2018 and when it relates to your finances it means you have the ability to weather financial storms, without drowning.

It means when the car needs expensive repairs you're not financially derailed because you have a buffer. If unexpected illness, change of jobs or change of circumstances happen you might not love it, but financially you can at least cope with it. It's the thing that allows you to keep breathing when everything is going wrong and allows you choice because you have space.

Of course, financial resilience is important to have but it's not a place we should be aiming for. Instead, I want you to aim for financial wellness. Sure, we need grit and resilience, but simply breathing isn't living.

Instead, financial wellness is living a life by design instead of a life by default and having a financial plan in place so that you're proactively working towards it.

You might compare financial wellness to physical wellness. It's feeling financially fit, strong and robust so you feel that you could change career, start a business, go on a sabbatical, start a family, retire without wondering whether you can turn the heater on in winter or have choice around what path you might take.

The concept of moving from financially stressed/dire to financially resilient to financially well sounds great in theory, right? But I'm sure many of you are scratching your head trying to figure out exactly how that's done. And you're potentially bloody annoyed you don't have the answer. Often this comes with

a bunch of shame and judgement because we're frustrated that we can't financially sort ourselves out and we're too proud to ask for help. Or if we're honest, we're not quite sure who to trust for help.

Empowered vs reactive

Because here's the thing - and it's something I know many of you suspect and are frustrated by - dealing with money should be simple.

It should be a simple equation of spend less than you earn, invest a percentage of your income at a rate that exceeds CPI for as long as you can and only use debt for assets that will appreciate in value. The problem is, many of us are too ashamed to ask for help because we think that we should just be able to sort ourselves out. We should be able to be financially adult.

The result being that many of us are paralysed or opting out when it comes to our finances.

This overwhelm isn't restricted to our finances. I see it mirrored in so many areas of our lives, but let's compare it to another everyday staple – food.

Again, when it comes to food and what we should eat, it really should be simple. The equation should be less or equal energy going into your body as that being expended in activities. The problem is, as a nation we're becoming fatter and succumbing to weight-related diseases such as diabetes and heart attacks. Why are we finding it so tough?

I believe a big part of the problem is our feelings of overwhelm at the myriad of choices but also, at its core, it's about the psychology of food and money. Or mindfulness.

Before you start rolling your eyes and thinking I'm going to ask you to start eating kale while you sit in a circle and chant, stick with me.

First, let's think about food. When it comes to food, many of us have a strange and twisted relationship with the food we eat. We eat when we're sad, we eat when we're stressed and we eat when we're happy. Or we choose not to eat when any of those situations arise. We use food to fill a void and we're not stuffing that hole with vegetables and fruit – we're filling it with cakes, chips, fast food, processed food and deep-fried doughnuts. For many of us, the role of food is vastly different than the role it's supposed to hold - something that nourishes us and gives us energy.

It's no different when it comes to our finances.

Again, many of us have a strange and twisted (some would say toxic) relationship with money. We spend when we're sad, we spend when we're stressed and we spend when we're happy. (Sensing a pattern here?). We use money to fill a void and thanks to 24/7 spending, easy access to credit and being bombarded with thousands of advertising messages every hour of the day. It's easier than ever before to get ourselves into financial strife.

Or we hoard money in a bank account so we can look at it and feel a sense of stability in an ever-changing world. And the balance that account needs to be to give us that feeling isn't something we can settle on. So, we do nothing and keep saving, which may seem sensible, but isn't really a worthwhile plan.

It's no wonder we're so screwed up when it comes to our finances.

That's why I believe it's so important to recognise why you behave the way you do with your finances. This is the first step towards moving past the overwhelm so you can start to do something positive about it.

That means starting to understand what, how and why you think about money and then diluting the many choices you're able to make down to the few that make sense to you.

The first step, before we figure out which financial path you should be taking, is starting to realise and appreciate how you think about money.

It's important to understand there's no judgement here. Instead, it's the start of a movement away from unconsciously reacting to consciously and proactively managing your money in a way that gives you back control.

It's a much better way, trust me.

Your turn: What do you think about money?



Exercise:

We're going to start by figuring out what your money story is.

What's the story in your head and how do you act as a result. Grab a piece of paper and answer the following questions

1. What does money mean to me? (Is it good, bad or evil? Is it safe, toxic or valuable? Is it something you actively avoid or something you deliberately cultivate?)
2. What opportunities have I denied myself due to money? (This may be consciously or unconsciously or through your actions such as high credit card debt therefore limiting the ability to build assets)
3. How would life be different for me if I was no longer limited by my beliefs in 1 and my actions in 2 (Would you have acted on opportunities like buying a house, would you have started a business, asked for a payrise, not be in debt, have retired earlier, travelled, or more?)

4. What beliefs or actions in 1 and 2 don't serve me financially and should I consider changing?
5. What would I like money to mean to me? What opportunities would I like to have with my finances? (To be in financial control, to have options, to own my own home, to be able to travel, to start a business, to have a baby, to take a sabbatical, to retire on my terms)

If you have a partner, encourage them to do this exercise too and then share your findings with each other. With a Relationship Australia survey showing money is the number one thing couples fight about, it's vital to be on the same financial page. If you don't have a partner, encourage your friends to do this exercise and then share your findings so you can, as a group, start a positive dialogue around money.

“It's about you designing a new money story, a new money path. One that you're excited about creating.”

It's important as you do the exercises to look out for the inherited money beliefs you hold. They might be ones you've adopted from your parents, your peers or the media. Beliefs such as it's important to own your own home, a single woman will always struggle financially in retirement, a man should always be the financial provider for their family or money has the power to corrupt.

Now some of these seem ok at first glance and might even be propelling some of you forward financially. However, for some of you they'll be having the opposite effect which is why it's so important to ask questions 3 to 5 which are all about deciding what you'd like your money beliefs to be. It's about you designing a new money story, a new money path. One that you're excited about creating.

Understanding what you believe about money and how that translates into your actions is incredibly powerful. It turns money from being something shameful, something you avoid, something on your 'to do' list to get to one day into something positive that you're excited to do something about.

It's the first step in your new financial mindset and approach to life and your first step moving from financially dire to financially resilient to financially well. It's choosing not to put off thinking and dealing with money any longer. It's about bringing clarity around how you're thinking about money and how that's causing you to act.

Hopefully, you'll have a whole bunch of a-ha moments and start realising that the relationship you have with money is unhealthy and needs a do-over. Or for some of you, your money beliefs might not be bad but they could be a whole lot better.

This first chapter is all about helping you realise that perhaps it's not the choice of path that's the issue. Instead, perhaps the biggest handbrake when it comes to your finances is you. Your limiting and sabotaging beliefs. And for you to understand that with a bit of tweaking, you can easily lower the brake, choose a path and start driving.

After all, I want you to be driving down the financial path you've created feeling quietly confident that you can handle the financial side of life. Confident that you're financially adulting. At comparethemarket.com.au, they're doing the heavy lifting to compare your household expenses so that you are spending less time worrying about money, budgets and paperwork and more time worrying about the fun stuff such as what's for dinner, where's our next holiday and maybe even whether you should make paper airplanes or head to the park with your kids.

Simples!

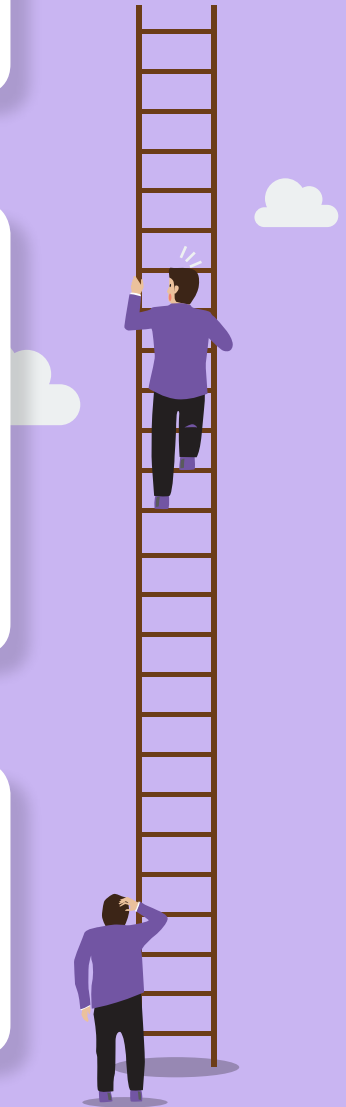
Financially well

Financial wellness is living a life by design instead of a life by default and having a financial plan in place so that you're proactively working towards it. It's feeling financially fit, strong and robust so you feel that you could change career, start a business, go on a sabbatical, start a family, retire without wondering whether you can turn the heater on in winter or have choice around what path you might take.



Financially resilient

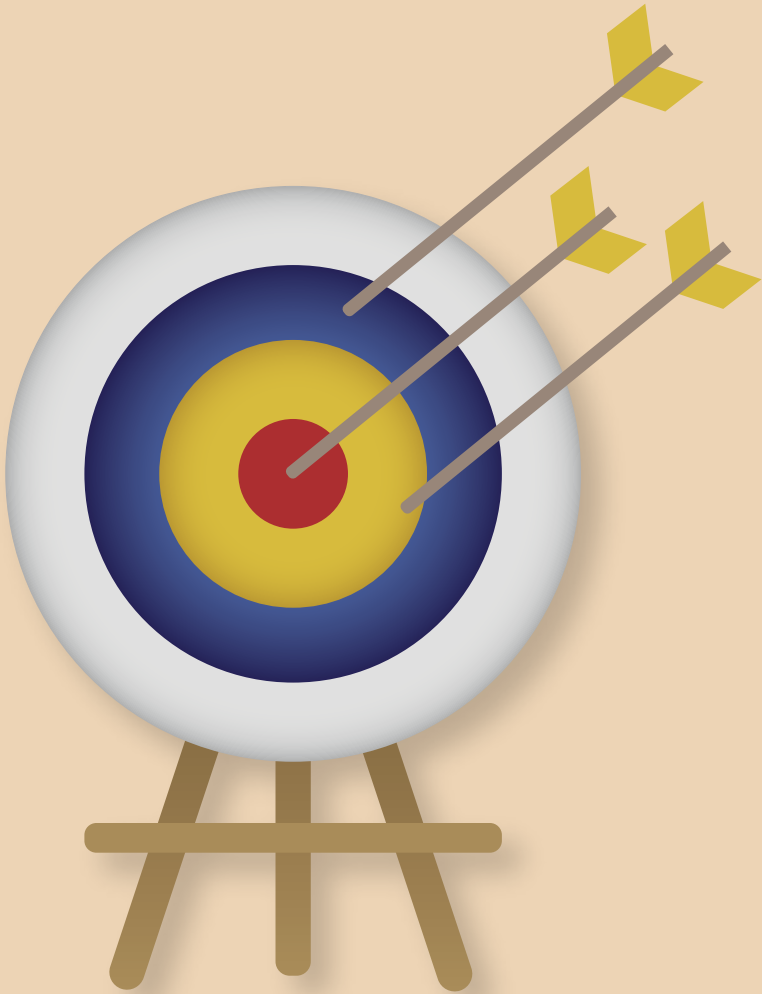
Financial resilience may not sound particularly exciting but resilience or grit is incredibly important. It means you have the ability to weather financial storms, without drowning. It's the thing that allows you to keep breathing when everything is going wrong and allows you choice because you have space. Of course, financial resilience is important to have but it's not a place we should be aiming for. Instead, I want you to aim for financial wellness.



Financially dire

You may be over your head with debt because you have six credit cards maxed to their limit. Or, you may have just opted out of making financial decisions because you feel overwhelmed by choice or frustrated by lack of choice.





Goals

We've already talked about how there are so many paths and so many choices when it comes to life and our finances.

I believe that because of this plethora of choice, many of us are sleepwalking down a path, crossing our fingers and hoping it's the right one. What invariably happens is we wake up one day and wonder how on earth we arrived where we ended up. A place that is often littered with financial stress (or financial apathy).

Think about your own story for a moment.

Where are you headed and do you care?

Perhaps you started work and decided you were going to just relax and enjoy earning an income for the first 12 months and not give any thought to saving. To enjoy life before it all becomes too serious. Only now it's three years later and you still haven't anything to show for the three years you've been working. Or perhaps you started a family and decided to start putting money away immediately for the kids' education only babies are expensive and you never quite got around to it. It's now time to start thinking about school choices and you're hoping desperately the school you've chosen will accept credit cards or payment plans. Or perhaps for the last five years it was always your new years' resolution to buy that investment property, contribute more to super, figure out your life insurance or work out whether you're honestly going to be able to retire at age 65. Only by the second week in January you'd already lost interest or become confused by choice or how long it would take so you opted out. And popped your head back in the sand.

All these stories are so common to so many of us. Many of us have our own version of how we're financially defaulting or opting out.

That's why I believe we need to move from living a life by default to a life by design. It's a much more interesting concept than just talking about goals and what you should be doing with your finances and hopefully it's something you're far more interested in as well.

“...start by figuring out what you want your life to look like. To start designing the life you love. And creating a plan to make it happen.”

It's also how we move from financially dire to financially resilient to financially well.

After all, your short-term goal may be to sort out your credit card debt, start saving for your kids' education, save a chunk of money so you can buy your first home or start contributing

more to superannuation. The problem is, none of these things cause you to do anything differently with your finances because the truth is, you're not excited about them.

The truth is, if you were excited about these goals, you would have done something about them by now. Instead, it's fallen into your admin or 'to do' bucket which isn't an inspiring or motivating place to spend time. So, you don't.

That's why I want you to start by figuring out what you want your life to look like. To start designing the life you love. And creating a plan to make it happen.

I'm not suggesting the life you're designing will involve a lotto win, marrying a billionaire or having a long-lost-relative that you never knew pass away and you inherit their millions. That's all the stuff of fairy tales. I'm also not talking about vague resolutions or intentions. There's a reason why most of us fail to follow through with New Years' Resolutions. It's because we're essentially just wishing at that stage and let's be honest, hoping a fairy godmother will appear and magically save us from ourselves.

Instead, I'm talking real life, pushing you slightly out of your comfort zone, designing a life you're genuinely excited about creating for yourself and your family (if you have one.)

It's about you choosing the path you want to walk, run or skip down and then consciously and deliberately taking steps so that you do.

Now, before we keep going, let me just address the goal cynics that are reading along, shaking their heads and thinking this is ridiculous. After all, why think about designing the life you love when you're already in it. When you already have the two kids, big mortgage and you're starting to fret about retirement. Or when you're five years into retirement and fairly confident you have no options left. Or when you've no idea what you're going to be doing in ten months' time, never mind ten years!

The reason we do it is so that you have choice.

Now, words like choice, freedom and wellness are bandied around a lot these days and they're something many people say they're interested in. The problem is, particularly when it comes to our finances, we're behaving as though these things are at the bottom of our wish lists.

Sure, you might be in the middle or the third quarter of life and feel that you don't have the option to design the life you love from here. Or you might feel that the future is a big, vague cloud with many things unavailable to you so why even start if nothing is going to come true that you are designing for.

Let me encourage you to think differently.

That's because we always have options and we always have choice. We may have limited choice, we might not be able to design the life of our five-year-old fantasies (complete with a magical pony) but we can still start designing and planning for a life we're excited by. For however long we have left.

Will that life we're designing or planning for come true exactly as we want? Potentially not. But by planning for it and financially preparing for it, what it will give you are options and choice.

Now that's something I know most of us want no matter what path you ultimately choose.

How do you start?

Easy. You start by recognising what path you're on now, describing how you want your path to look and figuring out a plan to get there.

Sounds simple and this stage really is. But there's still some exercises you need to do to figure this out for yourself.

What are you aiming for?



Exercise one:

We're going to start by figuring out what your money story is.

What's the story in your head and how do you act as a result. Grab a piece of paper and answer the following questions

Think about the next ten years of your life (or the next five if you genuinely can't deal with ten. Three at the absolute minimum). If you could summon your future self and ask them what your life was like, what would they tell you? Or rather, what would you like them to tell you? Remembering, we need to live in the world of reality (no Lotto wins!) but also what you'd genuinely love your life to look like. Be as specific as you possibly can. Write what you'd tell yourself or if you're not a writer, draw it, mindmap it, video it or whatever medium works for you.

If your inner critic pipes up and tells you this isn't realistic, tell them to pipe down! If you're worried that what you're dreaming up won't necessarily be accepted by your peers or your friends, who cares! This isn't about them, it's about you.

“If you could summon your future self and ask them what your life was like, what would they tell you?”

Examples of the life you're designing might include travel, business, corporate success, family success, sending your kids to the private school you went to, income of \$x amount per year, buying a house, owning a number of investment properties, being child-free, owning investments worth \$1,000,000, an income of \$100,000 per year, retiring at age 55 and earning \$60,000 a year, adopting, fostering, having no debt, a sea change, a tree change, heading off on a cruise in

retirement once a year, rebuilding from a relationship breakdown or starting a not-for-profit.

The important thing is that it's something you're excited by.

How far out to plan – the next 12 months



Exercise Two:

Dreaming is the easy part. Looking at the path you're on, deciding if it's right for you or what you want your new path to look like can be fun.

The important stage comes next. It involves figuring out the steps you need to take this year to do something about creating that path you want to design.

That's because if you're drowning in credit card debt and the life you want to design involves buying a home, you need to do something about that debt. Pronto. If you're earning \$50,000 a year with no assets to speak of and you want to retire in ten years' time then you need to get moving and maybe start thinking about adding another income stream that you'll contribute to super to get you there faster. Or perhaps you need to compare your credit card options through comparison sites such as comparethemarket.com.au.

This exercise is all about the next twelve months. Take a look at the life you want to design from Exercise one, then write down the challenges you need to set for yourself and complete over the next 12 months in order to take you further down that path.

It's no different than deciding to run a marathon. You might dream of running a marathon in eighteen months' time yet you've never run a day in your life. You can't just sleep walk to the starting line and expect to run! Instead, you're going

to need to figure out a running plan, find a good physiotherapist for when you break down, work out distances you need to be running by different milestone dates and then most importantly, you need to start.

Goal setting and action plans for designing the life you want to consciously live are no different.

Exercise One involves you figuring out the distance and the type of race you want to run. Exercise Two involves figuring out your running plan for the next 12 months. As well as who you're going to turn to when you break down and stop. Because you will. That's why I think it's so important during this step to figure out who's going to coach you, how you're going to be kept accountable and what your next steps need to be. You may as well acknowledge now that you're going to break down and that it might be tough. So figure out a plan for when you become a little unmotivated.

That's it! Now it's up to you. Work out the challenges you need to complete over the next 12 months below, write down the steps you'll need to take, the date that you'll need to have them completed by and then the only thing left to do is start.



| Challenge | Steps to take | Coach/accountability | Date to be completed |
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| Challenge | Steps to take | Coach/accountability | Date to be completed |
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The good bad and ugly of debt

Australians are a funny lot. We have a love/hate relationship with debt.

We embrace debt to a certain extent because we prioritise buying our own home. Which often involves a whole load of debt. We're also generally OK with borrowing to purchase an investment property which again, involves a whole stack of debt.

But it goes further than that.

We're comfortable with deferring the cost of studying which means HELP debts and student loans. We're a nation of vast distances so many of us have some type of car loan or lease. And don't even let me get started on credit cards, store cards, pay day loans, tax refund loans, buy now pay later, Afterpay, Zippay, or the many other types of consumer loans we use every single day.

This means many of us are carrying a fair whack of debt (yes that's a technical term). When it comes to paying off these debts, we're overwhelmed by the many buckets and so we just drip feed payments without seeing any real change to the loan balances.

The reason I want to talk about debt now, is because for many of you, designing the life you love will involve debt. Either wanting to pay it off or choosing to take it on. It's incredibly important when you're planning to ensure that you're aware that there is good debt, bad debt and OK debt and how you act with each of them should be very different. Your plan for each should be different – particularly depending on the life stage you're currently at.

Now, I recognise that some of you are incredibly uncomfortable with debt which means the life you're designing involves paying your mortgage off as quickly as possible and being debt-free. Or it may even involve you not borrowing to purchase an asset because you're scared of losing the buffer of cash in your bank account.

“But what if I was to suggest to you that paying all your debts down at once is not as smart as you think?”

Yes, it can be a romantic notion to pay our debt down as quickly as we can, particularly if we've just purchased a home and have the big mortgage to go with it. But what if I was to suggest to you that paying all your debts down at once is not as smart as you think?

Australians particularly, have been sold this idea that all debt is bad and you need to get rid of it as quickly as you can. But it's important to understand the different types of debt you have because while some debt might in fact be bad debt, some debt is actually good debt.

Yes, you might struggle with the notion that debt can be good but stay with me while I explain.

It might be easier to explain this concept and show the different types of debt with a real-life example.

Let's say Charlie and Sam have a mortgage on their home of \$700,000, an investment property loan of \$300,000, credit card debt of \$10,000, a HELP loan of \$10,000 and a car loan of \$20,000. Most people would usually be making at least the minimum principal and interest payments on each loan.

Now it might seem like a reasonable solution to gradually pay down all loans, however when we understand the difference between good debt, bad debt and OK debt we can make strategic decisions around what should be paid down faster and perhaps what debt shouldn't be paid down at all. I know that might seem an odd concept but it's one that can save you potentially tens of thousands of dollars in the long run.

Bad debt

Bad debt is usually any type of debt that you won't receive a tax deduction for and isn't being used to purchase an appreciating asset. (An asset that goes up in value). In our example it would be the credit card debt of \$10,000 and potentially the car loan of \$20,000 (presuming it's not being claimed via a log book for work).

It's important to understand that just because these debts are bad debts, it doesn't mean they're equally bad. How you prioritise them involves looking at your bad debts and working out which ones should receive the most attention in the form of extra repayments rather than just paying them down at the same rate.

How do you determine which is bad debt and which is worse debt? By looking at the loans themselves. In our example, if the car loan is at a rate of 3% because they received a special deal from the car yard and the credit card debt is at an interest rate of 20% then it makes sense to pay the credit card debt off first. If the car loan is an unsecured loan of 16% and the credit card is 12% then you may need to check if there are any penalties to paying the car loan off first. If there is, then it may make sense for you to pay the minimum amount on the car and attack the credit card debt instead.

OK debt

OK debt is debt we don't necessarily want to have long term, but it's either for assets that will go up in value or depreciating assets we can claim a deduction for.

In our example, if the car loan of \$20,000 was for a ute they were using for work or they've kept a log book on the car and can prove business use, then this loan may convert from bad debt to OK debt. The mortgage of \$700,000 would also fall into the OK debt category because the purpose of the debt is to purchase an asset that presumably will go up in value. Now, most of us want that mortgage at a zero balance but if you have credit card debts, car loans or other bad or ok debt, it makes sense to prioritise those payments first.

HELP debts generally only increase with CPI, so while CPI is low, your HELP debt would belong in the OK debt category. That's because it makes more sense to pay the credit card, car loan and mortgage off first than make additional repayments here.

Now, occasionally a mortgage will move from OK debt to good debt. That's because if you're five years away from retirement and you still have a mortgage it may make sense for you to maximise your superannuation contributions. That way you gain the greatest tax-deductible benefit instead of paying more off your home loan. In this instance, you might even convert your mortgage to interest only to make those super contributions. But of course, the minute you retire, the debt moves back to OK debt and you'd potentially grab the lump sum amount from your super fund and pay off the mortgage in full.

Of course, if you have no bad debt, then the OK debt may be the one you prioritise and pay down quickly, depending on what other financial strategies you have.

Good debt

Investment loans almost always fall into the category of good debt which in our example is the investment property loan of \$300,000.

Psychologically, Charlie and Sam may want to pay this loan down first because it is for their 'retirement' and they want it to be income that can fund that. But it's important to remember that the interest on this loan is a tax deduction which means it's cheaper debt than their home loan.

"It might seem like a strange concept to think of debt in terms of good and bad when we're conditioned to think of all debt as bad. However, by being strategic with your debt you can ultimately ensure that your entire debt disappears faster."

If you still have bad or OK debts, it almost always makes sense to convert good debts like investment loans to interest only to maximise any interest claim you can make. This might seem strange to not want to pay down a loan – of course you want to reduce your debt, right? However, it's important to understand that this strategy only makes sense if you take the extra monies you saved by switching to interest only and put them towards your bad or OK debt. That way the entire debt amount is still reducing, but you're maximising any tax advantages you might have.

So, what would Charlie and Sam's plan be? They might consider converting their investment property loan to interest only and keep it as interest only until their mortgage is paid off. At that point they'll convert this good debt to principal and

interest. In the first year, they might choose to pay the minimum repayment only on their home loan and pay off their credit card debt as soon as possible. The aim being, in six months' time, when the credit card debt is paid off, they'll pop these extra payments onto their home loan. If their credit card limit isn't paid off in full each month they'll consider switching to a low interest credit card or cutting it up and having a debit card instead. An easy way to compare credit card options is through comparison services such as comparethemarket.com.au. Finally, they'll only pay their HELP debt with their tax office compulsory repayments.

It might seem like a strange concept to think of debt in terms of good and bad when we're conditioned to think of all debt as bad. However, by being strategic with your debt you can ultimately ensure that your entire debt disappears faster. Simply by choosing the rate at which your individual loans are paid off.

Exercise:

Now it's your turn. Look at the debt you currently have and split each debt type into good, bad and OK debts. Next order them into which debt should be paid down first, which debts should be interest only, which debts should be converted either to a lower interest debt and the dates you'd like this to happen.



Once you've mapped out your plan, the only thing to do is the doing!



Everyday finances

Whether you're trying to run a marathon, learn a language, start crocheting teapots or begin anything new, you don't generally become an expert overnight.

When you first start out, the idea of trying something new is exciting and motivating. But that sheen soon wears off when you realise there's cramping, technicalities like masculine and feminine pro-nouns and you're allergic to wool.

That's why it's important when you start something new to figure out a plan for how you're going to succeed day to day. If you're running a marathon this might involve hiring a running coach or registering for a 12-week running plan. If you're learning a language it might involve downloading an app, signing up for classes and discovering meet-ups where you can practice. And if you're crocheting it might involve starting with something small so you see it through.

If you want to succeed at this new skill, yes you want to figure out all the above. But you also need to work out how to fit it into your everyday life.

It's no different when it comes to money.

So far, you've started to design the path you want to create for yourself. You've begun to work out a plan for what the next 12 months will look like. But what about the everyday? Wouldn't it be helpful to have someone hand you some useful tools so that you don't stumble at the first hurdle and maybe even help you clear the path?

It might not seem sexy and exciting, but what we do with our finances everyday can dictate whether we reach that life we want to design for ourselves. That's because too many of us are trying to look for the magic bullet, the million-dollar business idea or the secret to riches but we're neglecting the everyday basics.

"...many of us are trying to look for the magic bullet, the million-dollar business idea or the secret to riches but we're neglecting the everyday basics."

What I know is that part of the problem is there's simply so much information about what we should and shouldn't be doing and most of us, if we're completely honest, aren't interested enough to disseminate it.

But what if you had a cheat sheet? A list to work through so that you could get help with your everyday finances with tips on how to hit your goal faster?

Consider it done.

Below are some everyday finance basics that can help you reach your goals safely. It's only the basics and sure, it's not going to cover everything (we'll cover more when we get to chapter six on maintenance) but it will give you a head start to ensure you have the ground work and the training completed so you can set off on your financial quest.

Bank accounts

If you pop a block of chocolate in front of me I promise you I'll eat the lot. If you pop two chocolate squares down and hide the rest then sure I'm still going to eat the lot. But that's going to be the two squares in front of me rather than the

entire block of chocolate.

What does this have to do with bank accounts?

Most of us don't have the willpower not to overspend. Or we lift our spending to the amount we're earning every-time we receive a pay-rise. Or a few of us are hoarding and not spending because we're scared to touch our pot of savings which means we're not enjoying today.

By setting up multiple bank accounts, it's like hiding your money from yourself. It's like placing the two chocolate squares in front of you and hiding the block. Plus, it gives you permission to enjoy what's in front of you without guilt, knowing you have a plan in place.

What bank accounts should you hold?

I believe at a minimum you should consider an Everyday Account, a Bills Account, a Splurge/Holiday/Fun Account and a Savings Account. If you have a mortgage, your savings account would be an offset account attached to your mortgage or the mortgage itself. For the rest, you want bank accounts with low fees.

How much should you allocate to these accounts? Well, that depends on the life you're designing for yourself and your 12 month goals.

Bills account: The amount you regularly transfer to your Bills Account should be fairly easy to figure out. This will include your mortgage/rent, electricity, gas, phone, internet, school fees, rego and insurances.

Once you've worked out what bills to include in your Bills Account, you'll need to work out how much to transfer to this account each pay cycle to cover them. For example, if you're paid fortnightly, you would work out the annual amount

of each bill and then divide this annual amount by 26 to reach the fortnightly amount. For example, if you pay electricity monthly and your average bill is \$600 to figure out the fortnightly amount you would first work out the annual amount: $\$600 \times 12 = \$7,200$. And then work out the fortnightly amount: $\$7200 / 26 = \276.93 . You'd continue doing this for each bill until you had the fortnightly amount and then you'd total them all up to work out the total to transfer each pay cycle.

Notice I'm not including gym fees or pay tv here? That's because this is discretionary spending and belongs in your Everyday account.

Savings account: the amount to transfer regularly to your savings account is worked out next. This should be the amount you figured out in your 12 month goals.

For some of you, there will be no savings amount but instead, this will all be paying off credit card debt. That's ok. Notice we're doing the savings amount second? That's because if you're serious about the life you're designing, we need to prioritise this amount rather than just save what's left over after you've allocated absolutely everything else.

Holiday/splurge/fun account: the amount to transfer regularly to your splurge/holiday/fun account amount can also be figured out from your 12 month goals. Or you might decide what you'd like this amount to be each year and work out how much that means you'll need to transfer each pay period.

Everyday account. What's left is your everyday account balance.

This is what you have left for everything else. This includes food, entertainment, eating out, coffees, gym membership, clothes, hairdressers and more. If there's

not enough here then look at what you have allocated to the other accounts. Or consider ways you can add more income to your pot.

The trick is to not resort to credit cards or raiding other bank accounts but instead, when the Everyday Account is empty that's it! It's time to head back to living like a uni student for the few days until your next pay cycle. Remember when you had to eat rice and beans for a few days because that's all you can afford and now we hand over the plastic instead? It's time to break that habit. That's because, this method only works if you limit your discretionary spending to what's in your Everyday Account. And leave the other accounts for what they're intended for.

Of course, the good news is that the funds in the Everyday Account should be guilt free spending.

There have been many suggestions as to what should be contributed to each bank account by different finance experts. At the end of the day, it's up to you and the life you want to design for yourself. But don't cheat yourself. Make sure it matches up to the life you want to design and your 12 month goals from chapter one and two.

Other Bank Accounts you might want to consider are a Life Account (for when life happens such as the fridge dying or the car needing to be fixed. If you have a mortgage, you'd keep the buffer there). If you're a couple I would recommend your own personal bank accounts. That's because you want to retain some independence and not have to account for every single dollar you're spending and why you're spending it.

Automating

Now, figuring out how much should be allocated to each bank account is Step One. Step Two is automating the regular transfers so amounts are automatically sent each pay cycle from your Everyday Account to your Bills, Savings, Splurge and other accounts.

Remember the example of the chocolate block? If I was told to break off a couple of squares, leave the rest of the block on the counter and don't eat it, I can't promise you I would. That's a lie, I can promise you, I would eat the entire block by the end of the day. That's because when I start eating chocolate I have absolutely no willpower. But by popping a couple of squares and hiding the rest I'm only eating what's in front of me.

We're doing the same thing for your finances.

Think about two other things that are automated in your life and for the most part, work beautifully – mortgage payments and superannuation.

There's a reason why mortgages and superannuation are so effective. They're automatic payments that we aren't relied on to transfer ourselves. Our mortgage is deducted by the bank from our account automatically and our superannuation is paid by our employers directly to our super fund/s. Because it happens automatically we simply accept it.

We need to do the same for our finances. That's why I'm such a fan of setting up direct debits from your Everyday Account the day after your pay enters, to your other bank accounts.

It's like hiding the chocolate block from yourself, knowing you can enjoy the couple of squares guilt free without overindulging.

Budgets and trackers

I am not a fan of budgets but I am a fan of tracking. That's because budgets are like diets. They're generally tight, restrictive, limiting and you break out and splurge the minute you finish them. And often put the weight on (and more) that you lost in the first place.

Budgets are no different.

Instead, by setting up more than one bank account, by automating your transfers and then tracking your spending, you can be mindful about where your money is going.

This means if you're comfortable that you've spent \$350 on coffees this month because that's your splurge and you're allocating your funds everywhere you intended them to go then perfect. Enjoy those coffees guilt-free. But if the amount makes you feel a little ill then you can choose to adjust your behaviour. Similarly, you might be surprised that you're spending \$25 each month on an app that you haven't used in six months and had no idea you were still paying for. By tracking where your money goes, you can make choices as to where your money is going.

Many banks have automatic tracking as part of their internet banking. If you'd like another, Compare the Market has a great [Budgeting Calculator](#) to help track your savings goals.

How to find more cash

Let's say you've worked out your bank accounts, how much to transfer to each one and the balance you want them to be in 12 months. There's only one problem. You're about \$250 short. Every month.

This means you have a couple of choices.

Firstly, you can choose to reduce your spending.

This may mean cancelling gym memberships you're not using, trying to find better deals with insurance, telcos and energy providers, asking your bank for a reduction in your interest rate, switching to a bank for a better deal and more. (By the way, these are all great things to be doing regularly even if you do have enough cash).

Secondly, you can also choose to increase your income.

This might mean asking for a pay rise, starting a business on the side, selling some unused items in your wardrobe, garage or the kids cupboards on ebay, taking on a boarder, getting a second or third job. Or you might moonlight as an Uber driver, Deliveroo deliverer, pop your granny flat on Airbnb, offer your services on Airtasker or Fiverr, tutor or be paid for surveys. Truly, the ways to earn some extra income today is limited only by your imagination.

All that's left is for you to start.

Figure out what bank accounts are missing for you, work out what amounts you should be regularly transferring, download an app and start playing with it and start figuring out how you can find more cash. There are worksheets to help you and a puzzle to help you creatively find ways to save more cash. Alternatively, you can head to [comparethemarket.com.au](https://www.comparethemarket.com.au) and start saving by finding a better deal across your home loans, car insurance, energy provider and more.

Ways to earn extra income

Moonlight as an Uber driver or Deliveroo deliverer



Starting a business on the side



Ask for a pay rise



Selling some unused items in your wardrobe, garage or the kids' cupboards on ebay



Offer your services on Airtasker, fiverr, tutor or fill out surveys online



Pop your granny flat on Airbnb



Investments

Property, shares, ETF's, superannuation, fintech, managed funds, listed property funds and more. There are so many ways to invest now that we generally do one of two things: we default to what we know and what feels safe, which is usually property or we do nothing because it's just too overwhelming.

Remember our conversation with paths and choices and designing a life you love? When it comes to investing sometimes we simply default rather than design because it all just seems too confusing and we're not sure who to trust when it comes to advice.

“When it comes to investing sometimes we simply default rather than design because it all just seems too confusing and we're not sure who to trust when it comes to advice.”

The problem is, in a time of soaring property prices and earning a teeny amount of interest in our bank accounts it's a great incentive to consider some alternatives when it comes to investing. Or to dip our toe into investments that perhaps we hadn't considered before. Which means taking a deep breath and at least starting to look at your options.

Here, we're going to look at a few different options to consider when you're investing so that you don't opt out or default only to what feels safe and familiar.

Property

The great Australian dream is still to own your own home. It's the largest purchase many of us will make in our lifetime and owning it often feels like a rite of passage: proof you have finally grown up and are putting down roots.

"...with a bit of creativity and certainly the courage to swim against the tide, you may find that home ownership simply isn't the right fit for you, allowing you to look for bricks and mortar in investments other than the home you might possibly live in."

However, there appears to be a growing number of people (particularly young people) questioning whether we should bother.

With the median home prices in some suburbs well out of reach of many potential homebuyers it is certainly a dream worth reconsidering. The problem with the alternative of renting, is that you're paying down someone else's mortgage and not accumulating any assets of

your own. That is, unless you consider a third option which is renting where you live and buying property as an investment only.

If you're weighing up whether home ownership is right for you and whether perhaps you should consider renting and purchasing another type of investment such as an investment property instead, what should you consider?

I believe we're already very aware of the argument for home ownership, so here's the argument for renting and buying an investment property instead.

1. **Negative Gearing.** Current Australian tax laws allow you to claim the shortfall between interest, expenses and income earned on a rental property on your tax return. This essentially means the refund (or tax saving) received is reducing the cost of ownership. If you buy your own home none of these costs are deductible and unless you take in a boarder, there's no-one helping you pay the rent.
2. **Spreading the risk.** Our home is often our most valuable single asset which for many of us, means most of our wealth is tied up in it. The problem arises when the size of our mortgage means the ability to diversify our risk is diminished. We simply can't afford to invest in other assets such as investment properties, shares or paying extra into super because, thanks to a high six or seven-figure mortgage, our cost of living is too high. Instead of sinking all our funds (and available borrowings) into one large mortgage it may make more sense to buy a couple of cheaper investments across different suburbs or different asset classes and therefore spread the risk.
3. **Liquifying our assets on retirement.** If we're living in our most expensive asset, it can be emotionally difficult to have to move out of it in order to access the equity upon retirement. By choosing to rent we can potentially downsize when we reach retirement without having to sell assets which may not be in our best financial interest to realise the gains from that point in time.
4. **Rent can be cheaper.** In some suburbs, particularly if there are a glut of apartments being built, renting can sometimes be cheaper than the cost of owning the apartment. In that case, while you may emotionally want to own your own home, it simply makes more sense to not purchase an asset where there is an oversupply and potentially a smaller chance of capital growth.

5. Freedom to move. If we truly say we want freedom and options - the ability to have a sabbatical, for one parent only to work full time, to send our kids to private school, donate our time to charity or travel regularly - then committing to a large mortgage is potentially going to rob us of that. Instead, by choosing to rent and instead invest in a rental property you still have an asset class that is bricks and mortar but you may have the ability to upsize or downsize your rental accommodation according to your other life goals.

Home ownership is still viewed in our country as something that all Australians should and in fact must aspire to. And for some of us when we do the maths it can still make great financial sense. However, I do believe the mood is changing, particularly as the size of mortgages in some suburbs and capital cities increases to seven figures. Instead, with a bit of creativity and certainly the courage to swim against the tide, you may find that home ownership simply isn't the right fit for you, allowing you to look for bricks and mortar in investments other than the home you might possibly live in.

The most important thing to realise, is that there are many paths you can financially walk down and this may be an option you hadn't considered. Comparison services such as [comparethemarket.com.au](https://www.comparethemarket.com.au) can also put you in touch with a broker to help answer any questions you have about the home loan process or home ownership in general.

The stockmarket

It's fair to say most Australians feel far more comfortable investing in property or cash rather than shares. That's despite most of us having a considerable exposure to shares via our superannuation accounts.

I believe that has a lot to do with the short-term volatility of shares, despite them generally performing similarly to property in the long term. Or perhaps it's because we can touch and drive past our properties. They're tangible versus the perceived mystical quality of shares. Or perhaps it's because buying shares feels like gambling. We don't really understand them so it feels like a roll of the dice.

The thing is, we're already exposed to shares because of our super funds so it makes sense to at least have some understanding of the stock market. Plus, it's much cheaper to access the stock market than a property because you don't need a large deposit so it's worth considering investing outside super as well. Or maybe think of it this way. My dad once said to me, it's better to own the bank than to keep your cash in the bank and for the most part he would have been right. That's because particularly in a time of lower interest rates I can receive 1-2% interest by keeping my money in the bank. But if I purchased bank shares instead (and owned the bank), I might be receiving capital growth (my shares increasing in price) and an income stream by way of a dividend payment.

There's also the imputation credit that's attached to the dividend which means tax has already been paid on this income up to 30c, unlike the interest in your bank account for which no tax has been paid. Finally, if you choose not to receive the dividend as cash, you can reinvest it using something called a Dividend Reinvestment Plan (DRP) which can be a great idea. That's because you may not notice the small amounts you receive every six months so choosing to not receive the cash but having them purchase more shares in that company instead can be a smart financial move. By not receiving cash for the dividend but buying more shares automatically instead, the compounding nature of those regular purchases can be a great way of incidentally building an asset.

Direct shares

This is where you own shares in a company listed on the stockmarket yourself. So for example you own shares directly in BHP, Telstra, Commonwealth Bank or others.

Pros

Only requires a small amount to invest with and there's small one-off brokerage fees when you buy and sell.

It's easy to buy - you can buy direct shares online using what's called a brokerage platform. Most major banks have brokerage platforms as well as independents.

It's easy to buy - you can buy direct shares online using what's called a brokerage platform. Most major banks have brokerage platforms as well as independents.

Cons

If you're relying on hot tips and not doing your research it can be an easy way to lose money (as with any investment).

There is potentially lower diversification (which can potentially mean higher risk). That's because you may only be holding a few different shares instead of holding a couple of hundred shares in say an ETF or a Managed Fund.

You have loads of choice – which can be overwhelming, particularly for first-time investors. This may mean you make poor choices or you opt out because there's too much choice.

Managed funds

Also known as ‘active investing’. This is where a fund manager trades daily on behalf of the owners of the fund of which there could be tens or hundreds of thousands of owners. You don’t directly own any shares or asset classes yourself, instead you own ‘units’ in the fund.

Pros

The timing of the shares being bought and sold is handled by professionals who (hopefully) will make more of a return than you would on your own.

The Fund can provide diversification across a wide range of asset classes. That’s because, depending on your risk profile, the fund will not only invest in Australian shares but potentially also in bonds, cash, foreign shares and other investments.

Allows you to make small, regular contributions at a low cost. You can set up regular monthly contributions to the fund to purchase additional units.

Cons

Depending on the managed fund type, you may need an upfront deposit. This may be as low as \$1,000 or as high as \$250,000. With the emergence of more and more fintech options (apps) such as Raiz and Spaceship for example, you may only need a \$10 deposit.

There are higher fees as the fund is being professionally and actively managed. There may also be unknown tax impacts. As shares are sold daily, there may be capital gains or losses and dividends that need to be declared in tax returns unexpectedly.

If a large amount of investors want to cash-out at the same time there may be liquidity issues in the fund.

ETFs (Exchange Traded Funds)

Also known as 'passive investing'. This is where the ETF holds assets in a basket of stocks such as the Top 200 Shares in the ASX (Australian Stock Exchange) or the Top 300 Shares in the ASX or other commodity or share classes. Again, you don't directly own any shares or asset classes yourself, instead you own 'units' or 'shares' in the ETF.

Pros

Low ongoing costs compared to traditional managed funds.

ETFs are highly transparent. It's really easy to see what the ETFs underlying stockholdings are – the shares they're investing in.

It's a low-turnover investment which means less unknown tax impacts. The basket of stocks the ETF tracks only changes when companies are added or removed from the underlying index. Such as if a company moves out of the ASX 200 and that's the index the fund is tracking.

Cons

Tracking a market index (such as top 200 ASX shares) means ETFs don't have the potential to minimise the effects of market downturns. That's because they're passively investing in this asset and not proactively adjusting to perceived risks.

Many of the Australian ETFs are currently relatively narrow in their focus (they track a single country or region's sharemarket).

ETFs potentially don't come with the added bells and whistles of a managed fund such as financial planning services, telephone or website access or regular newsletters.

ETFs (Exchange Traded Funds)

Pros

There's no need for ETF's to hold cash therefore funds can be fully invested in shares.

Warren Buffet once famously said if he was to die, to pop all his funds in an ETF. It's hard to find a better recommendation than that!

Cons

While it's great that all the investment is with the particular index and not cash, this can potentially cause a liquidity issue if a large group of investors want to withdraw funds.

Historical trading volumes are lower as Australian investors are still getting familiar with this type of investment.

Perhaps the easiest thing to get your head around when investing in the stockmarket is that there are three main ways that you can invest. The simplest way is you owning the shares yourself however if you're not sure quite what you'd pick you might consider either a Managed Fund or an ETF (Exchange Traded Fund) instead. I've broken up the pros and cons for each below.

Superannuation and retirement

Of course, most of us are already investing in the stock market through our super funds but that doesn't mean you simply want to set and forget them. When it comes to superannuation and retirement there's three main things to consider:

1. What fund should I be using? Employers must give their employees the option of super choice which means it's up to you how you invest. This might be via an industry fund which has lower fees, an ethical fund which won't invest in fossil fuels and tobacco, a standard fund of which there are countless options or even a Self Managed Superannuation Fund (SMSF) for the more sophisticated investor who wants more control over their super funds. Also, notice I said what fund and not multiple funds? So many Australians have multiple funds so a quick way to save money is to jump onto Mygov and roll over your funds into one.
2. What's your risk profile? Once you've chosen the type of fund, it's important to choose your risk profile within the fund. This includes growth, balanced, conservative, high growth or cash. Your profile will depend on your reasonable expected returns and your accepted level of risk. For example, if you're in your twenties you might be comfortable with an aggressive risk profile but you might be looking at a more balanced profile if you were retired.

3. How much will you contribute? Yes, there is a statutory amount of 9.5% that your employer must contribute but should you be contributing extra and from what age? There's also the question of if you're not being mandated to contribute to super because say you're a sole trader, is this a good idea to do anyway? Concessional contributions are capped at \$25,000 per year which simply means the total of your employer and salary sacrificed contributions (or those you want to receive a tax deduction for) cannot be more than \$25,000. For low earners there is the government co-contribution where you can receive an additional up to \$500 from the government to your super fund if you contribute up to \$1,000.

Perhaps the easiest way of deciding how much extra you need to contribute is to look at how much you need in funds for when you retire. There are so many different free online calculators to work out how much you need. As a general rule, the younger you start contributing, thanks to the power of compound interest, the smaller the amount you need to contribute to end up with the same amount in retirement.



Maintenance

Hopefully by now you've started to realise that while money and finances may never be something that lights you up or excites you – the outcomes of having a great financial situation IS something you're excited by.

It's important as we come to the end to realise that while we've talked about looking forward, designing the life you want, debt, investments and the day to day – there's still the ability for this all to be popped in the too hard basket. For life to get in the way and for you to realise that it's been six months and while you had the very best of intentions – life kind of happened.

That's why we need to set up some type of regular maintenance. Some regular financial grooming and repairs if you like.

Let's consider your home for a moment. Most of us don't buy a home, sit back and hope that it looks after itself. Instead, we appreciate that it takes work on a consistent basis for our home to look its best. That might involve a daily sweep, a weekly clean, weekly mowing, monthly gardening, annual spring cleaning, annual pest sprays, five-yearly painting and more.

Or we could think about our personal grooming. There's the twice-daily teeth cleaning, daily showers, daily deodorant, daily makeup (for some of us), daily SPF, daily shaving, bi-weekly hair-washing, multiple times a week exercising, six weekly hair-cuts, six weekly waxing appointments, annual check-ups and so much more.

We could apply this maintenance regime to so many other things whether it's fitness, lawn mowers, cars, boats, bikes and more.

Why do we think it would be any different for our finances?

If you want your finances to be great, to look their best, to be regularly maintained so you're on the path that you want to walk down, then it's essential to create a money maintenance routine.

“Relationships Australia’s research shows that money is the number one thing couples fight about.”

Your money maintenance routine needs to be one that works for you.

For some of you it will involve detailed spreadsheets and hours analysing your spending because let's be honest, you kind of dig that stuff. You're

the type of people who spreadsheet their holidays for fun. (It's ok, I do too.)

For others of you, it may involve a bit of testing and trying different things in order to figure out what works best for you. This might be a weekly check-in, a monthly money chat, quarterly revisiting of your goals and annual planning.

The important thing is you have a money maintenance routine and even more importantly – that you're following it. That it doesn't feel like yet another thing you need to add to your to-do list but eventually becomes as effortless as your personal grooming routine. Sure, some parts of it you may never love but others should become more or less like brushing your teeth.

So, what does a simple but effective money maintenance routine look like?

Daily

On a daily basis, you might take a two-minute peek at your bank account balances and allocate transactions on your tracking app (if you're using one – my preference is to track your expenses rather than budgeting for them). That's because it's a good check-in on how your spending is going. Particularly if you're following the multiple bank method and you're limiting your day to day spending to your Everyday Account. You're going to want to know how much is left in that account so you can make great decisions around whether you should be heading out or staying in this weekend, whether you should be taking your lunch to work every day this week, can you afford an unexpected night out and what do you need to be doing today to make sure it fits within what's left in the account? Over time this daily check-in may drop to a one minute peek as you're standing in line for your daily coffee, but it's about forming a great habit of choosing to have a daily check-in with your finances so you're mindful about both your bank balances as well and your spending habits.

Weekly

Each week, grab a coffee, tea (or something stronger), sit down and have a slightly longer (say five minute) peek into your bank account balances, your tracking apps and the goals you've set. Take a look at your spending and saving via your bank accounts and tracking apps (if you're using one) and make sure you're comfortable with it. Decide what your financial challenge is going to be next week that's going to move you along – whether it's not buying your lunch more than one day, figuring out how many superannuation accounts you really have or researching whether you have the lowest rate credit card available. You can easily compare your rates through comparison services such as [comparethemarket.com.au](https://www.comparethemarket.com.au).

Monthly

This is your bigger check-in and if you have a partner it's the perfect time to check-in with them too so you start to develop a great money language together.

Relationships Australia's research shows that money is the number one thing couples fight about. If you can be regularly and proactively dealing with your finances together hopefully you'll take a giant pin to that big hot financial balloon waiting to explode over your relationship!

Maybe over brunch or lunch (it might be a treat to do money over food) look at your account balances and figure out whether you're hitting the balances you wanted in your different accounts and credit cards. Look at the weekly financial challenges you achieved over the past month and pat yourself on the back. Then set up what you want to achieve each week for the next month. Maybe it's finding more cash and the whole month is geared around that? Maybe it's sorting out your super? Maybe it's researching your next investment? Whatever you choose, make sure it's aligned to your 12 month goals which means it's a great thing idea to bring these to your meeting so you can make sure you're on target.

If you're not on track? The important thing is not to beat yourself up or stop. Instead, show yourself some kindness, figure out what went wrong and what you're going to do differently next month so you get back on track.

Annually

You did it! But don't just stop, shake off the mud and dust (or glitter) and thank god that's over. Instead, take the time every year to go through the whole process again. Figure out what your goals are, and if you're still excited about

the life you're designing or does that need tweaking, what's your money story - the whole shebang.

I know I've already said it, but if you're in a relationship I absolutely recommend doing this together so you're on the same page and you're both working together towards a common purpose rather than pulling apart.

If you have kids, involve them too. Let them know the part they can play and give them ownership over some of the plan. This way they'll appreciate money doesn't grow on trees and you don't have a magical card you tap to pay things. And the bonus is that way the whole family is working together and your children are building great financial foundations themselves.

If you have a strong friendship group, why not do this together so that you can support each other and keep each other accountable.

Of course, whether we compare this to grooming or home maintenance, the end result is the same. It's creating great financial habits that will replace the unhelpful ones you've carried with you up to now.

Budgets, Tracking Apps and More

Now, you might have played along to this point and wondered why we've been talking about finances and not mentioned the B word once despite almost coming to the very end!

What word is that?

The dreaded 'budget'. The one word designed to create fear and loathing in anyone who doesn't love a good spreadsheet.

Now, here's a dirty little secret that you may already know. Budgets don't work for many of us. In the same way that diets don't work for long.

My problem with most budgets is they include absolutely everything there may even be a teeny chance we might want to spend money on. We also add a whole lot of things we'd like to spend money on, so our budget becomes a giant child's wish list instead of something that's helpful. We up the grocery amount, we add gifts, we include haircuts, beard trims, leg waxes, dog grooming and every other thing we think we couldn't possibly live without and then wonder why there's nothing left at the end of the exercise to save. Or we make them super restrictive so that we're all but eating dust which means just like a juice fast, we bust out and grab a BIG bowl of fries as soon as it's over. Or in our finance's case, spend big just because we finally can.

Don't believe me? You might be surprised to discover that research supports this theory.

Professor Elaine Kempson is a Meritus Professor from Bristol University in the UK, and an international authority on consumer financial issues with over 30 years' experience in conducting research and contributing to policy development. She confessed at the 2016 Good Shepherd Microfinance Financial Resilience Summit to being surprised by findings in her research that suggested budgets didn't work. She was going back to do further research into why, but I for one wasn't surprised. That's because we're far better at focusing on healthy eating than restrictive dieting.

Why should it be any different for our finances?

What does a no-budget world look like? It involves being mindful about our finances. It involves being strict about the number of bank accounts we set up, automatically transferring money to the different accounts every pay day

and then ONLY spending what's left in our everyday account. It means cutting up credit cards if they're constantly at their limit because they cause us to overspend and for a time at least, tracking our spending using a Tracking App so we're choosing to look at how much we're spending money on different parts of our lives.

Aside from [comparing plans and discounts](#) to save on costs across a range of products, what are some other things you can do to make sure in a budget-free world that you're being smart? Here are my no-budget finance hacks.

Automate. I've already talked about it ad nauseum but I wanted to mention it again here so you realised you just may as well do it.

Monitor your Expenses I mentioned this in chapter four so head back if you skipped it. It's all about being mindful and a conscious consumer when it comes to your spending. Many banks have automatic tracking as part of their internet banking. If you'd like a separate option, comparethemarket.com.au has a [Budgeting Calculator](#) to help track your savings goals.

Siphon off a pay rise. Before you get used to all the extra cash hitting your bank account each cycle, make sure you increase your automatic transfer so that some of the pay rise is now being sent to your savings account. If your pay rise means you're receiving an extra \$100 per week then increase your automatic savings transfer by an extra \$50 and keep the extra \$50 to spend.

Reduce the limit on your credit cards. For some of us, the danger of having a \$10,000 limit on our credit card means that we automatically count that \$10,000 as part of our spending money. If that's you, then take control by reducing the limit on your card to one you can pay off every month.

Reduce the number of credit cards. This is no different to reducing your overall limit. If you have two credit cards and a few store cards then choose the card with the best terms, the best interest rate and cut all the other ones up. Or you might transfer the balance of all but one to an interest-free card and then cut all but one card up (including the interest-free card) so you're not tempted to spend.

Hide your savings. This is something I learned very early on about myself. If I was able to access my savings via my debit card, I considered them to be part of my everyday monies and I'd spend them. Sure, you might argue I should work on my willpower and keep my savings attached to my card in case of emergency - but it was hopeless. By understanding that's how I act I became aware that hiding my savings is saving me from myself. What about you? Work out what you need to do to protect your finances from you. Maybe your savings aren't attached to a card or maybe, like me, they can't be accessed through internet banking. Work out how far removed they need to be and then don't touch them.

Understand your natural instincts. You could of course work on your willpower, but if you're a shocking chocolate addict like me you'll understand that, if it's in the house, all the willpower in the world won't stop you from scoffing the entire bar by the time you go to bed. Manage your finances so the everyday funds you have available to spend are in an account and that way you can have guilt free spending without the fear you'll end up in financial trouble. And for those of you who struggle to spend, this way you can relax and have fun with your money. It's about spending without guilt and relaxing knowing you're financially sorted and walking down the path you're creating.

Compare and save. Often we sign up to a plan, a service, an insurance, a mortgage or an app and don't give it another thought because it now just comes regularly out of our bank account. Sure, we might grumble at the cost but most of us, if we're honest, would rather do anything else than shop around for the best price on say our electricity. Yet, comparing and saving on our regular costs and being prepared to swap is where you can save loads of money every year by doing nothing other than a little admin. My advice is to pick a product, service, utility, app or loan and each month (or fortnight if you get really excited) and challenge it to see if you can get a better deal. You can do that on comparison sites like [Compare the Market](#) who have done all the leg work for you.

That's It

All that's left is for you to do something. Because the doing is the most important part. If you haven't already done the exercises go back and do them. Set up your bank accounts, figure out your transfers, design the life you love. Work out maintenance, habits and how you're going to invest. And no matter what you do, if you want a different result than you've had to date, make sure you're doing something different than what you've done so far.

Here's to you designing the life you love.

Mel x

Daily to do's



Weekly financial challenge



Monthly to do's

A large, empty white rectangular area intended for writing monthly tasks.

Annual plan

A large, empty white rectangular area intended for writing an annual plan.

Notes



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