EVANS EDWARDS

FINANCIAL ADVISORS | WEALTH CREATORS

Five financial habits to start in 2021

Like any habit, our financial behaviours are formed by doing the same actions repeatedly until they're second nature. That's great if you've got into the routine of saving regularly – but not so good if you're one to whip out the credit card on impulse. With the right approach, you can turn those less-than-helpful financial habits into healthy behaviours.

Research shows one way to avoid falling back into old ways is to replace them with healthier habits. Other useful strategies include:

- Making smaller changes rather than big, dramatic ones.
- Choosing specific actions like 'I'm going to transfer $100 into a dedicated savings account every fortnight' rather than vague goals, such as 'I want to feel financially secure'.
- Triggering new behaviours with visual or sound cues – that's why social media with its notifications can be so habit-forming.

Here's how to use those strategies to set you up for a financially successful 2021.

1. IT'S TIME TO GET ORGANISED

Knowing where you are financially gives you clarity around your money. This makes it easier to work out your financial goals – and what you need to meet them.

Start by having a place for everything. If you receive your bills electronically, save them in one place. Scan any other financial paperwork – or set up a folder if you prefer hard copies. Consider setting up direct debits or create calendar alerts to ensure you pay bills on time and avoid late payment fees forever.

You can't control your money if you have no idea where it's going or how much is coming in. Using a budgeting app can help you easily track your expenses and get an accurate record of your monthly spend. You can use this information to create a realistic budget. You can also use your bank's app to manage your day-to-day expenses and check your balance.

Don't forget to record expenses as you go and photograph or scan receipts, so when tax time comes, you'll have all the documents you need in one place.

2. NAME YOUR GOALS AND BREAK THEM DOWN INTO STEPS

What are your financial goals? Some common ones include:

- Buying a property or starting a business
- Going on a dream holiday
- Paying for the kids' or grandkids' education
- Leaving money for loved ones
- Retiring early
- Being free from debt/paying off the mortgage
- Enjoying financial freedom.

Once you know what your goals are, break them down into small, actionable steps. For example, say your goal is to buy a property. Work out first how much your ideal home will cost, how much you'll need for a deposit and when you hope to purchase it. Next, decide how much you'll need to set aside each fortnight for that goal. Don't forget other sources of income that could add to your savings, like a tax return, bonus, or income from a second job.

3. PAY YOURSELF FIRST

One of the most important financial behaviours you can develop is the habit of saving regularly. You need some savings as a safety net to cover unexpected expenses like home or car repairs, or a trip to the dentist. You can then use additional savings to cover your financial goals, or to invest in assets like shares or property.

One of world's most successful investors, Warren Buffett offers this advice on saving: "Don't save what is left after spending; spend what is left after saving." In other words, pay yourself first.

One way to do this is to automatically transfer a regular amount into a savings account each pay day. By taking the same amount out at the beginning of the pay cycle, you'll get used to not having it. If money is tight, make the amount small.

Check the balance of your savings account regularly. This will give you the visual reward of seeing your savings account grow – helping motivate you to stay on track.

4. SET A DEBT REPAYMENT STRATEGY

If you have credit card debt, try to pay off as much as you can each month. Make sure it's more than the minimum or you could end up paying a lot of money in interest.

If you have multiple debts, they may be easier to manage by consolidating them into one debt. Alternatively, pay off the debt with the highest interest rate first. Some people find paying off the smallest debt first, then moving onto the next smallest debt more motivating.

To avoid getting into more debt, try to avoid impulse buying. Consider having a credit card for emergencies only and relying on your everyday account to pay for groceries and other expenses. Even better, build up a rainy-day account and avoid credit cards altogether.

5. IT'S NEVER TOO LATE TO LEARN

Do you find finances confusing, boring or stressful? Learning more about finances can take the hard work and mystery out of managing money.

Source: Colonial First State

If you have any questions around implementing a plan for you, give Shaun or Vicky a call from Evans Edwards Financial Advisors | Wealth Creators on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon).

452 Advice Pty Ltd (trading as Evans Edwards Financial Advisors Wealth Creators) is a Corporate Authorised Representative (No. 1261614) of Capstone Financial Planning Pty Ltd. ABN 24 093 733 969. AFSL No. 223135