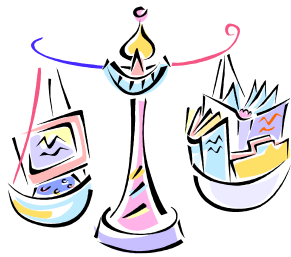


The Six Pillars of Financial Sense



Pillar 1: Balancing

Set up a Budget so that all your Outgoings are less than your Income. Firstly, track your spending, either on paper or on your bank statement. After you have thought of all the different things that come up during the year, put those items and monthly amounts into Budget Pulse.

Last on the list is determining Holiday budget and Car upgrade savings, as these are the most discretionary items.

Trim your costs by shopping around for energy contracts, new phone and Internet bundles, eliminating impulse buying, going to the markets, buying staples in bulk, and being energy conscious. This will soon free up the 10% gap that your family really needs to be financially safe.

Budget still doesn't meet your goals? Increase your income by:

- ✓ If studying, seek education costs subsidies or scholarships
- ✓ Apply for community housing, BRIC or NRAS (rental affordability schemes)
- ✓ Seek out evening work, e.g. as a babysitter
- ✓ Start a party plan business
- ✓ Turning a hobby into a business, if people like what you do

Pillar 2: Eradicate Personal Debt

Pay off the highest interest debts first. Ensure payments are sustainable (under 30% of discretionary income).

Swap all Credit Cards and Store cards for Debit Visa/Mastercard. These can be used on the Internet and so on in the same way, but you always ensure there is money in the account.

Pay off any family or friends loans on an agreed direct transfer payment plan.

Pay off home mortgage a little faster by making one extra payment per year (i.e. split your monthly payment into two fortnightly) and linking a 100% offset account, where small windfalls can sit.

Pillar 3: Protecting

Life always throws you lemons, so prepare to make lemonade! Have an income plan in case one of you might:

1. Get very ill (cancer is indiscriminate)
2. Have a baby and take time off
3. Need to take time off to care for an elderly relative
4. Lose a job
5. Want a Divorce
6. Die without insurance

Option 1's main answer is income protection insurance, but its uses are very limited. In many cases IPI is not suitable for the casual worker/stay at home parent, so work out some career possibilities if you do suddenly need full time work, and train or brush up skills in readiness. An option is to learn how to run a service business.

For those that have good income now, a good option is to save three months' net salaries at easy access (say in a mortgage offset account). You will then be able to survive while you make a plan for your future, or have a baby, or care for a relative.

Sudden death or divorce can be a devastating financial, not to mention emotional event for many women. Mid-aged women have often taken a step out of the workforce to care for their children and home, and at this time have inferior earning power to their male partners. While we don't like to think of planning for life without our loved one, a few small measures like taking out a bank account in your name and putting a little money aside helps to ensure some starting funds will be there.

If Divorce is Looming: If co-owning a house, the house proceeds may not become available *until after two years*, so you'll need to plan out how you'll pay rent and how you'll juggle work and family on a budget.

Unfortunately single mothers are some of the lowest income earners in our society, but with a plan you will be much better off. If you still have young children (under 6) and earn <\$800 pf, Parenting Payment could help. Sometimes neighbourhood centres have school holiday programs, affording very cheap childcare and allowing you to work.

Gain inspiration from reading about other single mums who have prospered: Sandy Forster, Dymphna Boholt, Rachel Powers.

Pillar 4: Always Pay Yourself First

We encourage you to save 10% of net income (after doing Pillar 1). Whether you want to plough most of it into Super, or if younger, save up for a home in the First Home Saver Account, it entirely depends on you... but there are tax benefits either way.

Paying yourself by ***automatic direct transfer*** right after payday is necessary, because you are not allowing yourself to spend all of your discretionary income and then find you cannot save. This is important whatever your wage.

This 10% savings is not to be used for short-term needs or to pay out debts if possible. It's long term. Save for when your toddler goes to college, or for when you do a degree at

80, or for when you want to retire to Tahiti to live. Our personal reasons to save are really important to keep us motivated.

Pillar 5: Give Back and Teach

When we give money to a cause without reciprocation, more comes along to replace it (this is the Law of Giving). You can choose what you want to give and who to; keeping it local is beneficial for your community. Decide how much to give (5 or 10%) and do it automatically through direct debit. Keep receipts for the Tax deduction.

It's also beneficial to teach someone else these money skills. You actually learn more when you have to explain it. If you teach these skills to 3 others, whether they are barely scraping by or flying high on income and credit, and they are empowered to pass it on, the effect will go on and on. Help the 96% of people who are not financially free by retirement... we would love to see these statistics change because of implementing these simple ideas.

Pillar 6: Prepare to Invest

Once Pillars 1 through 5 are achieved, you will be ready to set goals for investment. You are not just waiting 12 months for your savings to mount up, you will also be learning all about investing, and tracking where we are on the economic clock.

Your Goals will determine how you invest, more than your general feeling. If you only want to invest for 5 years say, in order to pay for private school for your child, then the options narrow down to steadier and more liquid options.

Keeping your money safe in the bank is the easy option. But for hard-working, hard-saving taxpayers, it's not a wealth building option. If you are looking for shares or houses, first determine your investing strategy. For example, it might be important to you that your investment has a good yield, if the market is shaky and growth is very uncertain. Don't ever chase speculative investments when starting out. Start off with small amounts in solid mid and large size companies, with good forecasts and solid dividends.

Or if property is your goal, perhaps start off with getting a hotspot report and a wealth accountant's advice on what is the best tax-beneficial type of property for you, at this stage in your life, and allowing for unforeseen drops in income.

Superannuation is also a wonderful tax-advantageous wealth builder, if you can get yourself past all the down talk and disappointing returns. Always be an active Super investor and monitor what your Super is invested in – does it reflect your required risk level and age and stage? If your fund is an industry fund, you could be entitled to free advice from your fund's advisors on... asset allocations, rollovers, salary sacrifice or personal and Govt co-contributions, and so on.

After age 55, you have the option to drawn down a pension from your Super, as well as putting salary into it, and thus benefiting from the low tax (15%) environ. It's called a Transition to Retirement Plan or TRIP.

So you see, investing is not just for the already rich. Starting out armed with research and planning, and a small amount, you can build up from there. Never wait to invest out of fear. As Susan Jeffers said, "feel the fear – and do it anyway".

Also never invest out of greed, such as on a 'hot tip' or a 'friend's surefire business' or a cold calling 'opportunity' or a 'buy off the plan – no money until', or fall prey to a property developer's huge gain from a hyped-up seminar.