Saving in a world of spending

FINANCIAL WELLBEING SERIES
PART 1
Introducing financial wellbeing

What is financial wellbeing?  
The impact of finances on our physical and mental health

What lies ahead

Setting goals with a little help

Spotlight on Australia

Budgeting and cash flow management

What you need to consider when preparing a budget  
The real cost of a small treat – case study

Checklist

Setting financial goals

What you need to consider when goal setting  
Changing goals – case study

Checklist

We’re here to help

Calculators and tools  
On-campus consultant service  
Financial advice  
Webcasts and podcasts
WHAT IS FINANCIAL WELLBEING?

The underlying basis of financial wellbeing is financial security, and the greater understanding you have of your financial situation, the greater your ability to manage your finances for short-term needs while saving for mid- and long-term goals. It’s about being able to confidently manage a financial emergency, identify and act on an investment opportunity, and being comfortable in managing your own money.
Improving your financial wellbeing will help to improve financial security, however, just like physical and mental wellbeing, financial wellbeing does not happen without commitment and some work. It is achieved by educating yourself, creating new habits and sustaining new behaviour over time.

**How Your Financial Wellbeing Impacts Your Physical and Mental Health**

Mental, physical and financial wellness are interconnected. Personal financial issues can be a major source of stress and can impact upon a person’s physical and mental health. The old adage that money can’t buy happiness certainly rings true for most of us, however, research tells us that not being in control of your finances will make you very unhappy.¹

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¹ Money, Wellbeing and the role of Financial Advice, Beddoes Institute, May 2016, www.afa.asn.au
According to the Australian Financial Attitudes and Behaviour Tracker\(^2\) conducted on behalf of the Australian Securities and Investments Commission (ASIC) in March 2017, more than one in three (36%) Australians find dealing with money stressful and overwhelming. Furthermore, around one in five (21%) claim to have difficulties understanding financial matters. This figure increases dramatically for women with almost one in two (46%) women stating the same difficulties. A lack of knowledge and confidence in dealing with financial matters can cause stress and negatively impact your financial, mental and potentially physical wellbeing. Hence, the first step to improving your overall financial wellbeing is education.

Gaps in financial knowledge exist for many people, relating to both day-to-day money management and their understanding of how saving more today can help ensure financial security in the future.
What lies ahead
Personal financial literacy hasn’t typically been taught in high schools or at universities in Australia. The lack of education and discussion – both formal and informal – can mask the challenges associated with attaining and maintaining financial wellbeing. That’s why UniSuper believes it’s important to focus on financial education and provide assistance to help you achieve your goals.

We’ve prepared a four-part series of financial wellbeing booklets, which will help explain some of the most important elements of finance. The booklets cover the following topics:

» Saving in a world of spending
» Creating wealth – investing inside and outside super
» Protecting wealth – insurance and estate planning
» Take control for the retirement you want

**SETTING GOALS WITH A LITTLE HELP**

This *Saving in a world of spending* booklet aims to help you get started or to get back on track with the fundamentals of goal setting and budgeting. Since everyone’s situation is different, it will help explain the concepts and action points you may experience along the way. Follow it at your own pace with your own position and aspirations in mind. Of course, UniSuper can help if you have any questions or are unsure of anything.
Spotlight on Australia

1/3 of households have less than $1,000 cash on hand to cope with emergencies

$3,799,910

Every 3 minutes Australian households spend $3,799,910

1.9m Australians are struggling with credit card debt

23% of Australians do not have a household budget

55% of women under 35 find dealing with money stressful and overwhelming

85% of women under 35 don’t understand fundamental investment concepts

Personal finances are the leading cause of stress

### TOP 3 SAVINGS GOALS FOR AUSTRALIANS

- 53% Holidays
- 46% Rainy day fund
- 40% Buy or renovate a home

### TIPS & TRICKS TO BECOME A SUCCESSFUL SAVER

- 52% Transfer spare funds to a savings account
- 19% Set up auto transfers to a savings account
- 17% Keep savings in an account they can’t touch
- 15% Build funds in their transaction account
- 11% Deposit into their home loan offset account

### LONG TERM GOALS

- Less than one in four australians currently sets long-term goals
- 45% Of australians have a 3–5 year financial plan
- Only 24% of australians have a 15–20 year financial plan

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3 ASIC Australian Financial Attitudes and Behaviour Tracker, Wave 6, 2018 [https://financialcapability.gov.au/files/afab-tracker_wave-6-key-findings.pdf](https://financialcapability.gov.au/files/afab-tracker_wave-6-key-findings.pdf)
Budgeting and cash flow management

BUDGETING IN ITS SIMPLEST FORM INVOLVES BALANCING YOUR EXPENSES AND YOUR INCOME.

Budgeting for your household is a technique you can use to help keep in control of everyday expenses. It enables you to plan for your future and make allowances for changes in your circumstances throughout your life. Beyond the essentials, how you spend your money is usually about personal choice and it largely determines your financial destiny.

Ask yourself first whether you’re meeting your household goals before you spend (do you need the new car now?)
WHAT YOU NEED TO CONSIDER WHEN PREPARING A BUDGET

» Track and understand how much you spend each month with a spending log to give you an idea of where your money goes.

» Set spending priorities based on your household goals.

» Create a fund to cater for emergencies.

» Pay ‘you’ first and put aside money for your future, this includes paying down credit card debt and retirement savings.

» Budget for essentials (this could be around 50% of your pay) including bills, groceries and housing expenses.

» Budget for big ticket items like an overseas holiday or new car.

» Factor in non-essentials like eating out and entertainment.
THE REAL COST OF A SMALL TREAT

Let’s say you’ve chosen to save some treat money. Skipping a couple of coffees each day can save you approximately $200 per month.

You’ve chosen to allocate the $200 savings per month to something important: an additional home loan payment on your house.

Now let’s examine the impact of paying off your home loan with the extra $200 each month on an average loan of $400,000 at 4.5% for the life of the loan, over 30 years:

<table>
<thead>
<tr>
<th>Loan principal</th>
<th>Term of loan</th>
<th>Total payments (including interest)</th>
<th>Total interest paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>$400,000</td>
<td>30 years</td>
<td>$729,627</td>
<td>$329,627</td>
</tr>
<tr>
<td></td>
<td>25 years</td>
<td>$666,136</td>
<td>$266,136</td>
</tr>
<tr>
<td></td>
<td>5 years</td>
<td>$63,491</td>
<td>$63,491</td>
</tr>
</tbody>
</table>

If you have a partner and they did the same, and you saved a combined total of $400 per month, together, you would repay your home loan 8.5 years earlier and save $105,511 in interest based on the calculations above.

Talk to a financial adviser about income and wealth creation options.
YOUR CHECKLIST

Did your spending exceed your income?
If so, your current spending habits could get you into financial trouble, and now is a good time to start a budget. If you found that you have some money left over after tallying your expenses, then this amount could be allocated to your savings. By preparing a budget, you could be saving even more.

How long did you need to think about each item?
Chances are that it took you longer to work out how much you spend on eating out each month than it did to work out your mortgage. This shows that we generally have less control over our social spending, normally because there’s no set pattern. This is one area that could easily be improved by setting aside a certain amount each week or month, and aiming not to spend more than what you’ve allocated.

Are most of your expenses paid for with a credit card?
If you’re paying most of your expenses on credit, and you then find that you don’t have enough at the end of the month to pay your credit card bill, then you need to reassess your expenses. Living on credit is not sustainable in the long-term.

Always pay yourself first – set aside funds in advance of spending.
Take advantage of any options to grow your income and wealth – like placing money in high interest-earning accounts with reduced bank fees.
Setting financial goals

Setting financial goals is a fundamental step toward becoming financially secure. Whether you’re close to retirement age or many years away, it pays to define what you’re aiming for.

If by setting financial goals in your household your fortunes would improve, would you make the effort to do so? All the evidence suggests that the answer is yes. Writing down goals is a prerequisite to securing a positive financial future and reaching your desired outcomes.

Have short, medium and long term goals written down and review them monthly.
WHAT YOU NEED TO CONSIDER

» Set SMART financial goals: specific, measurable, attainable, realistic and time-bound.

» Create clear written goals for your household and, with their input, set relevant goals for each member of the household depending on their age and desired lifestyle.

» Understand how your financial goals will change over time and evaluate them regularly.

» Keep these goals in mind when making financial decisions.
Changing goals

CASE STUDY

After graduating from university, Sarah focuses on earning an income to cover her living expenses and debt (HECS/HELP loan). Over the next decade, she meets a partner and then starts to think about having a family. Sarah considers when she will want to purchase a house and perhaps start saving for her children’s education. She wants to factor in family holidays, and therefore includes a holiday fund in her plan. Her income will have to provide for her increased expenses, and generate a surplus that can be saved to accumulate these assets.

In time, Sarah starts to consider her long-term goals and when she may want to retire, which includes travelling around the world.

Sarah learns that navigating and identifying the big-ticket expenses she’ll experience over a lifetime, involves making immediate choices and setting up longer-term strategies to help achieve goals. To do this, Sarah has to be realistic, yet imaginative about her current situation to see what opportunities her current choices may create.
YOUR CHECKLIST

You should be able to answer ‘yes’ to each of the questions below. If you can’t, it means more work is required to articulate your SMART goal:

<table>
<thead>
<tr>
<th>QUESTION</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Is your goal clearly future oriented?</td>
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<td>2. Is your goal realistic?</td>
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<td>3. Will the goal be challenging enough for you?</td>
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<tr>
<td>Or, will it be too challenging?</td>
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<td>4. Will your goal require you to make a personal investment</td>
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<td></td>
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<tr>
<td>of time, energy, and effort?</td>
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<td>5. Will your goal contribute to your growth and development?</td>
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<td>6. Is your goal achievable within the timeframe you are seeking?</td>
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<td>7. Is your goal consistent with those of other members of your household?</td>
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<td>8. Will your goal produce concrete and measurable results?</td>
<td></td>
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<td>9. Is your goal in your best professional or personal interest?</td>
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Learn from any setbacks you might experience and modify your goals.
We have a range of tools, calculators, resources and services to help you navigate your financial needs.

Give us a call on 1800 823 842 or head to unisuper.com.au to see what’s on offer.

Here’s some information to get you started.

CALCULATORS AND TOOLS

We have two retirement projection calculators, and the one you should use depends on how far away retirement is for you.

» If you’re more than five years away from retirement, use the Retirement adequacy calculator.

» If you’re planning to retire within five years and commence a retirement pension, go to the Pension income calculator.

To check out our full list of calculators and tools, visit; unisuper.com.au/calculators

ON-CAMPUS CONSULTANT SERVICE

We have on-campus consultants conveniently located at your university who are there to help you with information and general advice about super, your membership and our range of products. Many people feel greater peace of mind after visiting a UniSuper on-campus consultant and having their questions answered.

To book an appointment, visit unisuper.com.au/campusbookings
FINANCIAL ADVICE

One of the many benefits of being a UniSuper member is having exclusive access to our in-house team of financial advisers. You and your spouse can get personal financial advice on super and beyond with UniSuper Advice. Our financial advisers can help you with your financial goals no matter your financial situation or stage of life.

We don’t charge commissions and our fees are quoted upfront at your free initial consultation so you can decide whether to proceed with the service. Fees for advice may be able to be deducted from your super account.

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If you’re on the go and you don’t have time to attend one of our seminars, our online learning platform may suit you, with an array of topics to choose from. Our range of live and on-demand webcasts, along with our monthly podcasts can be accessed any time and place convenient to you.

Visit unisuper.com.au/learning-centre to see the latest

To arrange an appointment with a UniSuper financial adviser, contact 1800 823 842
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