CHAPTER 1

Five Truths about Money

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Before we start talking strategy, I'd like to ask you to explore your own attitudes towards, and your relationship with, money.

Consider the following questions:

- When did you start learning about money?
- Has money ever stressed you — or someone you know — out?
- Has your relationship with money ever felt like a love-hate relationship?
- How have you been influenced by others in your own relationship with money?
- Are you prepared to change how you manage your money?
- Are you willing to equip yourself with knowledge or seek financial planning advice to have a better relationship with money?

A big issue people have to overcome in their relationship with money relates to the preconceived ideas and assumptions they bring to the relationship. Many of these beliefs are not based on fact, and these unhelpful beliefs can impact upon your decision-making in a negative way. For example, many people don't understand what happens to their super at retirement. Despite what some people believe, you don't have

to withdraw all the money from your super account and close it; in fact, doing so might have negative retirement consequences.

The truth is that many people haven't taken the time to think about the relationship they have with money and how their financial knowledge and personal biases impact what they do with their money. So, let's take a few moments to look at five truths about money—and how they might be impacting your financial life right now.

Truth 1: Your education doesn't prepare you for your adult financial life

When most of us think about our school days, we probably think of our friends, the subjects we liked, that one teacher who actually cared—and maybe, for some of us, how we wanted to get out of there and into the adult world.

Sadly, much of our childhood and teen education doesn't prepare us for adult life, particularly our adult *financial* life. The problem is more than mathematics: addition, subtraction, multiplication, division and a reasonable understanding of percentages is as much as we actually need to make sense of our finances. The problem is more about life issues.

Here are just a few issues in your adult financial life that you probably wish you'd had the answers to before you left education:

- How do I budget?
- How much can I afford to save?
- How quickly can I pay off my home loan?
- How much superannuation do I need to live a comfortable retirement?
- How do I make the most of my financial options?

These aren't unreasonable questions; they deserve more time within school classrooms—not to place undue emphasis on the love of

money or getting more than you need, but to give young people the opportunity to live their best lives, without the consequences of financial stress in adulthood. Think how much happier we would all be without financial stress!

Improving financial literacy for adult life in schools is my challenge to education bureaucrats around the country. Perhaps students would benefit from taking a new subject called 'Money and Life'. Perhaps we could have fewer elective classes and more of these kinds of practical classes. However, it seems that as a society, we're more interested in equipping our kids with mobile phones so they can call us if anything goes wrong than equipping them with the knowledge to manage their adult lives. I don't understand why.

Truth 2: Your parents probably didn't prepare you for your adult financial life

If we didn't learn about money at school, then maybe our parents taught us about money instead. Right? Well, that's not the case for the overwhelming majority of Australians.

Some of us may have received pocket money when we were growing up. Unlike many of the kids of today, however, we might have had to do something to earn it. When I was a kid, I had to make my bed, take the rubbish out, and feed and walk the dog to earn my $5 a week. I can't even remember what I spent it on: probably $5 worth of mixed lollies or trading cards from the corner store. I also had a money box (though after the lollies and trading cards, I may not have had much left to put in there). Earning pocket money and adding change to my money box would have been the extent of the knowledge about money my parents gave me to prepare me for my adult financial life.

Our culture teaches us that we hide money conversations: 'That's private; we don't want anyone else knowing what we earn or what we spend'; 'It's nobody else's business.' If someone wants to know about

what you do with your money, the perception is they're being invasive and rude—even if it's family. Unsurprisingly, the way we teach our kids about money is probably the result of the attitudes *we* were taught about money—so our grandparents didn't teach our parents much about money, our parents never taught us much about money…and it's likely we'll continue the same behaviour with our own kids if we don't make the decision to break this cycle.

Considering your parents' finances when you were growing up, did you know:

- How your parents managed their own budget?
- How much they could afford to save?
- How quickly they were paying off their home loan?
- How much superannuation they needed to live a comfortable retirement?
- How they made the most of their financial options?

If you can say yes to any of these, I'll be quite surprised. If you're a parent yourself, you might think, 'I'm not sure I'm ready to share that with my kids.' It's not something you'd share with a five-year-old, but you might explain your financial strategies to a 15-year-old—even just the concepts, if not the specifics—which is 100 times more than you may have got from your own parents. And your kids are probably going to inherit your money one day anyway, so why not share a little more information to help them manage it wisely?

We can't blame our parents for not preparing us for our adult financial lives—we can't change the past, and they were probably doing the best with what they had. (As the father of two children, I wonder how good a job I'm doing at times!) However, we can create a better future.

If you work for your money, then you owe it to yourself to make the most of understanding your options and take control to achieve what you want. So, put your efforts there. Thank your parents for what they did and know you can and will do even better.

Truth 3: Most people plan for a tax deduction, not a lifestyle

'Hello, accountant.' Every year, we reach a time when we reluctantly gather our receipts and expenses out of a file or shoe box and take them to an accountant, along with the payment summary from our employer. Most of us, myself included, use the services of an accountant. (Of course, if you've got the time or the interest, you might do it yourself.)

For a good segment of working adults, their accountant is the person that sorts all the tax stuff out. Every year, like many, you probably ask the same question of your accountant: 'How can I pay less tax?'

But accountants are not financial planners; the role of an accountant is to help you pay your taxes rather than help you work towards your financial goals. By law, they're not allowed to provide you with personal financial planning advice because they may not be qualified or licensed to do so. And I am not being critical of accountants here—most, including my own, do a great job at completing Australia's tax returns. However, it's important to acknowledge the difference between accountants and financial planners; after all, you don't go to a plumber if you need electrical work done.

Over the years, you may have received some useful advice from accountants about how you might improve your financial situation, such as by negatively gearing a property investment so you can claim the interest on the loan as a tax deduction. But this advice only gives you a tax deduction, it doesn't tell you what to do with the money—it doesn't help you plan for your lifestyle, or the bigger picture. How do you choose the best option for your money, while saving for the life you want to live in retirement? You probably won't know all your options if you never receive proper financial advice.

Getting more tax deductions doesn't address the big financial picture. It doesn't help you get where you're going or tell you what you need to do across a variety of areas to get there.

If your accountant is out of ideas when it comes to getting more tax deductions, then perhaps it's time to think about the bigger picture. I hope this book provides a good place to start!

Truth 4: Nothing's going to change if you don't change

Humans are creatures of habit. It's hard to change. But it's easier to change when you've got a goal that you believe is achievable, a goal that excites you and gives you what you want, and a goal that won't cause you too much pain.

The reality is most adults have lost the ability to step outside their day-to-day lives, think about their daydreams — the things they'd rather be doing with their lives — and create plans to help them get there.

My father taught me to hate waste. He hated waste in all its forms, not just wasting money. As an elite soccer coach, he also hated seeing wasted talent. This was most prominent for him when some young players would just do the bare minimum to get by. They didn't commit to extra training or learning and, as a result, never fulfilled their total potential. He also really hated people wasting their time. I think waste of money, talent and time also apply to people not living their ideal lives. Today, this is part of my own core values and why I believe change is so important if you really want to get ahead in your own life.

Why is it so difficult to change? Excuses might include:

- I don't have time.
- I don't know where to start.
- I don't have the knowledge.
- I don't know how to keep motivated.
- I don't know if it is possible to live my ideal life.

If any of these excuses apply to you, then I encourage you to challenge the things that are holding you back and preventing you from making positive changes in your life. Remember, changes can be big or small; even small changes in behaviour can make a huge difference over time.

If you don't change, no one is going to change for you. Do you think the bank wants to help you pay off that credit card or mortgage faster? Do you think that your super fund cares enough to help you work out what you need to do to reach your retirement goal? Do you think that all the people who send you bills care about your financial wellbeing—or do they just want to be paid? If it helps you to get angry enough to make a change, then get angry! Sometimes pain is the motivator of change if your dreams aren't enough.

As an adult, taking control of your financial life is your own responsibility. If you don't take steps to set yourself some targets, no one is going to do it for you. Don't you think you owe it to yourself to try and live your ideal life? I don't know for sure, but I'm guessing no one ever laid on their death bed saying, 'I wish I had lived less of my ideal life.'

Truth 5: To change, you need to equip yourself—and that's where this book comes in

Only a few generations ago, the concept of money was very simple compared to what it is today. Back then, you got paid in cash and you spent your money as cash. You might not have even had a bank account. And the saying about hiding your money under the bed may have been your reality.

Just a generation ago, we were introduced to credit cards that made getting into debt so easy, while charging interest at high rates. Regardless of this, most adult Australians have them and use them weekly. Credit card interest rates remain excessively high, at around 10–15 times higher than the cash rate set by the reserve bank (depending on the card you have).

Less than a generation ago, superannuation became compulsory. Super is the biggest asset most people own outside their family home, and yet most people don't know how to make the most of it or what their exit price (the value of their super balance) needs to be in order to live the retirement that they want. And despite super being compulsory,

you have probably never been formally educated about it and your super fund is unlikely to have done a great job in helping you get the most out of it, either. The industry has grown to hold over $2.8 trillion, and many super product providers have grown fat and lazy with their members' money.

And today, in our kids' generation, money has become virtually invisible. New technologies that allow you to pay using your smartphone, watch or a tap of your card do away with notes and coins altogether. How will kids learn about money when it isn't even a real, tangible thing anymore?

Without a doubt, most people's knowledge in relation to money, financial strategies and their financial options isn't where it should be in order to make good decisions about their financial lives.

You need to equip yourself with the tools and knowledge to achieve your financial goals. That's where I hope 'strategy stacking' can help you. Even if you take just a few ideas from this book, it's better to do something than nothing.

I will share with you a range of financial planning strategies and show you how they can be stacked together to increase the likelihood of achieving your goals. There are no get-rich-quick schemes here; if you're looking to make a quick dollar, then this book isn't right for you. In fact, I'd ask you to stop reading the book right now if that sounds like you because there's nothing for you here. This is a book about strategic financial planning for the medium to long term, with actions you can take right now.

I realise that some readers who are confident 'do it yourself' investors will use this book as general advice and information to help them with their own decision-making. Some people however might use this book with a financial planner to test and explore the options and strategies available to them.

If you don't have time to learn the strategies yourself, I recommend you work with a qualified, experienced and appropriately licensed financial planner. They can provide you with the information you need

to understand your options and provide strategies to help you reach your goals. That's what I do with my clients every workday.

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The five truths about money might be challenging to some readers, and that's okay. My clients often share their regret at not realising what they didn't know about money, and how much time they lost when they could have been making better financial planning decisions.

It's particularly hard for those approaching retirement—many have lost decades of opportunities to boost their super or take other financial actions that could have made a big difference to the outcomes they could have achieved. If that sounds like you, don't be disheartened. You still have options available, you just may not have the ideal amount of time on your side. I ask you not to regret the time you've lost; in fact, turn it into a positive and share your newfound knowledge with others, or buy a copy of this book for a friend or a younger person in your life. Tell them you want them to have a good financial life when you gift it to them.

Taking the time to set up your own financial plan for success pays dividends—and I'm not just talking about money from shares. Having a financial plan provides you with increased confidence and actionable steps you can take to put yourself in a better financial position.