Market St. Market Mix

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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.

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Avoid passing bad money habits on to your kids

Generally speaking, we Australians are pretty financially savvy, that is, we understand the how and why of effectively managing our money. Unfortunately, that doesn't mean we're actually putting that know-how into practise and making astute financial decisions.

According to the Australian Bureau of Statistics (ABS), the average Australian household debt has risen by 7.3% (over $260,000) in the 2021-2022 financial year. As of July 2023, Australians were paying $18.4 billion – that's billion with a B – in credit card interest every year.

As parents, we're role models, integral to shaping our children's values and beliefs. Like little sponges, they absorb our behavioural patterns, pick up on signals and mimic our actions.

For us to replace bad money habits with good ones may be a big ask, particularly as they've evolved over the course of our lives. But the trouble is that kids are a cluey bunch, eager to learn from us, and not surprisingly, our money habits are among many characteristics we unintentionally pass onto them.

Of course, we all want the best for our children. But in this busy world, we're pulled in so many directions at once that sometimes it's all we can do to juggle our daily work, family, school and social lives. Who has time to consider the inadvertent messages we could be giving out?

Yet, when it comes to ensuring our children are equipped to build themselves a secure financial future, it's worth the effort, right?

The table below shows a list of good and bad money habits that are commonly passed onto children.

Poor money habits	Good money habits
Impulse buying We regularly make spur-of-the-moment purchases. Additionally, we tend to indulge our kids – we want them to be happy. Impuslive or indulgent behaviour can inadvertently foster in children an attitude of instant gratification, normalising impulse buying.	***Lead by example*** As a family, we discuss the difference between needs and wants. When we see something we want, we walk away and give ourselves a cooling off period to determine whether we genuinely need the item. We encourage our kids to wait for things they want, and suggest that delaying the purchase can lead to smarter choices and savings. When shopping we compare prices and identify items that offer better value.
Not budgeting We don't have a household budget, preferring to manage our money as it comes in. But even though we know what bills are due we often seem to have trouble getting the money together. Sometimes we run out of money before pay day. Not budgeting can engender a culture of living pay-to-pay and children can grow up not understanding the importance of tracking spending and living within their means.	***Family budgeting*** We involve our children in creating and monitoring our household budget. We discuss decisions around allocating money for different purposes so that when our kids receive pocket money or gift money, they can practise budgeting by setting amounts aside for saving, spending, etc.
Credit card misuse We rarely use cash; using a card is fast and convenient. Although occasionally we max the card out we make sure we pay off as much as we can every month. Some months, depending on expenses, we can't manage the full balance.Cards, while useful, can cause children to perceive them as a source of unlimited money.	***No free money*** We have taught our children how to read our card statements. They know how to check purchases against receipts and understand how interest adds to the card balance. We involve our kids in making card payments and explain the consequences of not paying the full balance each month.
Not saving We've never set up a structured savings plan so have little-to-no savings. We'd like to take a holiday or have a nestegg for emergencies but there never seems to be any money left over at the end of the pay cycle. Children seeing parents struggling to save may not learn the value of saving or setting goals.	***Set goals, save*** We stick to our budget and always try to allocate a portion of income towards savings, and encourage our kids to do the same. We get them to set short-term goals like saving for a new toy or book, and long-term goals like an outing or a larger purchase, and then help them create a savings plan to achieve their goals. We make it fun by using a visual chart to track progress and when they reach their goal, we celebrate the achievement, making a special occasion out of buying the item or attending the event.
Failing to discuss We never talk about money with our kids. They have a limited understanding of how money is earned and how we use it. Failing to discuss how money is earned can lead to children not grasping the concept of money as a finite resource, and appreciating its value. Widespread use of credit cards or taking cash from ATMs suggests that money is readily accessible.	***Have the conversation*** We have always been open with our kids about the household finances. We want them to understand that money needs to be earned, and if not used wisely and allocated appropriately, it can run out. We have also provided the opportunity for them to earn pocket money for doing age-appropriate household chores.

If we can make time to examine the way we view and use money, and replace poor habits with good ones, we can positively influence our kids by:

- emphasising the importance of planning early in life,
- encouraging them to make informed decisions,
- empowering them to set goals and work towards achieving them.

As parents we have a limited opportunity to equip our children with tools like, knowledge, confidence and forward planning skills – before they decide they know more than us!

So, by modelling good financial behaviour ourselves, we can instil the habits that will set our children up for a life of financial freedom.

I don't know about you, but if I can achieve that, I'll know that I've done what I can to enable the next generation to succeed and thrive.

What a legacy!

Why financial success isn't just a numbers game!

Money, finances, investments… it is easy to see why, logically, financial success could be considered a numbers game. However, real financial success requires much more than just numbers that work.

It also requires passion, interest, determination, commitment, perseverance, optimism, resilience and more. This is why mindset is such a critical ingredient to the financial success equation.

Here are five steps you can take to improve your mindset and create a more successful relationship with your money today:

1. Determine your Values

When was the last time you thought about what was MOST important to you?

Your core life values are a valuable tool when considering your personal finances. If you are not living (and spending) in alignment with your values, then you might start to feel some dissatisfaction or a sense that there is something missing.

Your values should function as a lighthouse when decision making so that you can make sure your financial decisions, and life, are heading in the direction of those things that are most important to you.

2. Have a Vision

Once you know your core values, the next step is to get clarity on your big picture – AKA your vision.

The key word here being 'your'.

It's easy to get caught up in comparisonitis or 'keeping up with the Jones's', but it's highly unlikely the Jones's have the same values or the same big picture as you… so keeping up with them will only get you somewhere that you never wanted to be in in the first place.

Remember your values and your vision, stay in your own lane, and enjoy the journey towards achieving your own goals.

3. Review your Belief Systems

'Money doesn't grow on trees'. 'Money is the root of all evil'. 'Money doesn't buy happiness'.

You've no doubt heard one or all of these common sayings or beliefs about money.

The belief system of a person or society is the set of beliefs that they have about what is right and wrong and what is true and false (Collins Dictionary 2022).

They are often formed through our experiences when we are children and guide our thoughts and behaviours throughout life.

With such tainted views on money, it is not surprising that many people have a challenging relationship with money.

If you find that you have limiting beliefs around money, it might be time to rewrite the narrative.

4. Find a Healthy Balance

We know from diet culture that having a highly restrictive diet and/or exercise regime is unhealthy and often difficult to maintain.

Balance is key to a healthy lifestyle. The same is true for your budget.

Having an unrealistic budget will only set you up for disappointment, so make sure you are being honest when preparing your budget and strike a healthy balance between living life in the present and setting aside funds for the future you.

This might also include having a reality check around your goals and ensuring these are realistic and achievable.

5. Express Gratitude

Practising gratitude isn't just another new age concept. Positive psychology and the effects of gratitude have been scientifically researched, with most studies finding a link between gratitude and improved well-being.

According to research by Robert Emmons, author of 'Thanks! How Practising Gratitude Can Make You Happier', regular grateful thinking can increase happiness by as much as 25 percent.

Next time you're feeling down about your financial situation, take a moment to acknowledge all of the positives in your life to shift your thinking!

The key to financial success and achieving your goals requires two things - a well thought out financial plan and a strong financial mindset.

What action will you take to get started on improving your financial mindset and creating a more successful relationship with your money today?

Building a passive income

A simple guide from an earlier era suggested eight hours for sleeping, eight hours for work and eight hours for leisure. Nowadays work seems to take up more than its fair share and many people might be seeking a way to maintain or increase their income without increasing their working hours. Creating passive income is one way of achieving this goal.

What is 'passive income'?

Passive income is regular and reliable income that doesn't rely on constant active involvement. In other words, you get paid multiple times for something you only did once. It sounds too good to be true, but it is possible.

There are numerous opportunities of which these are just a few:

- Writing a book, a blog or make YouTube videos.
- Selling services via an online store.
- Investing in property for rental income and capital growth.
- Investing in sound, dividend-paying Australian shares.
- Peer-to-Peer lending.

Obviously some of these options require investment capital while others require time to get them established.

But there is an even simpler way to earn passive income – pay off debt. If you're not paying interest on your outstanding credit card debt every month, that money is all yours!

Online businesses

There are thousands of businesses that are now only web-based and hundreds more seem to pop up daily. And it doesn't have to be a business that sells anything – bloggers can earn mega bucks from advertising. If a site is popular enough, advertisers will gladly pay the owner for space.

Internet gurus espouse that this is the way of the future, however the reality can differ on how many of these businesses are profitable, and just as importantly, how much time is required to make them profitable.

If you don't have the skills to start something yourself and are tempted to buy an existing online service, such as an online store, always exercise caution – particularly if these involve capital investment or expenditure. It's frequently impossible to check on the background of the promoters or what type of security there is for your investment. Always check ASIC's website (www.asic.gov.au) to ensure these businesses are registered and appropriately licensed.

As with any new venture, conduct solid research of existing opportunities or maybe just look around you at what others are doing, identify a need and create something brand new.

It will take time to get things set up but if done right maybe you too can be earning "money for nothing" – well, almost!

Going Once, Going Twice, Sold: Mastering the Art of Property Auctions

Auctions are a high-stakes game, a blend of strategy, psychology, and luck. When multiple bidders are after the same property, it can be easy to get caught up in the excitement.

Unlike traditional real estate transactions, auctions happen quickly and can be unforgiving to the unprepared. The mix of a ticking clock and competitive atmosphere means you could either secure your dream property or, if not careful, end up making a costly mistake.

Here are a few tips to help protect you on auction day and make it an enjoyable experience:

1. Know the Lay of The Land

Understanding the property's value is essential. Take a close look at recent market trends to determine what the property is actually worth. Don't just rely on newspaper listings; consider consulting a certified valuer for expert advice.

2. Keep Your Cards Close to Your Chest

In auctions, knowledge is power. Don't disclose how much you're willing to bid. By keeping this information private, you maintain a strategic advantage and keep other bidders guessing.

3. Timing is Everything

Bidding too early can be counterproductive, especially if the reserve price hasn't been met. The property isn't technically on the market until it reaches this threshold, so try to avoid driving up the price unnecessarily.

4. Understand the Legal Side of Things

It's crucial to consult with a legal adviser to review all contracts and conditions before you begin bidding. Skimping on this step can lead to costly mistakes.

5. Budget Beyond the Hammer Price

Remember, the winning bid isn't the only cost involved. There are additional fees like stamp duty, conveyancing fees, and any immediate repairs or renovations the property may require. Make sure you budget for these extra costs.

6. Watch Your Body Language

Auctioneers are skilled at reading the room. If you appear uncertain or anxious, they'll notice. Project confidence in your gestures and demeanor when placing your bid.

7. Know When to Walk Away

Set a firm budget for yourself and adhere to it. Overbidding can lead to financial stress down the line, so be prepared to withdraw if the bidding exceeds your limit.

8. Post-Auction Protocol

If a property doesn't reach its reserve price, that doesn't mean all is lost. If you were the highest bidder, you may have the first opportunity to negotiate with the seller.

Knowledge and preparation are your best allies in the fast-paced, often unpredictable environment of auction day.

Remember, buying property at an auction doesn't have to be a roll of the dice. With the right approach, market research and auction knowledge, it can be a calculated risk that pays off handsomely.

Happy bidding!

Could rent-to-buy be your key to home ownership?

Jared and Nick met at trade school and immediately became best mates. As first-year apprentices earning minimum wages and still living at home, each wondered how they'd ever afford to buy a place of their own.

Australia's property market is challenging, but for young people just starting out, it can be totally demoralising.

While Jared and Nick would be able to afford rental payments, neither could see themselves scraping a home deposit together.

One day during lunch at trade school, their teacher overheard them lamenting the current housing climate and suggested they consider a scheme known as rent-to-buy. He explained that it's an arrangement they could undertake in partnership. In fact, his daughter had co-purchased her first home through a rent-to-buy plan with her cousin.

Intrigued, the boys met with a mortgage broker to understand rent-to-buy and how it might work for them.

In a nutshell, rent-to-buy is a rental agreement that offers the option to purchase the property at a later date.

It works like this:

1. Find a property for sale whose owner is open to a rent-to-buy arrangement (there are websites specialising in these properties).
2. Have the property independently appraised to ensure the price reflects its current market value.
3. Draft a legal contract outlining:

i. the duration of the rental agreement.

ii. the property's purchase price at the end of the rental period.

iii. the portion of the monthly rent going towards equity in the property.

iv. upfront and/or ongoing fees.

v. the legal understanding between co-purchasers.

Jared and Nick thought the scheme could work for them, however their mortgage broker was quick to point out the pros and the cons of a rent-to-buy arrangement.

PRO'S

✓ The purchase price is agreed upon upfront so the purchaser can plan ahead.

✓ There is no obligation to buy at the end of the rental agreement.

✓ Depending on the agreement, property equity will have accrued.

✓ Purchasers can live in the property before buying.

✓ First home-buyer benefits may apply.

CON'S

× Property fluctuations may disadvantage purchasers.

× The purchasers may be responsible for property repairs and maintenance while renting.

× Rent will be inflated to cover fees.

× A mortgage is required at the end of the rental period. Normal approval terms apply.

× Co-purchasing agreements are complex and legal advice is highly recommended.

× Rent-to-buy schemes vary between states. Understand the laws prevailing in the location of the property.

× Fees are non-refundable.

Ultimately, Jared and Nick went ahead with the scheme, renting a small 3-bedroom house close to schools and transport. They envisaged finalising their purchase three years later, once they'd completed their apprenticeships and were earning higher wages.

Looking further down the track, their little house would work well as a future investment property.

The boys had taken all the right steps. They'd spoken to legal and financial professionals, chosen a suitable property, made a plan and stuck to it.

As a result, by 22 years of age, Jared and Nick were homeowners, proving that with advice, a strategy and know-how, you're never too young to begin planning your financial future.

House-sitting: Explore the world while saving for a home!

Saving for a house? You know how it goes; cut back on dinners out and weekends away, and as for that overseas holiday – forget it! Getting a deposit together while paying rent basically means putting your life on hold.

Or does it?

Imagine travelling the world without accommodation costs. Now, imagine living in Scotland! Outback Queensland! Upstate New York!

Welcome to the world of house-sitting.

In recent years, house-sitting has emerged as a cost effective, and adventurous, way of seeing the world while saving for your own home.

It works like this:

1. Join a reputable online platform such as TrustedHousesitters or MindMyHouse.

2. Complete the profile questionnaire about:

i. who you are,
ii. your occupation,
iii. experience caring for animals.
iv. hobbies,
v. references.

3. Search the platform's listings for opportunities where and when you'd like to travel. Having identified a suitable match, you and the homeowner communicate and agree on the terms.

4. Make your way to the property and complete the house-sit.

Homeowners provide a handbook of emergency contacts, local shops, restaurants, activities, and much more. Some even include use of a car.

In exchange, you mind the property and care for pets. You might also be asked to perform other tasks like watering gardens, collecting mail, etc.

Pros of house-sitting

Besides living free of rent and utilities costs, house-sitting offers benefits like:

- living in residential neighbourhoods and enjoying life as a local.
- pet companionship.
- flexibility of travel destinations and dates.
- experiencing different cultures and lifestyles.

Think it sounds like a win-win? Read on…

Cons of house-sitting

When considering house-sitting, be aware of the downsides, such as:

- **Commitment:** house-sitting is not a care-free holiday. You're responsible for someone else's property and pets. You'll be expected to manage any problems that arise, including pet health issues.
- **Duration:** assignments may range from a few days to a couple of months. If you can't commit to the entire stay, you must be upfront with the homeowner before accepting the assignment.
- **Calendar:** assignments generally don't connect seamlessly; ensure you have alternative accommodation between house-sits.
- **Have a Plan B:** assignments cancelled or changed at short notice can disrupt your travel plans. Flexibility, including alternative accommodation, is essential.
- **Competition:** popular locations can attract interest from numerous house-sitters. Homeowners will select the house-sitter they feel is most suitable for their assignment.

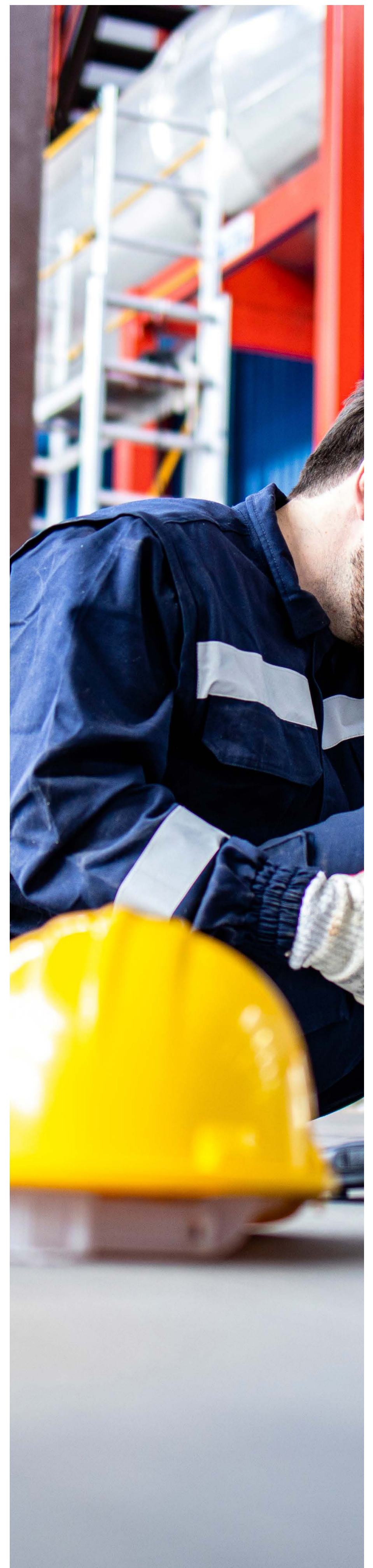
House-sitting, as a ticket to experiencing an inexpensive and varied life, speaks for itself.

If you can work from home, you love interacting with animals and you're keen to travel, how much could you save towards your own home if you didn't have rent or utilities bills?

What if you chose house-sits close to home? Think: no travel costs, continue working as normal, staying close to friends and family. How quickly would your savings grow then?

So, if you're feeling home-ownership slipping beyond your reach, house-sitting may well be the financial break you're looking for!

Is Worker's Compensation Enough?



No matter what kind of job you have, there is always a possibility of falling sick or getting injured, regardless of the type of work you do.

That's why every Australian workplace has a health and safety obligation to provide a safe work premises, assess risk and have workers compensation insurance.

What is worker's compensation?

Worker's compensation is a form of insurance payment paid to employees if they are injured at work or become sick due to their employment. Payments may cover:

- wages while you can't work
- medical expenses and rehabilitation costs

The injury or illness must be work-related to receive worker's compensation benefits.

Protection at work

A report released by Safe Work Australia in 2023 showed:

- 3.5% of the working population experienced a work-related injury or illness in 2021-2022 (497,300 workers)
- Only 31% of workers received any form of workers' compensation for their injury or illness

Whilst worker's compensation offers some level of protection, it still only protects you for injuries or illnesses that occur at work or as a direct result of work – and then any claim made must meet eligibility requirements. Entitlements and eligibility for payments vary from state to state in Australia.

If you suffer from an injury or illness that does not qualify for a workers' compensation payment, there's a real possibility that you could be left without income to support yourself and pay for the costs of the medical condition.

(An important side note - If you're self-employed, a sole trader or an independent contractor, you may not be covered under any worker's compensation scheme, in which case you will need to organise your own protection.)

The best way to cover the gap

While worker's compensation is beneficial, it may not provide enough financial support for you and your family, even if you have a successful claim.

Considering that the vast majority of Australians suffer from injuries and illnesses not related to work, relying on worker's compensation alone may leave you short on financial protection.

So, how can you ensure you have the best safety to protect yourself when you can't work?

Income Protection

Income Protection goes to work when you can't and can cover you for well beyond what worker's compensation may provide.

- It replaces your income if you suffer from any sickness or injury, both at work and outside of work
- It covers you for both temporary or permanent disability
- You're covered 24/7, worldwide;
- You can generally get cover if you're an employee, contractor or self-employed
- Premiums are generally tax-deductible
- Policies can be tailored to meet your specific needs

Although worker's compensation might provide some coverage for injuries and illnesses sustained at work, including Income Protection in your personal protection plan can give you peace of mind knowing that you're covered in various situations, both at and outside of work. This way, your ability to earn an income will be secured.

If you want to explore your options for Income Protection, get in touch with your financial adviser today.

Career Breaks: What you need to know before you go!

In today's fast-paced world, it's becoming increasingly common for people to take a break from their careers to focus on other areas of their lives such as spending time with family, pursuing further education, or simply taking a break to rest and recharge.

But, before waving goodbye to your job, it's important to consider how this decision will impact your finances.

Why take a career break?

There are several reasons why you may choose to take a career break:

- **Family Responsibilities:** to care for family, especially in the early years of parenthood, or during times of illness or caregiving.
- **Personal Health and Well-Being:** to focus on health, long or short-term illness or well-being.
- **Pursuing Further Education:** pursue higher education or acquire new skills to advance career prospects.
- **Relocation or Travel:** to relocate to a different place, or the opportunity for extended travel experiences.
- **Career Change or Sabbatical:** to explore other opportunities, transition to a new field, or take a sabbatical to recharge and re-evaluate career goals.

Impacts of Career Breaks

Even a short career break can have a significant impact on an individual's life. These may include:

1. **Financial Impact:** career breaks mean a reduced, or complete loss of, income. This can affect financial stability, requiring budget adjustments and careful financial planning.
2. **Career Progression Delay:** an individual's career progression may be delayed, as they may miss out on promotions, raises, and opportunities for skill development.
3. **Reduced Network and Industry Connections:** maintaining a professional network can be challenging, which could limit access to job opportunities and industry insights.

If you're out of the workforce for an extended period, there may be longer-term impacts. Extended career breaks may result in:

1. **Skill Development:** skill gaps or outdated knowledge. In rapidly evolving industries, this can make it difficult to catch up.
2. **Retirement Savings:** the loss of income and contributions to superannuation can lead to lower savings and a delayed retirement age.
3. **Confidence and Professional Identity:** taking a career break, especially if it's unplanned or extended, may impact an individual's confidence and professional identity.

While there are numerous potential impacts, many people successfully navigate these challenges and find ways to re-establish themselves professionally. Planning ahead, continuing education, networking, and maintaining industry connections will help mitigate some of these effects.

How to minimise financial strain during a career break

The impact on cashflow is often front-of-mind for people considering a career break, and for good reason. However, careful planning across these key areas will help minimise the financial effects:

Budgeting & Saving

- Save money in advance of your career break. The more you save, the better your financial cushion will be.
- Create a detailed budget that shows your current expenses and identifies areas where you can cut back.
- Build an emergency fund of around three months' income to cover unexpected expenses.

Debt Management

- Minimise or eliminate high-interest debt, such as credit card debt, before your career break.
- Consider consolidating or refinancing loans to lower interest rates to reduce monthly payments. Consider the loan type (e.g. principal and interest, or interest only) and the appropriateness of an offset account.

Return-to-Work Plan

- Develop a plan for re-entering the workforce, including job search strategies, networking efforts, and skill development.
- Explore part-time or freelance opportunities during your break to maintain some income and keep your skills sharp.

Career breaks offer invaluable opportunities for personal and professional development. But, without sound financial management, they can also pose significant challenges.

Before you make any decisions, talk to your financial adviser to ensure there aren't any hidden financial consequences you haven't planned for.

What does a recession mean for me?

A recession is more than just a buzzword that gets thrown around by the media.

A recession represents a significant decline in economic activity that can span months, even years. Think of it as the winter of the economic cycle - cold, challenging, but not permanent.

It's often marked by tangible shifts in key economic indicators such as GDP, employment, income, and consumer spending. From high inflation rates to increased consumer debt, reduced spending, or global events like pandemics, various factors can set the stage for a recession.

You might be thinking… "Yeah, but what does a recession actually mean for me".

So, let's delve into the heart of a recession through the experiences of Sarah, a young professional in Sydney.

Fresh in her career, Sarah was excited about her future prospects. But as the first whispers of a recession began, she noticed subtle shifts in her surroundings.

The Job Landscape:

Sarah's colleague, James, was a vibrant professional, always the first to arrive and the last to leave. But, as the company grappled with the economic downturn, James, along with several others, faced reduced working hours.

It's a common scenario during recessions. Companies, in a bid to cut costs, might reduce hours or even lay off employees, which can lead to income instability for many households.

Consumer Confidence:

Sarah's weekend shopping sprees with her friends became less frequent. The group, once carefree spenders, now considered every purchase. Dinners out became home-cooked meals, and the latest gadgets? Well, they could wait.

The uncertainty of a recession often makes consumers hesitant, especially when it comes to non-essential items. This pullback in spending can further exacerbate the economic downturn as businesses see reduced revenues.

The Housing Market:

One evening, Sarah overheard a conversation at a local café. A couple discussed the challenges of selling their home in the current market.

Recessions can lead to decreased property values, making it a buyer's market. And with many struggling to meet mortgage payments, homeowners could be either forced to sell or be placed into foreclosure.

Small Business Challenges:

The café itself, a favourite haunt for Sarah, faced its struggles and eventually had to close its doors.

Small businesses, often operating on tighter margins, can find it challenging to weather the economic storm of a recession. They might not have the financial reserves of larger corporations, leading to potential closures.

Credit Constraints:

Dreaming of buying a new car, Sarah approached her bank for a loan. But she found that the criteria had become much stricter with banks tightening their purse strings.

During recessions, banks and financial institutions might become wary of lending, making it harder for consumers and businesses to access loans or credit.

Stock Market's Unpredictability:

Sarah's parents, nearing retirement, watched with bated breath as their investments fluctuated.

The stock market often experiences high levels of volatility during these times, impacting investments and retirement accounts.

For many of us, these scenarios might sound all too familiar, having lived through job uncertainties, shifts in spending habits, and market volatilities during the most recent recession triggered by the COVID-19 pandemic.

But here's the silver lining. Recessions, while challenging, also offer lessons in resilience and adaptability.

Sarah, for instance, honed her budgeting skills, networked more, and used the time from her reduced working hours to explore entrepreneurial ventures, diversifying her income sources.

By understanding the intricacies of a recession, individuals can better prepare and navigate its complexities, ensuring they're in a stronger position to face economic uncertainties.

Charting a course to financial recovery

Australian Bureau of Statistics, (ABS) figures indicate that between 2017-2018 and 2019-2020 total average household debt rose from $190,000 to $204,000.

That's an increase of over 7% in two years!

The reasons why would make for an interesting study, however a more pressing question might be what can we do about it?

Combine high levels of debt with rising interest rates and a cost-of-living crisis, and it's no surprise that Australian households are reaching out to Debt Management (DM) companies to help regain control of their finances.

DM companies are private organisations that can assist by:

- consolidating and simplifying multiple debts,
- helping to develop a sensible repayment plan,
- negotiating with creditors to:
- alleviate pressure on householders, and
- satisfy creditors' immediate payment concerns.

Sometimes, DM companies repay your debts – to a specified limit – and you repay them under a single loan arrangement. Terms and payment amounts can be negotiated, offering a beacon of hope and a sense that you're taking back control.

If this sounds like the perfect solution, remember that for every pro, there's usually a con. For example:

- Engaging a DM company may affect your credit score. Though you're making regular repayments, closing or restructuring accounts may be recorded unfavourably on your overall credit history.
- Fees and charges apply. DM companies are not charities. Costs may include setup and monthly fees, usually calculated on the total debt being managed. Fees are added to the overall debt which magnifies the financial difficulty.
- Generally structured and inflexible, DM plans require adherence to a strict payment schedule. This can be stressful if income fluctuates or unexpected financial situations arise.

While weighing the pros and cons of a DM service, here are a few do-it-yourself strategies for consideration.

Budgeting

Creating a budget is a 3-step process.

1. List your income and expenses, (debts, rent/mortgage, food, medical, utilities, entertainment, eating out, etc.). For debts, include:

i. amounts owed

ii. minimum monthly payments

iii. due dates

2. Categorise spending into a) Needs (can't live without) and b) Wants (nice to haves).

   Now look for ways to reduce spending; be honest, do you really need two coffees each day?

   The government's Moneysmart website lists easy ways of cutting back everyday spending.

3. Allocate saved money to debts. Identify which one/s to pay first, e.g., prioritising those attracting higher interest, like credit cards.

Negotiating

Rather than customers defaulting, most banks and utilities companies prefer to negotiate repayment terms, sometimes even offering assistance programs.

The key is to reach out before it's too late. Be upfront about your situation and willing to arrive at a mutually beneficial arrangement.

Remember, nobody wins when debts are not paid.

Government assistance

The Australian government provides a range of financial assistance packages and interest-free loans depending on circumstances. These include crisis payments for unexpected situations, and income support payments for cost of living expenses.

Of course there are conditions, but further information, including application criteria, is available from the MyGov website.

Financial counselling

Financial counsellors help you understand your financial position and assist you to navigate your way out of difficulty.

Some local communities offer free, or low-cost, financial literacy programs, aimed at providing education about money and debt reduction.

Everyone's financial position is unique. There's no one-size-fits-all, so it's important that your action plan is specific to your needs and that you're 100% comfortable with any decisions you make.

If you're uncertain, seek the assistance of a qualified financial planner.

What's crucial is that you do something; being proactive is empowering and sets you on the path to financial recovery.

Stability vs Freedom - The Evolution of Housing Choices

The image of a standalone family home, a spacious backyard for the kids to play, and a barbecue area for weekend gatherings was once the status symbol of society; an indicator of success and stability for all that held the title (deed).

But, has this dream now been retired to its resting place in the local antique store, alongside the black and white televisions, typewriters, and telephones with cords that once lived inside these homes?

The post-war era saw Australia rebuilding and reimagining its future.

Owning a home became more than just a need; it was a symbol. It influenced family dynamics, career trajectories, and even the layout of our cities. Suburbs sprawled, and the housing market boomed, fuelled by this collective aspiration.

The Modern Australian – A New Dream Emerges:

As the world shrunk with globalisation, Australians were exposed to diverse lifestyles. Cities became melting pots of cultures, ideas, and aspirations.

The rise of remote work, the allure of freelancing and the gig economy, and the charm of being a digital nomad (#laptoplifestyle) meant that, for many, being tied to one place became less appealing.

The value shifted from owning a patch of dirt to experiencing all that life and the world has to offer – be it a jazz bar down the lane, a pop-up art exhibit, or the freedom to pack up and travel on a whim.

As a result of this new trend, more and more individuals are now choosing freedom over stability, renting for life over buying a home, or investing over paying off a mortgage.

This shift in mindset is not just a fleeting trend but a conscious lifestyle choice for many. But what drives this decision, and is it the right one for you?

Pros of Renting for Life:

Flexibility and Mobility: One of the most significant advantages of renting is its flexibility. Without being tied down to a mortgage or a specific location, renters can easily move cities, neighbourhoods, or even countries. This mobility is especially beneficial for those whose careers require frequent relocations or those with a wanderlust spirit.

No Maintenance Hassles: Owning a home comes with its fair share of responsibilities, from fixing leaky roofs to mowing lawns. Renters, on the other hand, are often free from these burdens, with maintenance issues typically being the landlord's responsibility.

Financial Flexibility: Without the commitment of a hefty down payment and ongoing mortgage repayments, renters often find they have more disposable income. This can be channelled into investments, travel, or other life experiences.

Cons of Renting for Life:

No Asset Accumulation: One of the most significant drawbacks of renting is the lack of asset accumulation. While homeowners build equity in their property over time, renters do not have this advantage. The money spent on rent does not contribute to an investment that can appreciate over time.

Lack of Stability: Renting can sometimes mean a lack of long-term stability. Leases can end, rents can increase, and there's always the possibility of needing to move on short notice. This becomes particularly relevant in our latter years when our ability and/or desire to be mobile and flexible has likely lessened.

Limited Personalisation: Renters often have restrictions on how much they can personalise or modify their living space. This limitation can be a drawback for those who wish to make a space truly their own.

The decision to rent for life or pursue homeownership is deeply personal. It depends on individual priorities, financial situations, and life goals. While renting offers unparalleled flexibility and freedom, homeownership provides a sense of stability and long-term investment.

Ok, so maybe it's a little soon to be retiring 'The Great Australian Dream' just yet.

While this dream is still alive for many, it's important to recognise that it has competitors - new dreams shaped by modern values, aspirations, and global influences.

Neither is superior; they're simply different paths to the same goal – a life of fulfilment, joy, and contentment.