MST ADVISORS
Financial Business & Tax Advisory Services

SEPTEMBER 2023

# Market St.
# Market Mix

## ABOUT THIS NEWSLETTER

Welcome to the MST Advisors bi-monthly newsletter, keeping you on top of the issues, news and changes you need to know. Should you require further information on any of the topics covered, please contact us via the details below.

T: 02 4225 9022 E: admin@mstadvisors.com.au

# Are we jeopardising the bank of Mum & Dad?

The temptation is obvious. Soaring house prices have made buying a home tough for most home buyers and prompted many parents to think they should step in and make a financial contribution.

The typical argument is that Mum and Dad don't really need the money and that their children will inherit it one day anyway so it might as well be now when it can do some real good.

As a result of this thinking, the Bank of Mum and Dad is now estimated to be one of the top 10 mortgage lenders in the country, as more and more people turn to their parents for financial help when buying a home.

According to Digital Finance Analytics, parents are now contributing $90,000 on average towards the first home deposit of each of their adult children, up 20 per cent in the past twelve months.

With the median house price in Australia's combined capital cities now $896,000, parents contribute just over 10 per cent as a deposit, or if two sets of parents are involved, 20 per cent as a deposit.

For most parents, this is a large amount of money, which can be given to their children either as a straight-out gift or as a formal loan or so-called 'soft' loan.

Typically, this is done by drawing down against the value of their home as security and gifting the funds or providing a guarantee for their child to buy a home using their home as collateral.

The financial comparison site, Finder, estimates that 60 per cent of all first-home buyers access funds from their parents to buy their first home.

More, it found that 50 per cent of these children were facing some level of financial stress before deciding to buy a property with the help of their parents.

While gaining financial support from Mum and Dad might be essential for many Australians to take that first step onto the home ownership ladder, is it a good decision for Mum and Dad?

While some parents can afford this financial handout, it is only the case for some. Figures from the Association of Superannuation Funds of Australia show 1.68 million, or more than half of all Australians over 70, have no super.

Of those older Australians who do have super, the median value is between $100,000 and $149,000, suggesting few in this age bracket have funds they can afford to give away.

ASFA estimates only 185,000 Australians have $500,000 or more in super, and about 27,325 individuals have more than $2 million in super – a figure where giving funds to children might be affordable.

These figures change considerably for Australians in the 50–70 age bracket as these younger Australians have had access to super for longer.

However, it's clear that the Bank of Mum and Dad is not as flush with funds as suspected, and many are sowing the seeds of their own financial destruction.

While it is simple in the first flush of retirement to think there is more than enough to support Mum and Dad for as long as they live, life events might undermine this.

No one knows how long they will live or what medical issues they may face through retirement, which could mean they themselves need every cent they have.

Throw in the prospect of one or both parents needing to move into a nursing home at some stage, which can be a significant cost of around $500,000 per parent; then their finances start looking very shaky.

The real fear is that in trying to help their children buy a home, all the Bank of Mum and Dad is really doing is pushing up house prices and sowing the seeds of their own financial problems.

# How to avoid property investment failure

There is an old saying that no investment is as safe as a bricks and mortar investment, but is that really the case or is it something that we just like to believe, spurred on by what appears to be the never-ending increase in property prices?

While it's easy to think investing in residential property is a fail-safe way to make money, there are endless traps for anyone hoping to get rich quick by buying into property.

Most economists believe the steady price rise in Australian housing during the past two decades is due only to two factors.

The first is the deregulation of the Australian banking sector which has allowed more banks to lend more money to more Australians to buy a house.

At the same time, interest rates have been at historically low levels and these two factors combined, has meant that come auction day, Australians have just been able to offer more for houses that are up from sale.

However, this apparent endless price rise, has given Australians an incorrect belief that it is impossible to go wrong investing in residential property.

So, what are the key mistakes investors make when investing in property?

**1. One + One = Two**

The most common mistake is potential investors simply don't do the numbers before they buy. They assume that even if you lose money on a month to month basis, the eventual capital gains will easily offset this loss. Maybe that will happen, but what if it doesn't?

How much money will you lose if the rent doesn't cover the outgoings on the property while you own it? And how much capital growth do you need to achieve after tax to make a profit?

**2. Did you ask your accountant?**

It's also imperative to get good advice from the outset. If you are investing in property to minimise your overall tax bill, then its important you have a tax agent walk you through the key numbers.

If you are simply trying to minimise your tax bill, you might consider buying a new house or apartment, where you can potentially claim a raft of non-cash depreciation charges, which in turn may significantly boost your tax deductions, and with it, the likely financial success of the investment.

**3. Do you need that much?**

It's easy to get carried away and borrow more money than you can comfortably afford. You might start off by thinking you are happy with a tax loss of say $200 a week but could find that as the years drag on you are less happy dealing with this cash shortfall.

**4. Interest Rates**

Decades of historically low interest rates have left many Australians with the false belief that interest rates will always stay low. As we have witnessed in recent times, interest rates can rise at any time given the economic environment. Can you cover larger repayments if rates do rise?

**5. Research, Research, Research**

Finally, too many would-be property investors fail to properly understand the property market or suburb they are buying into. This can lead to either paying too much for a property or spending too much money on renovations and over-capitalising.

Over-capitalising refers to a situation where a property owner may spend $100,000 improving a property by undertaking renovations or landscaping only to find when it comes time to sell that they have only added $50,000 to the final price buyers are prepared to spend on a property in that area.

Since the 1990's, according to the Australian Bureau of Statistics, there have been five periods where the growth in house prices has been negative, falling by as much as 10 per cent on average compared to the previous year.

There is risk in any investment, including in property investments, as much as many don't want to believe that. The best protection is to seek quality advice before you buy a property and determine whether buying really makes sense after you've covered all expenses and taxes.

# Building a Strong Foundation: Avoiding Mortgage Default

When building a home, it's often said that the foundations are the most important part. Their primary purpose is to hold your house up - supporting the structure and preventing it from being affected by uneven ground.

Similarly, when purchasing a home and financing it with a mortgage, your financial foundation is just as crucial. A solid financial foundation can help you avoid mortgage stress, loan default, or even eviction.

Unfortunately, economic factors such as higher living expenses, interest rate hikes, or job loss can jeopardise your financial foundation.

**What is mortgage stress?**

Mortgage stress occurs when homeowners face difficulty meeting their mortgage repayments and their living expenses.

The Australian Bureau of Statistics has developed a "Mortgage Affordability Indicator", which applies a 30% mortgage repayment threshold based on a household's income.

Mortgage stress can cause immense strain on individuals and families and increase the risk of mortgage default.

Defaulting on a home loan happens when borrowers cannot make repayments as per the agreed terms and conditions of the loan agreement. This situation may result in serious consequences, including eviction and mortgagee possession of the property by the lender.

**How to avoid mortgage stress and loan default**

**1. Know Your Financial Situation**

One of the most crucial steps to avoid mortgage default is having a clear understanding of your financial situation.

By evaluating your income, expenses, and overall financial position, you can identify potential risks and understand what options are available to you.

Tracking your income and expenses will help you to analyse your spending habits and identify areas where you can cut back or make adjustments to free up cash flow. This is also a great time to review your expenses and renegotiate with service providers.

Reviewing your financial position may help you identify available options to assist in financial hardship.

**2. Seek Professional Guidance**

A mortgage broker can help you assess your current loan terms and explore options for refinancing or loan modifications that better align with your financial circumstances.

They can provide valuable advice and assist in negotiating more favourable terms with your lender.

**3. Communicate with Your Lender**

If you anticipate difficulties in making your mortgage repayments, it is best to communicate proactively with your lender in advance.

Most lenders have teams dedicated to supporting customers experiencing financial hardship. They may be able to offer temporary payment arrangements or alternative solutions to help you through a difficult period.

**Case Study:**

Consider the case of John and Sarah, a couple facing the risk of defaulting on their mortgage due to a sudden but temporary loss of income. To avoid this outcome, they took several steps:

**Reviewed their financial situation -**

John and Sarah underwent a complete review of their financial situation.

They reviewed their expenses, paused or cut back on discretionary spending, and renegotiated with all of their utility and service providers. This freed up cash flow to allocate towards their home loan.

They also identified that they were slightly ahead with their home loan repayments.

**Communicated with their lender -**

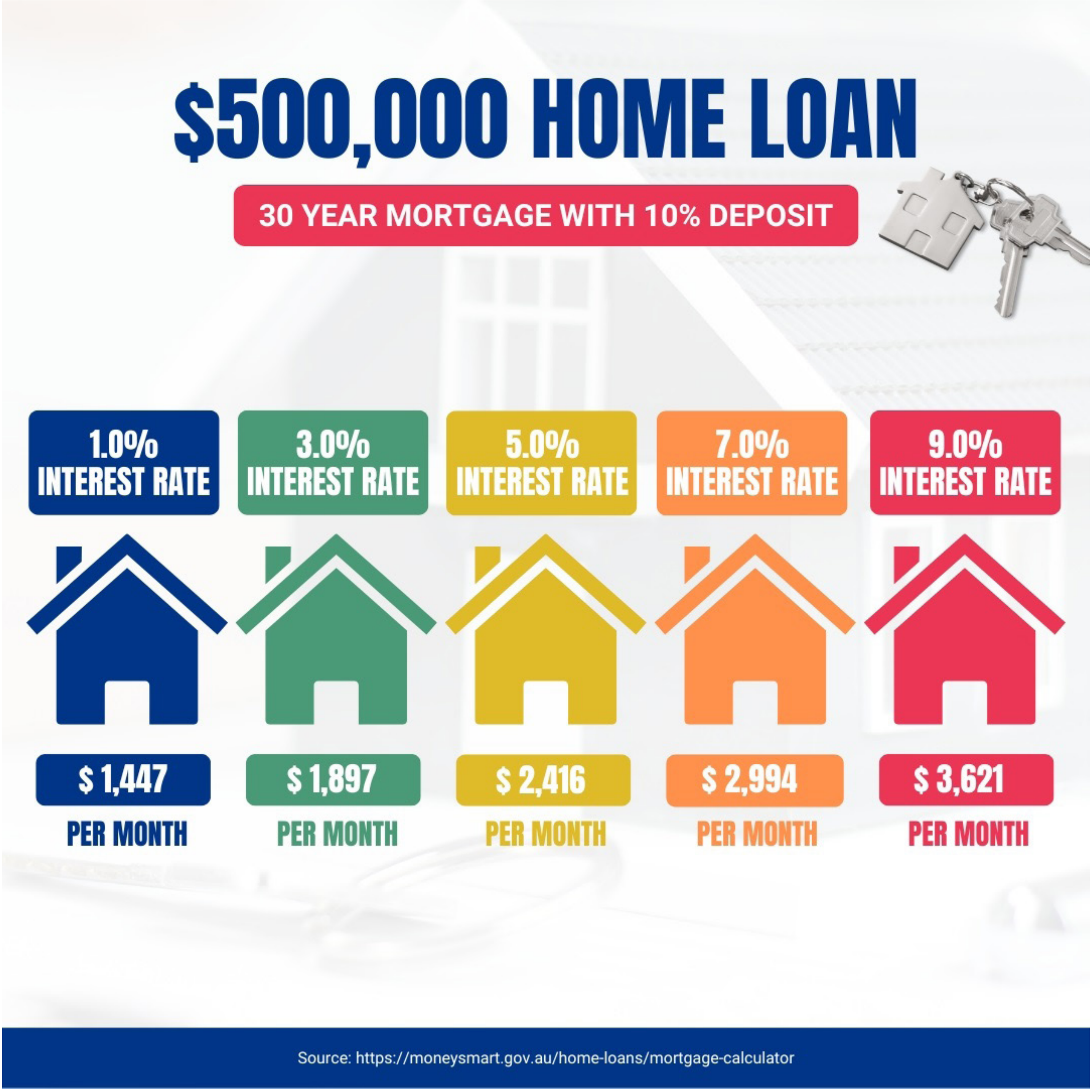
John and Sarah reached out to their lender to explore their loan repayment choices.

Since they had made some progress in their payments, they were eligible for a repayment holiday. This option would allow them to pay less towards their home loan for the next six months.

They had examined their financial situation and were confident that they could manage these reduced repayments, and this would give them six months to replace the lost income and get back on their feet.

To prevent mortgage stress and default, it's important to actively manage your finances and have a clear understanding of your financial situation. Though it can be tough, taking early action and being transparent with your lender can help you work together to overcome financial challenges and ensure the safety of your home.

If you are facing any difficulties in making your mortgage payments, you can find helpful resources on the MoneySmart website: https://moneysmart.gov.au/.


$500,000 HOME LOAN
30 YEAR MORTGAGE WITH 10% DEPOSIT
1.0% INTEREST RATE
3.0% INTEREST RATE
5.0% INTEREST RATE
7.0% INTEREST RATE
9.0% INTEREST RATE
$ 1,447 PER MONTH
$ 1,897 PER MONTH
$ 2,416 PER MONTH
$ 2,994 PER MONTH
$ 3,621 PER MONTH
Source: https://moneysmart.gov.au/home-loans/mortgage-calculator

# Zero-based budgeting: Making every dollar count

Ever heard of zero-based budgeting? No? Originally developed in the late 1960s, zero-based budgeting is an accounting method that has experienced a revival in recent times.

In conventional budgeting, expenditure from previous periods is used as a starting point and raised by a set increment, resulting in many costs and expenses not being reviewed for years.

Conversely, zero-based budgeting does not assume increased costs are a matter of course. Instead, it involves redrafting the budget from scratch every period by analysing and justifying all expenses.

This forces company departments to be more disciplined in their spending, and to identify procedural inefficiencies.

While zero-based budgeting is mainly used by organisations, it's an effective way of managing your household budget too.

Adopting a zero-based budget for your personal finances will help you to:

- review existing expenses,
- justify new expenses,
- understand your spending,
- limit impulse buying,
- achieve savings goals.

To create a household zero-based budget:

1. List your income sources: wages, side-jobs, rent, etc. over a set period.

2. List all your expenses, for the same period; not just the essentials like housing, food, credit cards, but everything.

3. Group expenses into categories such as: Debts; Needs; Savings; Entertainment etc.

4. Work out the average cost for each category.

5. Distribute your income across the categories. Aim to allocate every dollar so you're left with zero at the end.

Review your budget every quarter, or more regularly if your income varies. If one category comes up short, revisit all categories to justify each expense and adjust as necessary. If you have income left over, consider allocating it to debt or savings.

Additionally, zero-based budgeting is a handy tool for teaching teens to budget and save as they begin earning their own money. It helps them form a habit of living within their means by causing them to pause and think before spending.

On the downside, zero-based budgeting is labour-intensive due to its reliance on deep analysis. It can also mean you lose sight of your long-term goals as your focus is drawn to the immediate budget period.

In the corporate world, zero-based budgeting provides management with greater insights into income and cashflow. This can result in areas that traditionally don't generate revenue, such as staff training, ending up with inadequate funding.

However, as a household budget, it offers a greater understanding of how and where your money goes.

If you think your budget could do with a revamp and you're wondering whether zero-based budgeting could be a good methodology for you, your accountant will be able to answer any questions.

Alternatively, grab a note pad, or create a spreadsheet, and set up your own zero-based budget. You may be surprised to find many of your expenses don't stand up to scrutiny. But then, you may discover you can begin planning that family holiday after all!

# Tapping into your home's equity

Retirees feeling the pinch of higher living costs, are reluctantly making difficult decisions as they draw dangerously close to outliving their retirement savings.

A 2021 report released by the Association of Superannuation Funds of Australia (ASFA) found that 90% of Australians who died aged over 80 years had no superannuation savings – an alarming statistic given that our average life expectancy is currently 83.6.

For many retirees, the family home remains their only asset. Not generally subject to capital gains tax, or assessable under the assets test, it represents financial security, independence and family history which is why downsizing is an unpopular option.

However, the family home also represents a reservoir of untapped equity.

Consequently, retirees are reviewing ways to access that equity through reverse mortgages or equity release schemes.

These arrangements provide access to some of your home's equity, usually to cover medical costs, home renovations or even living expenses.

Now, here's the fine print.

**Reverse mortgage:** borrowing money using the equity in your home as security over the loan.

| Pros | Cons |
|---|---|
| You continue living in your home. | The amount you can borrow is limited and usually based on your age. E.g., if you're 65, you will be limited to about 20–25% of your available equity. |
| Can be taken as a lump sum, line of credit, income stream or a combination. | Fees, charges and interest apply based on how much you borrow. |
| You may not have to make repayments on the interest while living in the home. | It's not necessary to make interest repayments while living in your home, but the debt will increase as the interest compounds. After selling your home you must repay the entire amount (including fees). If you die, your estate must repay the full amount. |
| Since 2012, reverse mortgages have negative equity protection. This ensures your loan cannot grow to be greater than your home's market value. Ensure any contracts you sign include negative equity protection. | Over time, your debt will grow and may become more than your home equity. |

**Equity release:** selling part of your home through property investment funds.

| Pros | Cons |
|---|---|
| You continue living in your home. | Fees are calculated on the part of your home you sell, based on the value of your home's equity. If your home grows in value, the fees increase accordingly. The fees are deducted from the remaining equity in your home. |
| Can be taken as a lump sum or instalments. | Your home equity will reduce over time because of the fees. If it reduces to zero, you may not be able to continue living in your home. |
| | When you sell your home or die, the investment fund must receive its share of the accrued equity. |
| | Application fees and service fees apply. Additional fees may apply if you end the contract early. |

Depending on your circumstances, either of these schemes may work for you. However, before making any decisions, consider these alternatives:

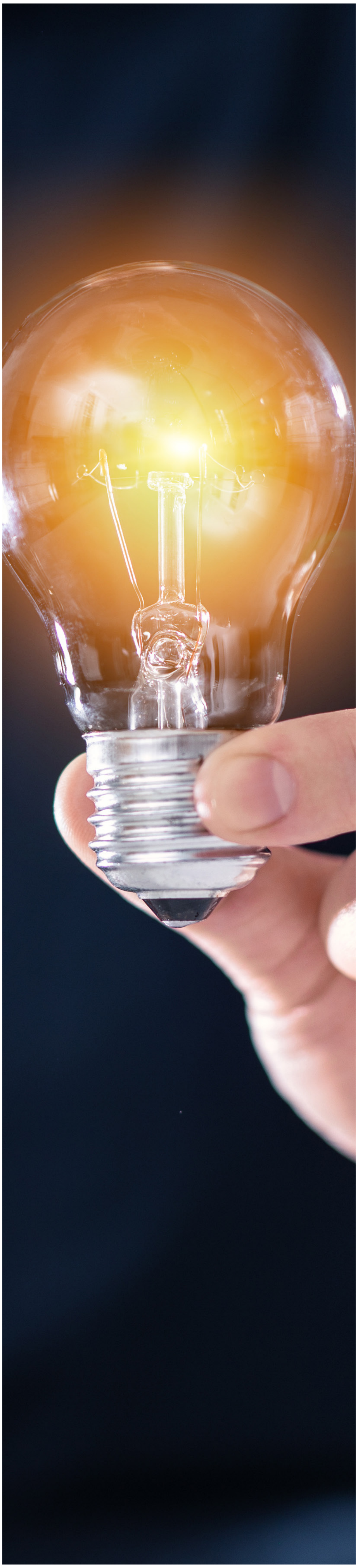
• Government no interest loans provide lump sums with no fees or charges. Visit the Good Shepherd Australia website for details.

• The Home Equity Access Scheme offers government backed assistance. See Services Australia or the Department of Veterans' Affairs for information.

• Reconsider downsizing. The government offers incentives that may change your mind.

Regardless, get your financial adviser to run the sums for you. They'll make sure your super savings are on track and you're maximising your pension entitlements.

You've planned a busy retirement, so don't let financial worries slow you down.



# Unlocking the Potential of Aged Pension and Superannuation Benefits

The Australian Aged Pension scheme provides a wonderful safety net for those with limited assets in retirement, although many remain confused by how their age pension entitlements differ from so called superannuation income streams.

The Federal Government provides an income for all Australians who reach pension paying age, currently set at age 67, who can prove they are an Australian resident and can also pass the income and asset tests or means test.

If you are part of a couple who own a home, you can qualify for a full age pension of $41,704 a year; if excluding your home, your other assets, including super, total less than $451,500 and can qualify for an ever-reducing part-pension, until your assets reach $986,500 a year.

The income test allows a couple to earn up to $9,360 a year from investments and still receive the full age pension, and up to $92,768 a year and receive a partial pension. In assessing your income, Services Australia applies a complex formula called ‘deeming’.

The deeming rules assume you earn at least 0.25 per cent a year on the first $100,200 in assets for a couple and then assume you are earning at least 2.25 per cent a year on your remaining assets. You must pass both tests to receive a pension and Services Australia will use the test that leads to the lowest entitlement.

In addition to the income from investment assets, you can also receive income from genuine employment of up to $7,800 a year under the Work Bonus scheme and still receive a full pension. This was temporarily increased to $11,800 a year between December 1, 2022 and December 31, 2023.

The rates and limits vary depending on whether you are a homeowner or not and whether you are part of a couple. Superannuation is included as part of the assets and income test, although superannuation can provide income support in addition to the aged pension.

So, superannuation sits alongside the age pension scheme, effectively topping up the pension or other income older Australians receive as they move into retirement. It is not subject to any limitations or qualifying factors.

Once you reach preservation age, which is 60 years of age for most people, you can effectively start your own private pension from your superannuation account. Once you do this, all the assets within super supporting this pension become tax-free in terms of earnings and capital gains. The income received is also tax-free in your hands.

This can significantly benefit older Australians as it means that they can effectively start a private pension to top up their age pension entitlements. For many, this makes the difference between living from one pension payday to the next, to having a bit of spare cash to help them get by.

The asset and income tests provide generous limits for older Australians to qualify for the age pension, with most of the so-called loopholes for effectively ‘hiding assets’ from Services Australia having been closed or significantly reduced.

Importantly, the family home is excluded from the asset test, meaning a potential age pension recipient can have millions of dollars tied up in their own home and still qualify for the full age pension, depending on the size of their remaining assets.

For couples with a significant age difference, it is also possible to effectively move assets from the older partner into the younger partner’s superannuation account, where it won’t be included in the asset test.

As long as the younger partner is under Age Pension age themselves, and their superannuation account is still in accumulation mode or can still receive contributions, the assets held within that account will not be included by Services Australia when assessing the couple’s overall assets.

It is important to remember that when moving funds from one partner to another, you can contribute up to $110,000 in one financial year as a non-concessional contribution and $330,000 as a non-concessional contribution in any three financial year period under the “three-year bring forward” rule.

With some simple planning, it is possible to contribute up to $440,000 from one partner to a younger partner in a relatively short timeframe and so reduce the assets included in the age pension asset test accordingly.

These rules, though, are extremely complex and are best utilised under the guidance of a qualified financial planner to ensure you make the right decisions and avoid any costly mistakes.

# Estate Planning is not just for retirement

Many people think that Estate Planning is only for people who are close to retirement, especially if we fall into the trap of thinking that Estate Planning is just about getting a will. But did you know that Estate Planning addresses key protection strategies whilst you're still alive? It doesn't matter who you are, Estate Planning is for everyone.

**What are the key pillars of Estate Planning?**

Estate Planning is all about making sure that you get the choice as to what happens to you and your assets – whether that's if you need someone to make decisions on your behalf, or you pass away and your estate needs to be divided up.

**1. Advance Care Directive**

Should something happen to you, and you are unable to communicate decisions about your medical care and treatment, an advance care directive allows you to:

- Give other people directions about any future health care you may need,
- Make your wishes about the type(s) of treatment you want (and don't want) known to medical professionals and,
- Appoint someone you trust to make decisions about health care on your behalf.

As long as the directive is valid, it must be followed and cannot be overridden by medical professionals or family members.

**2. Power of Attorney**

A Power of Attorney allows a person who you nominate to make financial and legal decisions on your behalf if you lose capacity as a result of illness, injury or disability.

They can help ensure important financial and legal matters are handled without delay if you can't manage them yourself – for example, paying your bills, managing your bank accounts, managing your investments and buying and selling property.

**3. A Valid Will**

Whereas the first two pillars ensure that important matters are handled in accordance with your wishes if you're incapacitated, a will ensures that those same matters are handled in accordance with your wishes after your death. A will gives you the best chance of ensuring that your assets go where you want them to.

If you die without a valid will:

- the public trustee will determine how your estate is to be distributed, which can take a lot of time and consultation with related parties.
- If you have a complex estate, children from different relationships, or are separated but have a new partner, this could lead to legal proceedings, infighting amongst relatives and your assets being distributed against your wishes.

**4. Superannuation**

When you pass away, your superannuation is distributed to the person(s) you have nominated in the fund's death benefit nomination. However, this may not be binding on the super fund, and if you haven't nominated a beneficiary this could result in a lengthy process as the super fund trustee needs to decide who gets the money.

Superannuation is also not automatically included as part of your estate. The best way to ensure your super is distributed in accordance with your wishes is to nominate your legal personal representative. Your Executor will then be required to distribute your super according to your Will.

**An estate plan gives you choice and control**

Whilst growing your wealth is one part of a great financial plan, protecting your wealth in the event of your incapacity or death is just as important. Ensuring that your estate plan is in order gives you choice and control in how your affairs and assets will be handled, which in turn benefits both you and your loved ones. If you would like to explore your estate planning options, contact us to get started.

# Ready, Set, Parent – The Roadmap for Preparing for Parental Leave

Parenthood marks a significant milestone in life, and like every crucial life event, it requires careful planning and preparation, especially when considering parental leave.

You wouldn't venture into a dense forest without a map, so why embark on the journey to parenthood without a plan?

Follow our roadmap for preparing for parental leave to make your transition as easy as possible… Are you ready, get set, PARENT!

**Stop 1 - Understanding Your Employer's Parental Leave Policies and Benefits**

In Australia, if you are a permanent employee (full or part time), you are generally entitled to 12 months of unpaid parental leave.

However, each employer will have distinct parental leave policies and benefits. To fully understand these, engage in open dialogues with your HR department early on. By discussing and negotiating your leave terms in advance, you'll have ample time to adjust your plans accordingly.

Be aware of your rights and what you're entitled to during this period. The Fair Work Australian website has a range of information on employee parental leave entitlements, which you can find here - https://www.fairwork.gov.au/leave/maternity-and-parental-leave.

**Stop 2 - Managing Finances During Parental Leave**

Financial management during parental leave is a critical factor often overshadowed by the physical and emotional preparation for a new baby.

Budgeting and saving ahead of time can mitigate the financial stress associated with reduced income during your leave.

Also, make sure you're taking advantage of any available government assistance designed to help with the cost of raising a child. The Services Australia "Raising Kids" website has information about the available payments and services - https://www.servicesaustralia.gov.au/raising-kids.

**Stop 3 - Developing a Support Network**

Parenting, though rewarding, is not without its challenges. Having a reliable support network can make the journey smoother.

Your support network could include family, friends, or professional services like parenting support groups or counsellors.

Don't underestimate the value of having someone to share experiences, seek advice, or even lean on during tougher days.

**Stop 4 - Emotional and Psychological Aspects of Parental Leave**

Adjusting to life as a new parent can be both exhilarating and overwhelming.

The emotional and psychological adjustments you experience are just as important as the physical ones. Be sure to take care of your mental health and wellbeing and don't be afraid to seek professional help if needed.

Returning to work after leave can also bring about mixed feelings. Remember there is no right or wrong way when it comes to parenting, only what's right for you. Plan for this transition and openly communicate your needs with your employer to alleviate any undue stress.

**Stop 5 - Updating Important Documents**

The arrival of a baby signifies a change in your financial circumstances and responsibilities. It is imperative to update insurance policies and estate planning documents to account for these changes.

This may involve adding your child to health insurance policies and your Medicare Card, increasing your life insurance benefit amounts, updating beneficiaries, and writing, or making changes to, your will.

As tedious as paperwork may be, it's a crucial part of ensuring your child's future security.

Planning, communication, and support are the cornerstones of a smoother transition to parenthood. While the journey might seem daunting, with proper preparation, you will be able to enjoy this special time with your new arrival.

So, take a deep breath, tick off each item on this roadmap, and embark on this beautiful journey into parenthood with confidence and excitement.

You're about to become a parent! Congratulations!

# Financial Education for a Successful Future

Think back to when you got your first job and that sweet taste of financial independence. Regardless of what age you started working, it's unlikely you knew how to manage that first paycheck.

Let's face it; our world isn't particularly adept at teaching financial literacy to the younger generation.

I don't know about you, but when I was in school, we learned trigonometry (SOH-CAH-TOA is still permanently etched in my brain), which has been helpful for all the times I've needed to solve the missing sides and angles of a right triangle, but not so much for managing my financial affairs as an adult.

It's time we change that narrative by sparking open, honest discussions about money and giving our young adults the financial tools they need to flourish.

**The Need for Open Discussions About Finance**

Money talk has often been cloaked in secrecy, even considered taboo in some households. This needs to change.

Parents can play an integral role in setting their children up for financial success by fostering an environment where money conversations flow freely. Open dialogue demystifies the world of finance and empowers young adults to make informed decisions.

**Using Positive Language**

As we foster an environment of open discussions around money, it's important to remember that the language we use significantly impacts the subconscious beliefs and attitudes our children will develop.

Just as negativity can breed fear and anxiety, positive language can cultivate a healthy relationship with money.

Instead of saying, "We can't afford this," try saying, "Let's work out how we can save for this." This small shift in dialogue encourages a mindset of abundance and possibility rather than scarcity. It helps young adults view financial challenges as opportunities for growth, aiding them in building a positive and proactive belief system around money.

**Financial Goal Setting**

Goals give us direction and purpose.

Whether saving for a first car, paying off a student loan, or investing in their first property, encouraging young adults to set and work towards financial goals from an early age is a great way to help them build discipline and a future focussed mindset.

It's equally important to celebrate milestones, no matter how small. This positive reinforcement nurtures a sense of achievement and motivation, propelling them further on their financial journey.

**The Essentials of Budgeting**

Ever heard of the saying, "Failing to plan is planning to fail"?

That's precisely why budgeting is so important. Budgeting is not about limiting yourself; it's about making your money work for you.

The 50/30/20 rule, where 50% of your income goes towards needs, 30% towards wants, and 20% towards savings, is a great place to start for young adults because it's simple and gets them in the habit of saving from an early age.

**Understanding and Practising Responsible Spending**

Managing your money doesn't mean you have to miss out on the things you enjoy. It's all about responsible spending.

Need versus want is a timeless debate, but helping young adults to understand the difference is key.

Impulse spending is something that can often sabotage budgeting and saving efforts. A great tip for young adults to help them avoid impulse spending is to implement a 48-hour waiting period for non-essential spending. This allows time to consider whether the purchase is within their budget and aligned with their financial goals.

We're not just equipping our young adults with financial knowledge but empowering them to build a successful financial future.

So, let's keep the money conversations flowing and start helping our young adults build habits that will set them up for financial success. The narrative changes today!

"It takes as much energy to wish as it does to plan"

- ELEANOR ROOSEVELT