Money School

Identifying financial opportunities to survive and thrive

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for Future Proof

FutureWomen

For this session,

please either print the document so you can handwrite your answers or save on your device so you can type them in. If you opt for printing, please have a pen and two different coloured highlighters handy.

Taking Stock

CURRENT ECONOMIC CONTEXT

It looks like we've come through our first recession in 30 years, but many questions still remain about whether Australia's economy is fully recovered or artificially buoyed.

You could expect:

- Interest rates to rise as inflation rises (which looks likely with so much stimulus)
- More employment certainty
- Upward pressure on housing and share prices
- …or another economic dip (got your crystal ball handy?)

The short, sharp recession and quick recovery is showing positive signs, but the recovery is not evenly distributed. Sectors still heavily affected by COVID restrictions and specific locations (e.g. Melbourne) continue to suffer, and women under 35 have not had as much bounce-back as those over 35. With so much stimulus and a slow vaccine roll-out, there's still some uncertainty around how stable the economy will be in the next one to two years.

WHAT THE CURRENT ECONOMY MEANS FOR YOUR PERSONAL FINANCES

What might have changed for you already, or might change in the near future?

You might see:

1. Changes to your **income stream:**

- Those in jobs seeing less demand might earn less, though they may also be supplemented with support like JobKeeper.
- Those in jobs with surging demand might earn more (lucky them!)

2. Changes to how much **tax** you pay and **voluntary super** you contribute

- Most likely a reduction in tax, though you don't get what you've already paid back until you submit your FY21 return
- Voluntary super would drop if you have less income, as you'll need more of that to survive right now

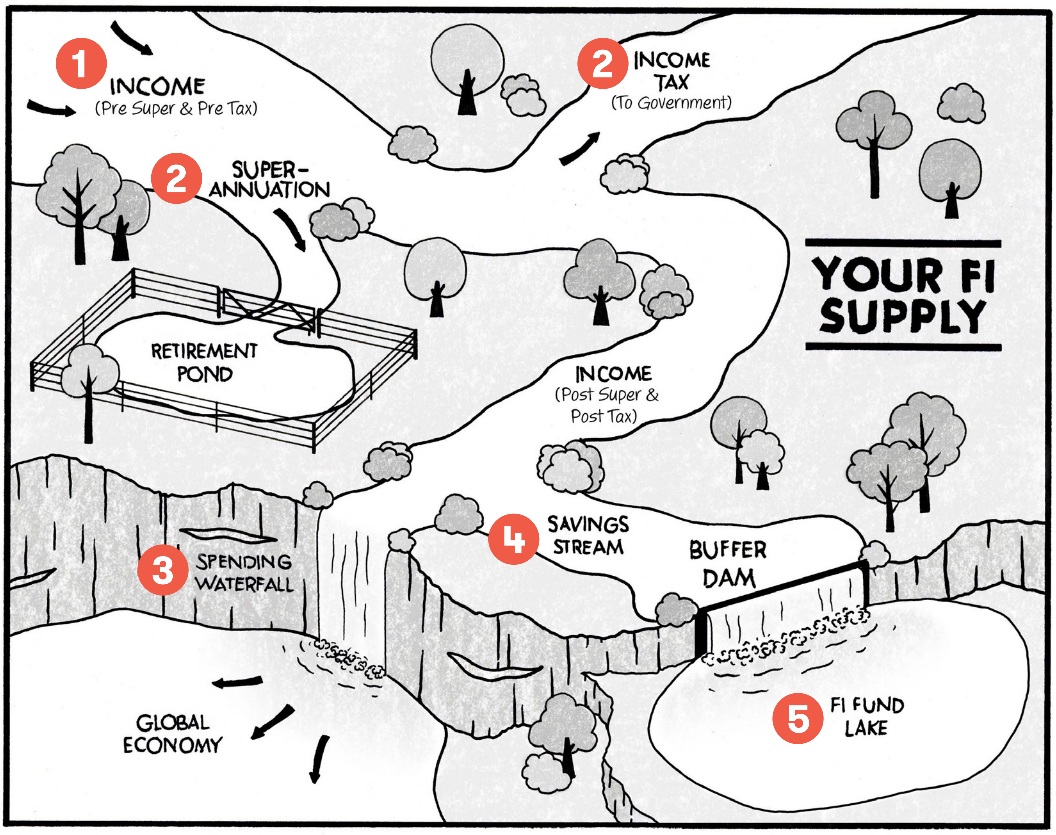
Taking Stock

3. Changes to your **spending**:
- For example, $600+ power bill rebate in WA. Lovely surprises, that could be used well.
- Increased outgoings related to home office (equipment, internet etc)
- Decreased outgoings related to staying home more (car and transport costs, eating at home etc)

4. Changes to your **saving**:
- You might have depleted your buffer fund to get through a tight period.
- You might be saving more/less depending on your income and spending impacts.

5. Changes to your **investing**:
- Perhaps you joined the masses investing for the first time.
- Is your superannuation investment mix suitable?
- Asset performance might change - property and share values could be going either way, depending on what you own.

Everyone's personal financial situation is unique, so consider these in the context of your life.



Credit: Money School, page 30

Taking Stock

ACTIVITY 1: Your current situation

Write down what's changed for you:

- in the last six months,
- what's happening right now, or
- you know will be changing in the next 1-2 months.

1. What's changed regarding your **income?**

2. What's changed regarding your **tax and voluntary superannuation contributions**?

Taking Stock

ACTIVITY 1: **Your current situation**

3. What's changed regarding your **spending**?

4. What's changed regarding your **saving**?

5. What's changed regarding your **investing**?

Looking Forward

Predicting the future isn't possible, but we can make some 'best guesses' regarding our own situations. In fact, we need to, so we can plan for the future.

Let's make a couple of assumptions to make this part easier:

- The COVID-19 vaccine is slow to roll out, so international travel doesn't resume till 2023.
- The economy continues to recover, with rising housing and share market prices.
- Interest rates rise to 0.25% in the next year (so your mortgage rate goes up).

Looking Forward

ACTIVITY 2: What do you think might happen in the next year for you?

Given what's happening now, and given we're likely to see the economy remain sluggish for a while, what do you think might happen in the next 12 months for your financial situation?

These could be good or bad effects – remember, your personal finances are personal to you, and will be different from everyone else's.

1. What do you think might change regarding your **income**?

2. What do you think might change regarding your **tax and voluntary superannuation contributions**?

Looking Forward

ACTIVITY 2: **What do you think might happen in the next year for you?**

3. What do you think might change regarding your **spending**?

4. What do you think might change regarding your **saving**?

5. What do you think might change regarding your **investing**?

Risk management

Risk management ideally starts well before things go wrong, and in this context it's with the aim of minimising any financial downsides you experience.

Risk management has two parts:

Prevention: What can you do to stop something going wrong?
Mitigation: What can you do to lessen the impact when something goes wrong?

You can have both types of responses in your plan.

For example, if you think there's a chance you'll lose your job, you could:

- Prevent that happening by proactively retraining for another industry and/or seeking a more secure employer in your current industry.
- Mitigate the impact if it does happen by having a decent buffer fund set aside while you search for more work and/or being ready to apply for any assistance (e.g. JobSeeker) as swiftly as possible.

Risk management

ACTIVITY 3:
Your risk management plan

Look at your answers to Activities 1 and 2. Highlight the items that have financial downsides.

Pick your Top 3 risks – the ones that keep you up at night, or will have the biggest negative impact.

For each of those risks, write down how you could prevent and/or mitigate them.

Risk 1:

I could prevent this happening by:

I could mitigate the impact of this happening by:

Risk management

ACTIVITY 3:
Your risk management plan

Risk 2:

I could prevent this happening by:

I could mitigate the impact of this happening by:

Risk management

ACTIVITY 3:
Your risk management plan

Risk 3:

I could prevent this happening by:

I could mitigate the impact of this happening by:

Grabbing Opportunities

Along with things potentially going wrong, there may be some chances to improve your financial situation.

For example:

- Most providers for your fixed costs - rental agents, banks, power, gas etc - are prepared for cost reductions. You could be negotiating with any of them to get better deals.

- You may be one of the lucky ones with more discretionary income. Can you put that to good use, for example paying down debt and/or starting to invest?

- Grants, subsidies and incentives have been increasing. Are there ones that suit you?

Grabbing Opportunities

ACTIVITY 4: your opportunities

Looking back over your answers to Activities 1 and 2, are there items that could make your financial position better?

Highlight them (in a different colour than you used for Activity 3) and write your plan to grab those opportunities available to you.

Pick three you think are most achievable for you, or could lead to the biggest gains.

Opportunity 1:

The impact of grabbing this opportunity would be:

Steps I would need to take to make this happen:

Grabbing Opportunities

ACTIVITY 4:
your opportunities

Opportunity 2:

The impact of grabbing this opportunity would be:

Steps I would need to take to make this happen:

Grabbing Opportunities

ACTIVITY 4:
your opportunities

Opportunity 3:

The impact of grabbing this opportunity would be:

Steps I would need to take to make this happen:

Thank you!

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