

6 Common Money Mistakes

People make between 40 and 55 years old.
(And how to avoid them)



Ben Graham-Nellor
Smart Happy Money

6 common money mistakes people make between 40 and 55 years old.



Ben Graham-Nellor breaks down some of the mistakes people make with their finances at one of the most important times in their lives. Easy to read and full of tips, I would recommend this book to anyone looking to improve their financial position.

Chris Michell : 45 year old.

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In 2006 I decided to strike out on my own and begin a financial planning practice. My desire at that time was to help people save for their retirement and make sure that if they passed away, their families were protected through life insurance. It has been a wonderful journey through these years as the business has grown from just me, sitting at a small desk in a corner at home, to the company we have today with multiple offices, a team and a fantastic group of clients that we love working with. As the years have gone by, the financial service industry has changed a lot and so have my goals for my financial advice business. While retirement saving and insurance management is still an important part of what we do, our scope has widened. We believe that financial planning has moved from portfolio management to more of a coaching role. We love to work alongside clients, helping them learn and grow as we focus not only on their account balance, but their lifestyle goals.

We ask, what do clients want to achieve in their lives, and how do they achieve those things?

Unsurprisingly, not many people walk into my office with the goal of having a million dollars in super, they rarely come in with any goal that focusses on an account balance at all. They are more likely to want to be able to travel in retirement, or save for a house, or put themselves in a position where they would consider themselves to be financially free. More and more we are coming across people who look at the way they use money and think 'there must be a better way to handle this'. Their goals are developed in the real world and applicable to their everyday lives.

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Over the years our financial planning philosophy has moved away from just portfolio management into a holistic area of advice, helping clients reach their goals and holding them accountable to the actions they agreed to take. This form of advice puts the client first. The portfolio management and day to day administration of the clients' funds still makes up an important part of our work, however when meeting with a client, we talk less about a 12 month return and more about progress towards their goals. This way we can celebrate wins and make adjustments whenever necessary.

Does that sound like the right kind of financial advice for you? Let me introduce Smart Happy Money.

Smart Happy Money are at the forefront of modern financial advice, to empower you to achieve success through financial coaching and strategic advice.

Why Smart Happy Money?

SMART

Being smart with your money starts by making good choices. Simple things like spending less than you earn and investing the rest, knowing what is coming in and what is going out and having a plan in place to deal with the unexpected. We help our clients make smart decisions with their finances and we partner with them to review these decisions because we understand that life is full of changes.

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HAPPY

Financial stress is a huge problem in Australia. We believe that having a plan for your money will lower the level of stress in your life. In addition, we encourage the use of investment funds that take into account their impact on the world, which we think is a great long term investment strategy as well as the right thing to do. Combined, these things create a happier planet and a happier you.

MONEY

Money is more than just dollars and cents. It is the tool we use to live our lives. This is why our advice reaches beyond portfolio management, focussing also on your personal lifestyle goals. We offer a holistic service that empowers you to achieve your goals and dreams.

All of these aspects tie into our mission which is *to educate and advise people today, to improve their tomorrow*. We believe that we can make a positive change in people's lives and in our community.

We are committed to a better way of financial advice. We continue our commitment to education through free or highly subsidised money management courses held at local community houses. We hold a membership with the PFAN, a pro-bono financial planning network, giving advice to those who need it but find themselves unable to access it through the regular channels. And of course we commit to work alongside our clients to achieve their goals and dreams.

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Why have I produced this booklet? Well, through the years I have noticed that many people have made the same mistakes, especially between the ages of 40 and 55. The knowledge in this booklet is a collection of what I have learned through the years, with the hope and intent that it may save you the trouble and heartache of making these same mistakes in your own financial life.

You could read this booklet and walk away with the knowledge you need to avoid these common mistakes - that would make me very happy. If you want to go a little further and really set yourself up for success, read all the way to the end where I talk about our process and how we can help you define, plan and achieve your lifestyle goals and dreams.

Enjoy.

Ben Graham-Nellor. Director. Smart Happy Money.



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Money management today.

Arguably, money has never been such a complex and vital issue as it is today. From housing affordability to the rising cost of living, money management has never been more important.



While we see the cost-of-living rise each and every year, we also see wages stagnate. This means that while everything you want and need costs more, you are earning comparatively less. It's a very difficult position to be in. It also means that you cannot get through your life successfully without having some kind of a plan in place to manage your money. It's not a question of whether you should, it is a question of whether you will.

Everybody has a plan for their money. Some people ignore the future, spend everything that they earn (plus more) and refuse to set targets and goals. This is a plan of failure, but it is still a plan.

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I have aimed this booklet at people between the ages of 40 and 55, although the info in here would be useful to people of all ages. Why have I chosen these ages? Well, between the age of 40 and 55 money management can be make or break. Usually, you are entering a higher income earning period of your life. You may have partnered up, you could have kids. You are dealing with a mortgage or rent, rising living costs, school fees, having to buy healthy food (boy, that can be expensive) and paying back your HELP debts. Plus, you are facing the increasing pressure to be 'keeping up with the Joneses', because after 40 you are 'supposed' to start being responsible and financially successful.

It is probably also the time when you start to consider what life might be like after work. How is your retirement going to shape up?

Add to all these questions - COVID19, recessions, a volatile financial market, uncertain job security and some crazy political times, and you will agree with me that figuring all this out can be a daunting task.

It is probably time to start to plan, to think about planning, and to plan. It might come as baby steps, but you can do it. Let's start together with 6 common money mistakes people make between the ages of 40 and 55 that you should, and can, avoid.



6 common money mistakes people make between 40 and 55 years old.

The mistakes

Between the ages of 40 and 55 you will make financial decisions that will affect you for the rest of your life. Let's look at some of the common mistakes people make during this important time.

1: Not planning for emergencies

No matter who you are, or what you do, at some point you will face an emergency. Maybe your car blows up at Christmas time, maybe a family member gets sick interstate or overseas. Are you financially prepared for this?



Emergencies, large and small can cost a lot of money. Car repairs, appliance replacement, and emergency travel, just as some examples, can throw your time and budget into disarray. Saving an emergency fund can help you be prepared. This is a sum of money, in an account you can access within 24 hours, that you only touch if you face a financial emergency.

What about a cheap flights to warm beach somewhere? No, that's not an emergency. We are talking about costs that are outside of the everyday. Things that pop up and become difficult to deal with.

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How much should you save? Well, that changes from person to person. You should consider the balance between your personal needs and comfort level to find an amount that suits.

“Can’t I just use my credit card?” I hear you say. Well, let’s assume that you need \$3000 and that you use a credit card for this emergency. Let’s also assume an interest rate of 18% and that you will pay back the minimum repayments. Did you know that by the time you have paid it back, you will have spent \$9521 and taken 25 years!

A credit card is not an emergency plan.

An emergency fund can give you peace of mind if something out of the ordinary pops up in your life. It is one of the building blocks to financial security.



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2: Using debt to fund a lifestyle

Does your debt increase each year to fund your dream lifestyle?

Over the years, household debt as a percentage of income has been rising. Between the ages of 40 and 55 people feel increasing pressure to prove their success by the lifestyle they lead. Someone who drives a \$100,000 sports car or lives in a huge house might be considered 'financially successful' by others. However, many times these purchases are funded through debt and say nothing about the person's actual financial success.

These days, with social media, it is even more important to remember that what you see online is not necessarily the truth. Sure, it's nice to see people on Instagram driving expensive cars, lying by the pool and just living 'their best lives' but behind these pictures may just be inherited wealth or huge debt.

Using debt to compete with society in 'keeping up appearances' is nothing new. It has gone on forever, it's how lots of companies make a profit. *Why save and wait when you can have it now? Why not finance it? You can take it home today, pay for it later.* It's all very tempting.

I was recently online purchasing pants (very exciting I know) and the website offered me the option to finance them and pay them off in 4 easy payments of \$7. Everything is financeable, but should you do it?

Living a life that suits your income is important. To 'spend what you need and invest the rest' is a basic principle that can set you up for success.

Avoid making the mistake of using debt to finance a lifestyle you want, or you may never have that lifestyle at all.

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3: Not having a..... I'm going to say it..... BUDGET.

'Spend what you need and invest the rest' I said it earlier, but how do we spend what we need?

Can I use the big scary B word? It's time to talk about budget. One of the most common mistakes I have seen people make is not budgeting their income to allow for stability and growth. Many people have no idea at all how much money comes in and goes out of their accounts on a weekly basis. How can anyone be expected to save, invest or grow if they don't have the data to set a plan?

There are many types of budgeting and there is no right or wrong. Different people respond to different strategies. From putting cash into envelopes for each individual expense to using broad figures to get a rough idea, the important thing is that you have a plan and you know where your dollars are going.

A simple method is the 50/20/30 rule of budgeting where 50% goes on your fixed costs, 20% to your financial goals and 30% to your lifestyle expenses. Often people find this to be an easy and effective way to manage money.

The first step is to find out where your money goes now. Write it all down so you can see where and how to plug your leaks. As you get further into your career and your income rises, your budget will assist you to redirect extra funds into something that will grow, helping you to reach your financial goals.

Want more info on the 50/20/30 budget? Email me at ben@smarthappymoney.com.au for more.

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4: Putting super in the too hard basket

If I had a dollar for everyone that said '*I don't understand Superannuation*'!

Super is a complex system, luckily you don't need to know everything about it (that's why we are here) but it is worth your while getting to know the basics.

Firstly, superannuation is actual money, and your super belongs to you. You should pay attention to it. Super is also a tax structure, it allows you to invest for your future and get tax breaks at the same time. The trade-off is that you can't access it until you reach 'preservation age' (usually around retirement).

Between the ages of 40 and 55 you are in a great spot. You are young enough to be able to take advantage of long-term investing, because retirement is usually a long way off, but you could be advanced enough in your career to be earning good money and probably, can find some extra dollars to put towards your future.

We help our clients to sort out their super, consolidate and invest in a diversified, cost-effective portfolio that suits them and their needs.

It's not that hard to get on top of your super, it's your money and, one day, you will be happy you took some time to sort it out.

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5: Not growing an income producing asset

Don't miss out on a second income.



This is the third time I'm going to say that its often a good idea to 'spend what you need and invest the rest'. Growing an income producing asset (outside of super) will allow you to increase your net worth over time and start to produce a passive income, that is an income that you earn, but do not physically work for.

Many people never consider putting a little something extra aside. Their lifestyle expenses increase at the same rate that their pay does, this is a mistake.

Build an asset that will one day produce an income.

It takes time to build up this kind of asset, so the sooner you start, the better.

Now is not the time for us to go into what you should invest in, that's a conversation for another day. Today I'm telling you to consider the need to do something, to grow something, to secure your financial future with something.

I want you to put your money to work, not allow it to disappear into the never-never. You will be glad that you did.

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6: Not prioritising time to plan.

You are too busy not to take the time to plan.

Just like a fitness program, getting your finances sorted takes some time and effort. However, you shouldn't view this as a waste - it is an investment. Initially, if your finances have been neglected or are in disarray, you may need to put in a good amount of time to get them sorted. Once on track, putting aside a few hours each month to review and plan your finances is probably sufficient.

It doesn't have to be boring. As you regain control and begin to see changes, you may actually begin to look forward to it. Watching your figures and keeping a track of your goals is all quite satisfying. I can promise you; you will feel better for it.

If you don't plan, it's likely going to cost you down the track. Trying to pull everything together at the point of retirement is stressful. Add to that the benefits you may have missed out on over the preceding years.

Take the step and organise some time to get your finances sorted.

The best solution to avoid these mistakes....



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An advisor, a coach and a friend.

Have you ever wondered why successful sports people have a coach? They understand that to reach their potential they need to have someone who is alongside them, encouraging, advising and holding them accountable.

That's what Smart Happy Money does.

As I said earlier, our mission is to *educate and advise people today to improve their tomorrow*. That is our goal. To do this, we work alongside people to set, refine and reach their goals.

Advice

We provide financial advice that is based around the lifestyle and financial goals of our clients. This may include portfolio construction, regular savings, investment and super contributions.

It could be a debt reduction plan, dealing with a redundancy or managing an inheritance.

There are so many areas of our lives affected by money, that's where our advice comes in. We build a roadmap for you to help direct you to a successful financial future.

Coach

With a plan in place, it is important to stick to it. How do you avoid making the mistakes we have discussed in this document? We work together as a team to keep you on the right track.

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As your coach it is our job to encourage you, follow you up and tell you the hard truths, should that be necessary. We help you to stay on track and keep your eye on the goal that you have set for yourself and your family.

Just like a sports person needs a coach, we help you to achieve your potential.

Friend

We build long term relationships with our clients. We work alongside them through life's ups and downs. We act as a sounding board with new or changing plans and goals, and we help you to adjust strategies as necessary.

In hard times, we help you stay the course because we know that you deserve to reach your goals.

How does it help?

In the IOOF 'True value of advice' study (2015)¹ it was found that those who receive ongoing financial planning advice experience:

- 13% greater levels of overall personal happiness
- 21% overall increase in peace of mind
- 19% less likelihood to have arguments with loved ones.

Conversely, those who don't receive financial advice were:

- 22% more likely to have their sleep disrupted due to money concerns
- 15% more likely to feel stress and anxiety
- 11% more likely to feel concerned about their finances.

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What's more, 83 per cent of clients surveyed endorsed the value of financial advice by saying it's also important for their loved ones to have good financial advice.

Add to this that there is a greater likelihood of you meeting your goals by having someone working with you to achieve them.

In our own client surveys 100% of our respondents said they would recommend our service to others.

We know that we are good at what we do, and we think that we can help you to achieve success.

The Smart Happy Money process

The Quick Call

Usually, we start with what is known as a 'quick call'. This is a 15 min chat on the phone or online to introduce ourselves and to discuss your current situation, to see what we can do to help. There is no cost or obligation. This all begins to form the basis of what our future relationship will look like.

Coaching, reviewing and tweaking

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After our quick call, if everyone is happy to proceed, we will set up a consultation. These can be held in any of our offices across Melbourne, or via Zoom. This session is where we do a deep dive into your values and your goals. We will discuss what it is you want to achieve and the kind of life you want to live. We then refine this to a SMART (Specific, Measurable, Attainable, Relevant, Time bound) objective. This is the starting point. After this initial step, we will gain a deep understanding of your current circumstances to give a solid foundation on which to base our advice.

The Roadmap

Then, it's over to us for a while. We take time to break down your goals, your current situation and put together a strategy that will allow you to achieve success. We will outline this strategy for you in a 'Statement of Advice' better known as a financial plan.

The plan discusses where you are, where you want to be and how to get there. We will outline strategies that you can use, habits you may need to form as well as appropriate products that will help you get there.

Once complete we will arrange a time to meet with you and take you through the plan, allowing you to ask any and all questions that you may have about how it all works. This is important because fundamentally, we are asking you to make a commitment to your own success.

Finances can be complex, and we want to make sure that you understand everything that we are recommending. This forms the basis of our ongoing advice and relationship with you.

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The Consultation

Once you have committed to your goals and the plan to get there, we work alongside you to get everything set up. We explain to you what we are going to do, as well as what you will need to do, to get the plan implemented. Then we will coach, review and tweak the plan when necessary as we travel together following your roadmap.

We offer different packages of ongoing advice depending on how many times you want to see us each year. Don't worry, we will make a recommendation on which one is most suitable, but the decision is up to you.

We love working with clients over years and years, facing challenges and celebrating achievements together. We find that these kinds of relationships are the most rewarding for you, and for us.

Wrapping it up

We know that we are good at what we do, and have helped many people get their finances and money sorted out to reach their goals. Australia's financial system is complex and there are many trips and traps that you could fall into. Working with us allows you to draw on our experience, helping you to avoid those things that could be financially disastrous.

At **Smart Happy Money** we empower you to achieve success through financial coaching and strategic advice. It's that simple. We work together, and you succeed.

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Thank you for taking the time to read this booklet, it is designed to help you avoid the costly mistakes that are often made between the ages of 40 and 55. I hope what you have learned has been informative and helpful. Good luck in your financial journey and if you would like to have a 'quick call' with us, please visit www.smarthappymoney.com.au and click 'book now', we would love to work with you. Have more questions? Please email me ben@smarthappymoney.com.au. We are always happy to be of assistance.

Have a great day,

Ben Graham-Nellor

PS: Now that you know about our services, you may think of someone else who would love to get involved. We appreciate referrals and would be grateful if you passed on our details or this booklet, to anyone you think may find it useful or may be interested in more information.

¹ IOOF: The true value of advice (2015)

What people say about Smart Happy Money

"Smart Happy Money takes the time to decode the financial jargon and explain in straight forward terms how to achieve your goals. Over the years, Ben has provided coaching and advice that has helped me to make the right choices when it comes to my finances and lifestyle. I would recommend that anyone who wants to take control of their financial future get in touch with Smart Happy Money. You will be thankful that you did."

Sean Ryan - Owner Killer Sprocket Brewery and Client of Smart Happy Money

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“My husband and I are novices when it comes to super and investments so we were feeling fairly tentative when we first met with Ben, but as soon as we walked in the door he made us feel welcome and took the time walk us through all our questions and fears. Ben is super helpful and flexible with meeting times, supporting the time restrictions of full time workers, and is readily contactable. We feel very safe and assured that our savings are in good hands.”

Karina - Client of Smart Happy Money

“ I understand so little about our financial system in Australia that I was nervous about getting financial advice, because I felt like I wouldn't know who to trust. Ben was so up front and transparent that I feel better immediately. I'm so grateful to be able to feel more confident in my financial future!”

Ash - Client of Smart Happy Money

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The legal stuff

Smart Happy Money is a trading name of BGN Financial Management PTY LTD

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Financial Services Guide | www.centrepoinalliance.com.au/fsg/pis

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this book helpful**



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