INSIDE

MAY 2019

FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE

WINNING THE MONEY MIND GAMES

Success in generating long-term wealth has a lot to do with awareness of the tricks money can play on your mind. How many of these do you recognise?

Money and emotion are strongly connected. Purchases often mean something to us personally. They broadcast our identity. They make us feel special. They reward us for hard work. But in the background, behind our most basic reasons for spending or saving, our mind plays further tricks. If you become aware of these tricks then the added clarity will benefit your wealth generation.

1. Bigger is better

Consider the purchase of a new car. You have just spent $35,000, so when the salesperson offers you a special deal – a $700 upgrade pack including a towbar, carpet mats and alloy wheels – it seems like a bargain. But would you happily go out today and spend $700 elsewhere? How many grocery trips does that represent? And many of us will grab the opportunity to buy a $100 item that has had its price slashed to $50. But if a $5,000 item is discounted to $4,950, then the $50 saving is not nearly as attractive. Remember that a dollar is always worth a dollar, no matter how much or how little the related purchase happens to be.

2. Discounted = good value

It is increasingly rare to see a price ticket that is not marked down. But is the $130 jacket, marked down from $210, actually better value or better quality than the $100 jacket in the shop next door? Ignore the higher price (known as an ‘anchor’, intended to make the discounted price seem cheap) and consider the actual value. This works in several other situations. For instance, many restaurant menus offer a high-priced entrée and main to make the other options seem cheap. And in your local electronics store, the fancy $500 toaster is only really there to make the $140 toaster seem like a bargain.

3. Gifted money is not worth investing

You receive money as a gift so instead of adding it to savings, investment or retirement funds, you put it straight into the spending budget. Your mind is de-valuing the money, because it was a gift. In other words, you didn’t have to work for it, so it is somehow of less value or not worthy of investment. But if you regularly invest a specific percentage of your income, then consider investing the same percentage (or more) of gifted money.

4. Small change is of little value

How much small change do we leave lying around, or in a container, or in the glove box, then happily spend it on little things without a second thought? But consider that a small money box for children can easily hold $400 in gold coins, and suddenly that small change becomes a very real driver of financial change. The same goes for small pay rises, which may not seem to make any difference right now but can make a very real difference over the long term.

5. Money buys happiness now

Buying something today produces a very measurable result. Saving for the future and putting money into superannuation or investments is difficult to quantify in terms of lifestyle. So make it quantifiable. Figure out your average monthly expenditure and buy future months of happiness with your savings and investments.

6. Reduced mortgage repayments represent a saving

In an environment of falling interest rates, many home owners have been offered a drop in mortgage repayments. That is great for our household budgets, right? But consider that if you drop your repayments, you will spend more on the mortgage in the long run and will lose more money in interest, as you take longer paying off the mortgage compared to keeping your repayments at the same level.

THERE IS A FREE APP FOR THAT!

With the proliferation of apps for smartphone and tablets there are now more ways than ever to become more familiar with, and therefore improve, your financial situation.

Here are five of our free favourites

1 Pocketbook (iOS, Android)

An Australian budgeting app designed for the Australian environment, Pocketbook has earned a lot of media recently.

As a budgeting app it stands out because it automates virtually everything. It syncs with your bank accounts, so it misses nothing – even if your money is with several major banks. It auto-detects bills and warns when they're due. You can set a weekly/monthly budget called 'Safely Spend' which automatically reduces as money leaves your account, meaning you're always aware of your spending. It will also allocate your spending into categories so you know exactly where your money is going.

2 Unsplurge (iOS)

Rewards and reminders are a great way to stay focussed on a savings goal and this fun but effective app is all about making sure you're aware of how far you've come. Whether you're saving towards a goal by putting money away or simply by choosing not to splurge on something specific, Unsplurge allows you to record your savings towards a specific goal as a dollar amount, as a percentage and as a remaining balance.

3 Track My Spend (iOS, Android)

Developed by the Australian Securities & Investments Commission, Track My Spend makes keeping track of your personal expenses easy and enjoyable. Just enter your total budget then add each expense and its category as it happens. You can separate work, personal and goal-oriented expenses, track spending on a weekly, fortnightly, monthly or yearly basis, differentiate between 'needs' and 'wants' and much more.

4 Expensify (iOS, Android, Windows Phone, Blackberry)

Expensify allows you to keep track of expenses on the go by taking photos of receipts – the app does the rest. It will also automatically import expenses from your credit card or bank account, help you to record the amount you have spent in various categories, integrate with several accounting software systems such as Xero and Quickbooks and export expense reports from your phone. The desktop version allows for deeper analysis of your spending.

5 Money Smart Financial Calculator (iPhone, Android)

Another very useful app from the MoneySmart team at the Australian Securities & Investments Commission, this offers easy-to-use calculators to help you figure out the true future cost.

Market Volatility. Why do markets move so much

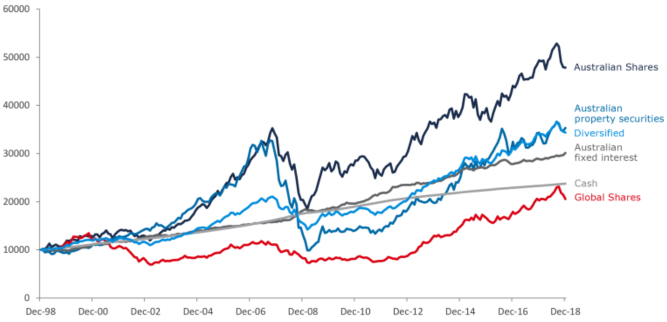
When global financial markets become volatile, it's natural for investors to get anxious about the potential impact on their investments. But before you start selling up your shares, it's important to understand what causes these market movements – any why they're not always a reason to worry. Here are three things to keep in mind.

1. Volatility is a fact of life

, as well as in-between periods with strong returns. So keep in mind that even when the immediate outlook doesn't look promising, it's likely that the market will pick up again at some point in the future.

2. Shares are a long-term investment

Australia has a relatively open market and relies heavily on exports to countries like China and Japan. This means we're also affected by movements in the global marketplace, even if there's no direct impact to our



Markets operate on a supply and demand model, so if there are more investors who want to sell shares than those who want to buy, it will drive down their value. Because this, demand moves in cycles, markets are constantly going up and down by varying degrees. In fact, this is one of the fundamental principles of investing, but it also makes the share market inherently unpredictable.

There are many factors that can influence market movements, from industrial and economic developments to wars, civil unrest and even weather. Key political events like the UK's Brexit decision or Trump's election win can also have far-reaching impacts.

Economic growth, for instance, is affected by global trade and production. Meanwhile, poor fiscal decisions in some countries can have a knock-on effect in other countries where they have debts. Political events may impact business and consumer confidence, which in turn can reduce spending and company profits. And then there are natural disasters, which can cause major damage to any economy at any time.

Since the global financial crisis, there have been a number of downturns in the share market.

economy. However, these impacts are usually short term.

History has shown that although share markets tend to fluctuate, the general trend is always upward. This is because shares are a high-growth asset class. So even though they're more exposed to value fluctuations than defensive assets like bonds, they're designed to provide higher returns over a period of five years or more.

When it comes to your investments, it's important to think in years, not days – as short-term volatility won't necessarily affect your portfolio's potential in the long run. By taking a long-term view, you may have the confidence to ride out any short-term fluctuations in the market and make the most of growth opportunities as they arise.

So keep in mind that even when the immediate outlook doesn't look promising, it's likely that the market will pick up again at some point in the future.

3. Financial advice is key

When share markets fall in value, the impact on your investment strategy may depend on your stage of life, as well as your investment goals and timeframe. Each market movement is caused by a unique combination of factors, so there's no simple solution for predicting what the next change will be.

While it can be tempting to sell up in the face of a market downturn, it's a risky strategy that may impact long-term performance. This is because you may end up buying back the same shares at a higher price once the market picks up again. Instead, it might be a good opportunity to review your investment strategy and make sure it's still appropriate for your personal circumstances.

That's where your financial adviser can help. Your adviser has expertise in dealing with market volatility, so they'll be able to calculate the potential risk to your investments and ensure you're still on track towards reaching your long-term goals.

Source: This article has been provided by Colonial First State Pty Ltd

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