MACQUARIE

30 DAYS to financial wellness

Macquarie's 30 days to financial wellness

Financial wellness isn't about how wealthy you are. It's about how healthy your finances are, regardless of how much you earn.

It's about understanding where your money comes from and where it goes. It's about being able to survive a financial emergency, knowing how to invest wisely and having a short and long-term game plan.

It's about looking at your bank account or credit card statement with confidence, not trepidation. And it's also about knowing you can pay the bills, put a little aside each month and still have enough to live your life.

The thing is, as Australians, we're not always high performers when it comes to our finances. The WSSA Workplace Financial Wellness Index in 2016 found that on average we have only "moderate" financial wellness. Just six per cent of us are classed as financial superstars, 12% had very low levels of financial wellness, and almost a third had 'room for improvement'.

This guide shows you how you can make a real difference to your financial wellness simply by taking one small action each day for a month. Carry out these steps and you'll be able to face your financial future with optimism, conviction and confidence.

Plan your financial goals

When you have the big picture in mind, the day-to-day starts to get easier. So ask yourself what it is you want out of life when it comes to your finances.

This process doesn't have to be scary. Simply set aside just 20 or 30 minutes each day for a week where you think about what's important to you. If you have a life partner, involve them in the planning too.

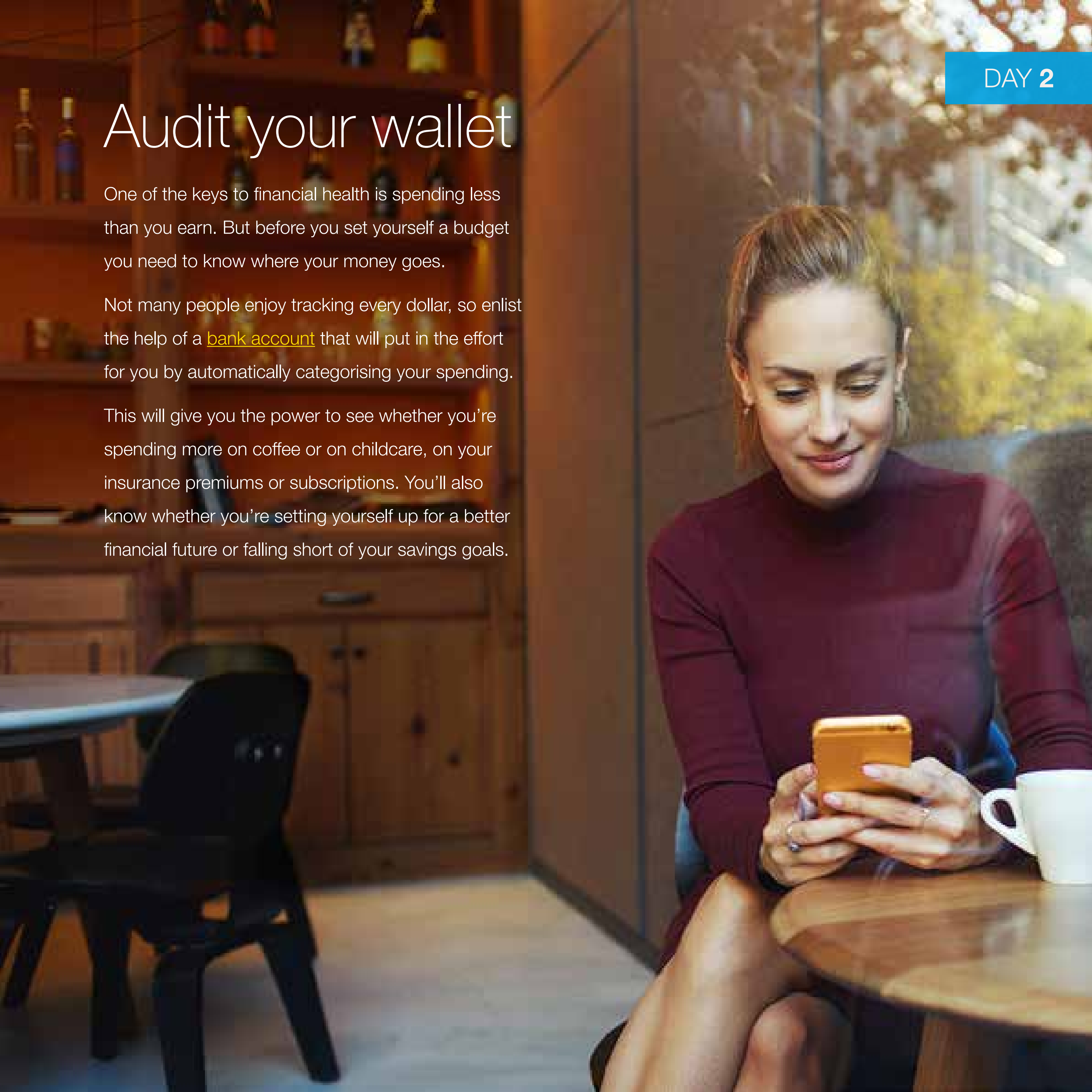
At the end of the week write down what you've decided you want to achieve in the short-term, medium-term and long-term. Make these goals as concrete as you can so that you can visualise yourself achieving them.

For instance, aim for a ski holiday in Whistler, Canada in January 2019 rather than just a general holiday sometime in the future. Tell yourself you want to have paid off the credit cards in full by, say, December 2018, not that you simply want to face up to credit card debt.

Then break it down into simple steps to achieve what you want in the timeframe you want to achieve it. If you need to save, say $15,000 for a skiing holiday that's 24 months away, that means you need to save $625 a month.

When you've done this you'll see exactly what it will take to reach your goals. You'll also probably find you're going to have to start prioritising.

And, accepting that reality is your first step to financial wellness.



Audit your wallet

One of the keys to financial health is spending less than you earn. But before you set yourself a budget you need to know where your money goes.

Not many people enjoy tracking every dollar, so enlist the help of a bank account that will put in the effort for you by automatically categorising your spending.

This will give you the power to see whether you’re spending more on coffee or on childcare, on your insurance premiums or subscriptions. You’ll also know whether you’re setting yourself up for a better financial future or falling short of your savings goals.

Set a budget

Budgets work best when they're grounded in reality, taking account of who we are and how we like to live our lives. If your morning isn't complete without that soy flat white, don't deny yourself. If you like to wear the latest clothes, find a way to give yourself a budget for spending without going overboard.

Being too ambitious is one of the main reasons most budgets fail. Just make sure you balance your day-to-day spending with your long-term goals.

And remember, a good bank account can do some of the hard work for you: automatically categorising your spending and letting you set limits on how much you want to spend.

Reset your attitude to finances

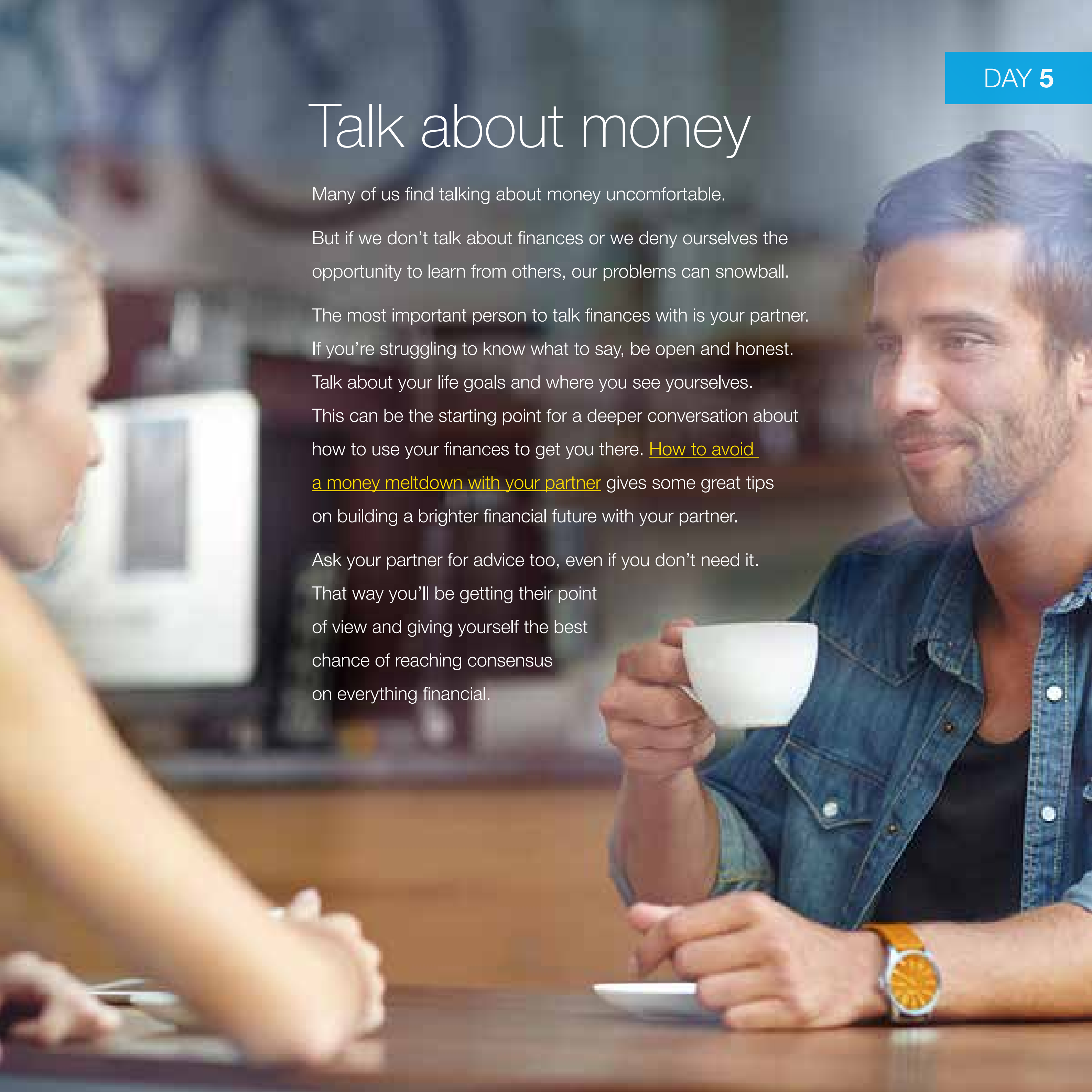
The way we think about money usually comes from our parents. Sometimes that's a very good thing. But sometimes it's not.

Our deep-seated beliefs can make us feel unworthy of reaching our financial goals or teach us that making money should always be hard.

Some people believe having a positive mindset towards money and finances can, in itself, help you on the road to financial wellness. The new age thinking behind the "Law of Attraction" says that like attracts like. If you think positive, positive things will happen. It's worth a try…

Tell yourself that being financially healthy is just as important as being physically healthy and that you're worthy of controlling your finances and not letting them control you.

Only once you've made a mental shift can you make the behavioural shift you need, and feel confident that you are on your way to achieving your financial goals.



Talk about money

Many of us find talking about money uncomfortable.

But if we don't talk about finances or we deny ourselves the opportunity to learn from others, our problems can snowball.

The most important person to talk finances with is your partner. If you're struggling to know what to say, be open and honest. Talk about your life goals and where you see yourselves. This can be the starting point for a deeper conversation about how to use your finances to get you there. How to avoid a money meltdown with your partner gives some great tips on building a brighter financial future with your partner.

Ask your partner for advice too, even if you don't need it. That way you'll be getting their point of view and giving yourself the best chance of reaching consensus on everything financial.

Protect yourself

Part of financial wellness is knowing that you'll stay afloat even if things turn bad. It's also about avoiding unnecessary risks.

Build a buffer that will let you cope with any large, unexpected expense or a period of time off work. Some experts suggest making this as large as six months' salary.

Commit to reviewing your insurance this month to make sure you and your family can keep paying the bills if something untoward happens. For starters, think about whether you need:

- Life insurance, which pays a benefit to your partner or family if you die.
- Total and permanent disability (TPD) insurance, which pays a benefit if you become permanently disabled.
- Income protection insurance, which keeps paying you a wage if you're out of work through injury or illness.
- Mortgage protection insurance which pays your home loan if you become unemployed.

Become a better saver

Saving may be hard but there are some tricks to make it a bit easier. Here's some of them.

- Save without thinking. Set up a weekly direct debit into a quarantined savings account, so you remove the temptation to spend.
- Apply the 50/30/20 rule: 50% of your income goes on essentials, 30% on lifestyle and 20% on savings or paying off debt.
- Calculate what you make in an hour, then use an hour of your labour as your guide for spending. For instance, if your salary is $100,000, that works out to be just over $50 an hour, based on a 38-hour week. Take tax out and it looks more like $40 an hour. When you're armed with this information, the late night $50 taxi ride or the $60 round of cocktails get put into perspective.
- Practice delayed gratification. For any discretionary purchase over a certain amount, wait a few hours or even days before you commit. That way you'll find out whether you really do want to buy it after all.

Know your good debt from your bad debt

Bad debt is the kind of debt that leaves us poorer and takes away our ability to grow wealth - such as when we take out a loan for a depreciating asset (e.g. a car, a boat or a gadget) or run up a credit card debt we can't pay off at the end of the month.

Good debt happens when we borrow to buy an asset that's likely to increase in value over time, such as an investment property, shares or managed funds. Used wisely, it can help us build wealth and live the life we want.

That said, life can't be figured out on maths alone. Sometimes the latest toys bring us happiness. Before you sink your money into something that will lose value, do the numbers to find out whether you're better off borrowing or buying outright. If you do need to borrow, research the best loan.

Finally, could you consolidate your bad debt into a low rate personal loan - or even add it to your home loan - to reduce the amount of interest you pay?

Keep proper records

A fundamental tenet of financial wellness is being in control of what money comes in and what money goes out. And you can't do that unless you keep proper records.

So set aside some time each week to check out what's leaving your bank accounts and compare it to your receipts. If you have a partner involve them in this process too.

Make sure this matches what you thought you spent. If it doesn't, contact the business that's overcharged you. If they're not willing to address your concerns, or if you don't recognise a business that's debited your account, speak to your bank. (In some cases, you may find you've even been the victim of online fraud.)

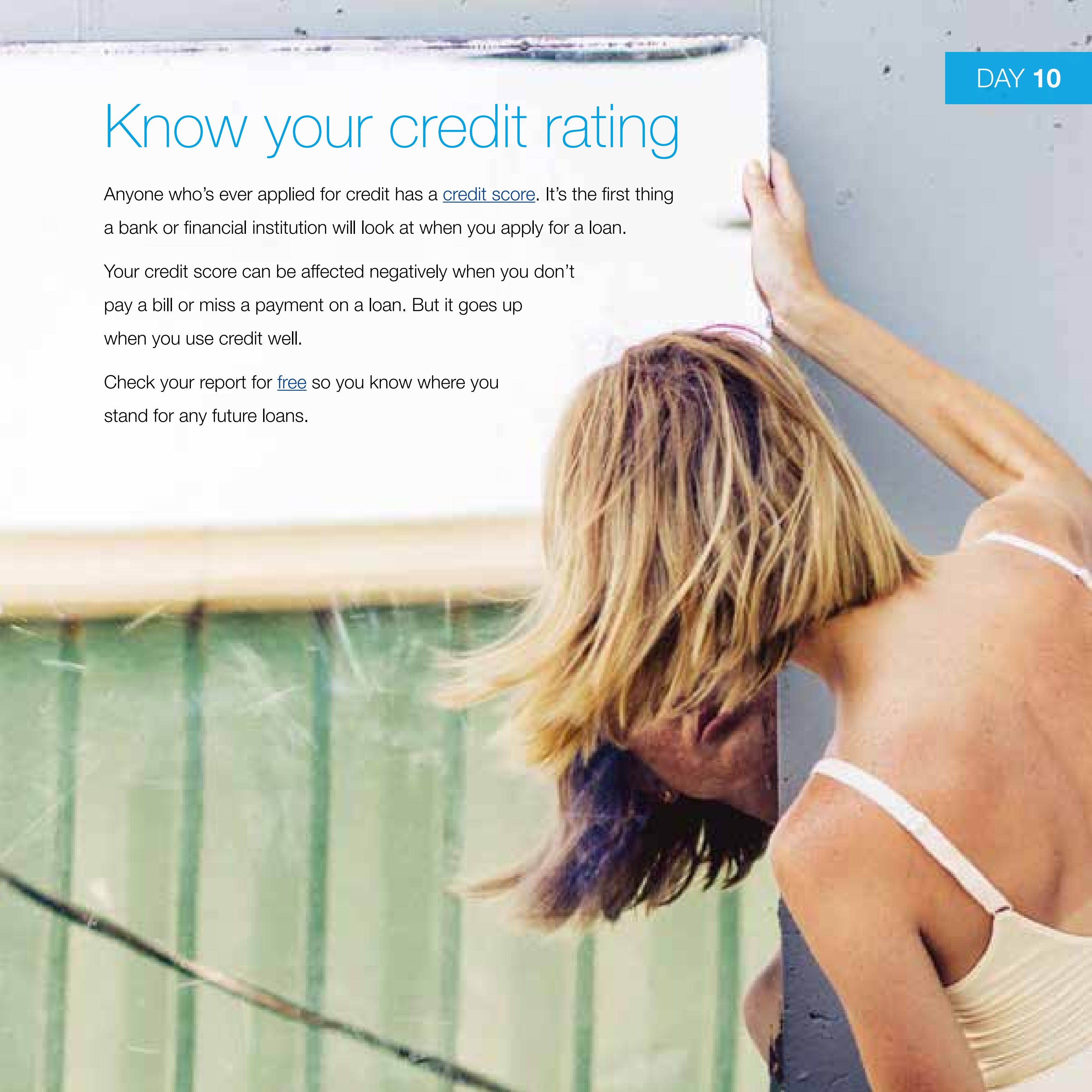
Macquarie's online and mobile banking platforms make the process of record keeping simple: you photograph your receipts and electronically attach them to each transaction in your account. That way, you'll always be able to quickly see whether the money leaving your account is what you authorised.

Know your credit rating

Anyone who's ever applied for credit has a credit score. It's the first thing a bank or financial institution will look at when you apply for a loan.

Your credit score can be affected negatively when you don't pay a bill or miss a payment on a loan. But it goes up when you use credit well.

Check your report for free so you know where you stand for any future loans.



Check your mobile phone

A lot of people view their mobile phone plan as a fixed monthly cost that's auto-deducted from their bank account. And that means they could be paying way too much.

When was the last time you reviewed your mobile phone plan to work out what you're really paying for?

Do you use the data, texts and phone calls included in your plan or could you save money on a cheaper deal? At the other end of the spectrum, are you being slugged with excess usage fees? Some mobile phone contracts charge high rates if you exceed your call, text or data allowance. Some also include punishing fees when you make calls overseas.

If you find yourself constantly paying these, it should be clear that your contract doesn't match your lifestyle. You're probably better off switching to another plan or provider.

Or could you even be better off on no plan at all?

After all, research from Choice found going prepaid is often cheaper than a contract, even if you have to buy the phone outright.

Negotiate better deals

Once a month, take the time to study one of your bills. Compare it to past months to see where your patterns have changed and why, and also what you can do about it.

Most importantly, look at what you're paying and what you could get from other providers.

There are comparison sites for comparing almost everything - from energy providers to mobile phones. Just make sure you're always comparing like with like.

If you'd prefer to stay with your current provider try negotiating a better rate using the information you learn. When you speak to them:

- Be open - ask your provider what benefits, plans or deals they could offer you.
- Demonstrate your loyalty to the company.
- Be confident and polite - not aggressive.
- Leading questions like "what is the best deal you can offer me?" often provoke a better response than yes/no questions like "is that your best price?"
- Be prepared to walk away if you don't receive a better deal.

Move the mortgage

A home loan is often a very large debt.

Mortgage stress kicks in when we spend more than 30% of our gross income on servicing a home loan. Research shows that the average Australian spends 31.7%.

Take the stress out of your home loan:

- Shop around for a home loan provider who offers a competitive rate and flexible terms.
- Use an offset account to reduce your interest payments.
- Negotiate to have your fees reduced - this could include both the start-up costs of establishing a mortgage and the ongoing account keeping fees.
- Fix your loan – or part of it – when rates are low.
- Consider going interest-only for a limited time, especially if you're not working full time (but be prepared not to gain as much equity).

Use credit cards wisely

A credit card can be a useful money saving tool – so long as you use it properly. Where else can you get an interest-free loan of up to 55 days for anything you buy? And, better still, it's often one that's complemented by frequent flyer points, insurance cover and even lifestyle benefits like a concierge service.

But there are many dangers to taking a "buy now pay later" approach to credit cards. Collectively, Australians carry around $32 billion of credit card debt – or an average of $4,300 for every credit card holder. And the average interest rate on that debt? 17.22% or more than $60 a month.

If you have credit card debt, make paying it off as one of your main financial priorities. As you tackle your debt, why not reduce the amount of interest you'll need to pay by transferring it to an interest-free credit card. Otherwise consider switching your debt to a personal loan or call your bank to see if they can give you a better interest rate.

Take advantage of your tax refund

At the end of the tax year, we get an average tax refund of $2,112. Unfortunately, nearly a third of people spend theirs on paying bills. Your tax refund isn't a windfall, it's money owed to you by the ATO. So why not treat it as enforced savings and put it straight into a savings account or pay off debt.

To help reduce the amount of tax you pay, you may be able to claim a tax deduction for some of the expenses you've incurred to generate your income. This may include:

- some work-related travel expenses
- work-related car expenses
- home office expenses
- work-related self-education expenses
- some work-related tools, equipment and other expenses, and
- premiums for income protection insurance.

You can see a full list of the deductions and offsets you may be able to claim on the ATO website. And, if you're in doubt about what you can claim, you should always speak to the ATO or your accountant.

If you're going to claim a deduction, make sure you've got a proper record of your expense. Macquarie's online and mobile banking platforms let you take photos of your receipts and attach them to a transaction just by tagging them #tax.

Salary sacrifice

If you're an employee, salary sacrificing (also known as salary packaging) may help you reduce your tax bill.

Salary sacrificing happens when you agree with your employer to exchange salary for other benefits such as a car, additional super contributions, child care expenses or even education. This effectively reduces your taxable income and the amount of tax you have to pay.

While, theoretically, many benefits can be salary sacrificed, employers need to pay fringe benefits tax on some of them. So they may not always be keen to let you use these arrangements.

But why not check with them to see what their policy is? After all, it could lead to more money in your pocket.

Get smart with super

By using superannuation to your advantage you may be able to save money and reduce the amount of tax you have to pay.

Superannuation gives you the opportunity to invest tax-effectively for the long-term. That's because concessional contributions (i.e. generally those made by your employer or contributions you make personally and claim as a tax deduction) are usually taxed at 15% instead of your marginal tax rate, so long as you're still inside your concessional contribution cap.

By salary sacrificing just $250 extra into your super each month you'll be contributing an extra $25,500 (after contributions tax) over 10 years - and that's before any growth.

If you earn 5.5% a year on these contributions – or the same average as Australian shares have over the 10 years until 2016 – you'd actually end up with nearly $30,000 more in your super (in today's dollars).

You can also boost your super by locating your old super accounts and consolidating them into your main account. And, while you're at it, why not explore which type of super fund will help you reach your goals most effectively.

Make the most of your workplace benefits

Many larger employers offer a range of workplace benefits: from salary sacrificing schemes to subsidised health care, and from special offers on entertainment to discount gym membership.

These can save you money and give you a financial benefit beyond your salary.

Some employers now even provide a workplace financial wellness program to help staff on the path to financial fitness. This can include free consultations with financial advisers, information sessions on investing and other critical advice on building your financial future.

If your employer has chosen to help, take advantage of what's on offer. It could be your first step on a more rewarding financial path.

Negotiate your salary package

A pay rise is a sure fire way to boost your finances. But asking for one isn't always easy. You'll need to state your case by researching comparable salaries, as well as justifying your business case and worth as an employee.

To do this, it pays to know your contribution to the business. Is it easily measurable? If so, can you come up with an exact figure? If not, are there specific examples you can point to where you added value and made, or saved the organisation money? For instance were you able to talk a customer or client out of leaving the business or did you introduce a new client or customer to the organisation? Did you make a task more efficient or help your team boost productivity in a particular task?

Even if you can't negotiate more money, there are non-cash benefits that could prove just as rewarding - such as extra holidays, flexible working, educational expenses, a mentorship or secondment, or even memberships.

If you don't ask, you'll never know...

Become financially literate

You'll never have financial wellness without first being financially literate. It's that simple.

In fact, the WSSA Financial Wellness Index found that 95% of financial superstars had high or very high levels of financial literacy.

But becoming financially literate doesn't have to be as hard as it might sound. To begin your path to financial literacy, why not commit to learning one thing about finances every month. Start with subjects like:

- how compound interest works
- what different asset classes there are and what advantages and disadvantages they bring
- simple investment and debt reduction strategies
- superannuation.

There are so many good books about financial management, quality courses and seminars and even financial advisers who will give you the information you need and help you on your quest. And of course, check out our articles, packed with tips and information.

DAY **21**

Start investing

When you're in control of your cashflow - and earning more than you spend - you can really start to grow your wealth. But to do that, you'll need to invest.

The good news is that it's never been easier to build a diversified investment portfolio: some apps will now do it for you without you even thinking. For instance, Acorns automatically rounds up your purchases and uses these small amounts to deposit regular investments into your own diversified portfolio. Alternatively, digit takes a small amount from your transaction account every couple of days and transfers it into a savings account.

If you want more say over where your money goes there's roboadvice. The best roboadvisers will guide you through the investment process and give you the opportunity to put your money into Australian and overseas shares, ETFs, managed funds, fixed income investments and more.

Or, if you really want to be hands on, an online trading platform will let you buy and sell investments directly at very little cost.

Alternatively, if you want some real tailored advice on how to invest so that you reach your financial goals, speak to a financial adviser.

Take affirmative action

When it comes to financial wellness, it can sometimes feel like the world's still a very traditional place. Research shows women tend to have lower levels of financial wellness than men. The causes of this range from lack of financial literacy to time out of the workforce or part-time work.

So, if you're a woman, it's even more important to take action on your finances. To get started on your journey, include financial books in your reading list, set your financial goals and formulate a plan to achieve them.

If you have a partner, involve them in your planning too. That way you give yourself a better chance of approaching your finances as equals.

Make the most of discounts

Many organisations offer schemes and rewards for paying on-time or in a certain way, or even for letting them market to you.

Some, such as energy providers and councils, give you a discount on your bill just for paying early. Others, such as many retailers, offer significant discounts for signing onto their mailing list.

Many businesses have loyalty cards which give you free products and other benefits after a certain number of purchases.

Whichever method or scheme you choose, always remember one thing... it's only free money if you were going to spend it anyway.

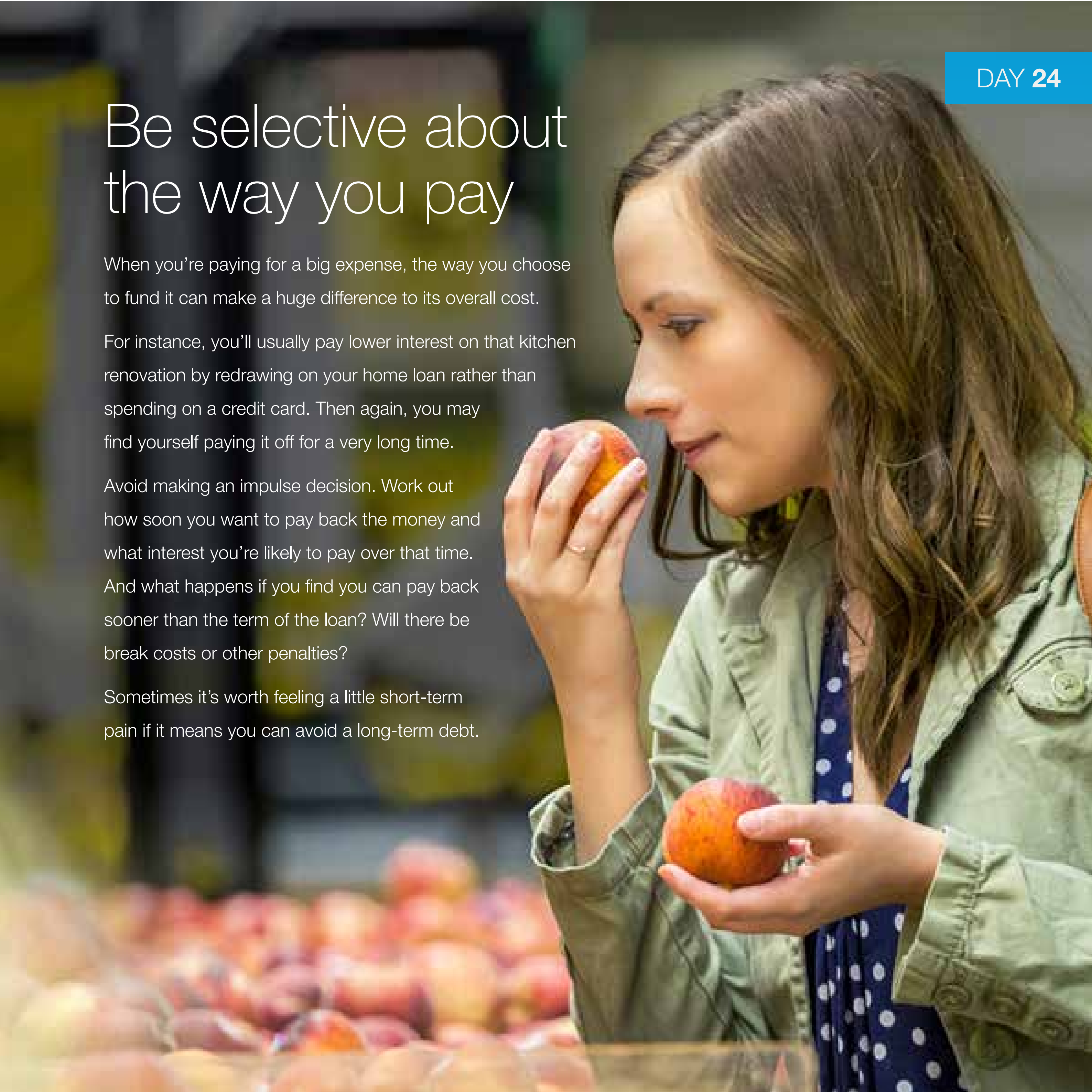
Be selective about the way you pay

When you're paying for a big expense, the way you choose to fund it can make a huge difference to its overall cost.

For instance, you'll usually pay lower interest on that kitchen renovation by redrawing on your home loan rather than spending on a credit card. Then again, you may find yourself paying it off for a very long time.

Avoid making an impulse decision. Work out how soon you want to pay back the money and what interest you're likely to pay over that time. And what happens if you find you can pay back sooner than the term of the loan? Will there be break costs or other penalties?

Sometimes it's worth feeling a little short-term pain if it means you can avoid a long-term debt.



Go slow on your spending

In a digital age, it's never been easier to spend money.

So here's a thought: why not take a day, week or month and go old school by reviewing your direct debits and subscriptions and paying for them one-by-one. Long-term there's nothing like the convenience of paying your bills automatically, but short-term, paying for each transaction individually can be an exercise in making spending more conscious and mindful.

By consciously slowing down and thinking about what you're doing and feel the pain of hard earned money leaving your hands. That way, when you go back to the convenience of automating your payments, you should be more in tune with your spending and confident that your finances on track.

Stay safe

Part of financial wellness is staying healthy. And that means protecting yourself and your wealth from scams.

If that makes you think of locking everything away in a safe, think again. These days theft often takes place electronically through online fraud and the consequences can be devastating. In fact, according to the ACCC, the average loss in an online or over-the-phone scam is now more than $26,000.

Take precautions to make sure you're not a scammer's next victim, including:

- Treating any email asking for payment with healthy scepticism and making sure it really is legitimate before ever transferring money.
- Keeping your PINs safe and making any online passwords difficult to guess.
- Never clicking on suspicious attachments.
- Encrypting your wifi connection and avoiding sharing information on unsecured ones.

Call in the experts

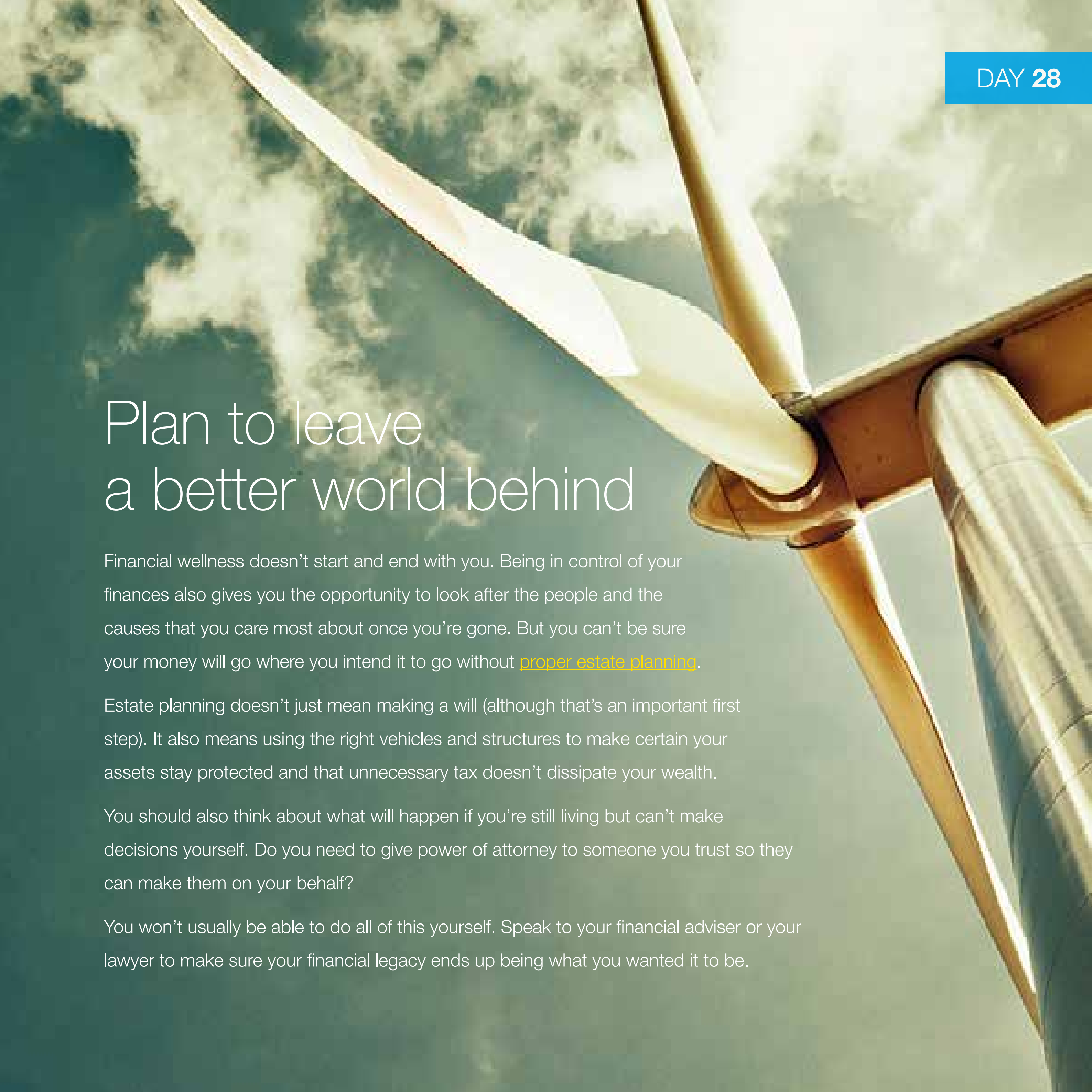
Getting a basic understanding of what's financially possible is one thing. But understanding all the technicalities of growing wealth is another thing altogether. It's really only possible if you live and breathe everything financial.

That's why it can pay to see a financial adviser.

An adviser won't just help you crystallise your financial goals, they'll build you a roadmap for achieving them - one that could potentially change the way you think about growing your wealth.

They'll also often introduce you to opportunities you wouldn't otherwise have access to (such as wholesale funds and unlisted managed funds), show you how to diversify your investments and show you ways to protect your wealth.

Before you choose a financial adviser, make sure that they're a member of a professional association. You should also ask about them how they charge and when. And, most importantly, you should always be certain that they – or their employer – holds an Australian Financial Services (AFS) licence, which allows them to provide financial advice.



Plan to leave a better world behind

Financial wellness doesn't start and end with you. Being in control of your finances also gives you the opportunity to look after the people and the causes that you care most about once you're gone. But you can't be sure your money will go where you intend it to go without proper estate planning.

Estate planning doesn't just mean making a will (although that's an important first step). It also means using the right vehicles and structures to make certain your assets stay protected and that unnecessary tax doesn't dissipate your wealth.

You should also think about what will happen if you're still living but can't make decisions yourself. Do you need to give power of attorney to someone you trust so they can make them on your behalf?

You won't usually be able to do all of this yourself. Speak to your financial adviser or your lawyer to make sure your financial legacy ends up being what you wanted it to be.

Get on the same page

If you're in a same-sex relationship, financial and estate planning take on a whole new importance. After all, while taxation, superannuation and estate planning rules and regulations are usually the same as they are for heterosexual couples, that's not always the case – especially when you have kids.

For instance, if you're the child's biological parent and you die, your partner may not be considered your child's parent under some laws. Instead, unless you name your partner as a legal guardian, your biological family may end up with custody. Your child may also miss out on inheriting if that partner then dies too and they haven't left a will.

On the flipside, same-sex couples now have all the same super benefits as heterosexual couples, which means you may be able to split certain contributions or make contributions into each other's fund.

However you choose to plan for your joint future, it's vital that you're on the same page, that you get proper advice, and that everything is down in writing.

Choose the right bank

A good bank is one that gives you access to the tools and expertise that will help you stay in control of your finances, grow your wealth and secure your financial future.

It’s not a one size fits all – there really is a bank for everybody. So avoid gimmicks, do a cost-benefit analysis, and think about the bigger picture to find a bank that suits your current and future financial needs.