

# Planning

## FAMILY CHALLENGE

This fact sheet explores planning and managing your finances. It can be used:

- as a discussion starter with family members and friends
- for self-reflection to check how much you already know and where to find more information.

### 1. Did you know?

Financial issues are rated as the top cause of stress for Australians.<sup>1</sup>

#### START PLANNING TO AVOID FINANCIAL STRESS

- Identify your financial goals: short, medium and long term
- Create a budget
- Grow your net worth
- Seek professional advice for long-term planning.

*(Please note, this list is not exhaustive).*

### 2. Identify financial goals

To determine what your financial goals are you may wish to consider the following factors:

- Where do you want to be financially at different stages of your life cycle timeline? For example: starting work, buying a home, having children, travelling and retiring.
- What are your attitudes to spending, saving, and giving?
- What's really important to you when it comes to what you wear, what you drive, where you live, where you travel etc? In other words, would you prefer to look wealthy, or be wealthy?

Next, sort your goals into short-term (like paying off your credit card), medium-term (such as saving a deposit to buy a home) and long-term (such as building your superannuation). Then check that all of your goals are SMART:

- |                   |   |
|-------------------|---|
| <b>SPECIFIC</b>   | The goal must be clearly defined.   |
| <b>MEASURABLE</b> | The exact amount to achieve the goal must be known.                                 |
| <b>ACHIEVABLE</b> | The goal must be possible to reach and not just a dream (like winning the lottery). |
| <b>RELEVANT</b>   | The goal must align with other life requirements and objectives.                    |
| <b>TIME BASED</b> | A time frame in which the goal will be achieved must be specified.                  |



### 3. Create a budget

A budget is a plan for allocating your income. It can be for a week, a month, a year, whatever suits you. The three components of a budget are income, expenses and savings/investment.

After you record your total income but before you pay your bills, it can be a good idea to pay yourself. Decide on an amount for saving and investing. Here you can also set aside extra amounts for medium and long term goals.

Next, enter your regular essential expenses such as credit card repayments, rent or mortgage, food, utilities, car expenses etc.

You can then decide what's left to discretionary (non-essential items) expenses such as weekends away, going to the movies etc. These expenses are controllable and can be reduced if you decide to save extra to help you reach your goals faster.

### 4. Grow net worth

The main focus of planning and managing your finances is to grow your net worth. This is how you get ahead in life.  $\text{Net worth} = \text{Assets} - \text{Liabilities}$ , that is, what you own minus what you owe.

What works against growing net worth is overuse of credit, overspending on discretionary expenses and buying assets which depreciate (losing value over time, for example a car) rather than appreciate (growing in value over time, for example property).

### 5. Seek professional advice

If you would like some professional help to manage your finances, you may choose to see a financial adviser. A financial adviser or financial planner is licensed to provide advice on investment, risk management, superannuation, insurance and taxation. A financial adviser can help you to come up with realistic goals, map out an investment plan, give you the confidence to act to achieve them and keep you on track.

When you meet with your advisor, make sure you're prepared. You may need to supply your:

- short-term, medium-term and long-term goals
- budget
- assets and liabilities (net worth)
- current property and personal insurance policies.

### 6. Power words for planning

Understanding and being able to use these words will provide you with more power to start planning for your financial future.

- **FIXED EXPENSE** – expenses where the amount payable is always the same, such as insurance premiums and rent.
- **INCOME** – money coming in from any source, e.g. wages, tax refund, interest earned on savings and investments, gifts.
- **NEEDS** – basic necessities.
- **UTILITIES** – electricity, gas, water and phone bills.
- **VARIABLE EXPENSE** – expenses such as groceries or clothing which require a spending decision at the time of purchase.
- **WANTS** – discretionary spending on things you could do without.

### 7. Need more help? Want to know more?

- Find out what makes you tick financially with your [Suncorp Money Profile](#).
- See ASICS's MoneySmart website for more information on [how to prepare a budget](#).
- Use a spreadsheet to [design your own budget](#), or use a calculator such as the MoneySmart budget planner.

<sup>1</sup>**Australian Psychological Survey** Stress and Wellbeing, [How Australians are coping with life](#).



**SUNCORP**  
FINANCIAL EDUCATION PARTNER

