



KICKING FINANCIAL GOALS IN 2022

After a difficult year of COVID disruptions and uncertainty, the summer holidays can't come quickly enough. It's a chance to refresh and reflect on the year that was and hopefully set some goals for year ahead.

Yet this year more than most, many of us may feel that our personal and financial priorities have shifted depending on our experience of the pandemic.

So now that vaccination levels are rising, borders are reopening and we can all plan with a little more certainty, why not take this opportunity for a financial reset in 2022.

Regrets, we have a few

While many people's lives were turned upside down by lockdowns – some lost work while others learned to work from home and juggle home schooling – not everyone suffered financially.

If you kept your job or were able to access COVID disaster payments, you may have saved money as chances to spend diminished. Holiday plans were scrapped and restaurants, theatres and leisure activities were shut down.

In a recent survey of 2,000 Australians by the Australian Financial Planning Association of Australia (FPA), 11 per cent said their financial position had strengthened over the past 12 months while a further 46 per cent said nothing much had changed. But 17 per cent said their position had worsened and nearly one in four reported being stressed by their financial position.

Worryingly, the survey found one in five Australians didn't have enough savings to get through the crisis and 23 per cent felt stressed about their finances. Their biggest regrets were not saving enough, spending too much on take-aways and non-essential items and not paying off debt quickly.

While many of us learned some painful lessons during the pandemic, that may be an opportunity to reset our priorities and do better in future.

Lessons learned

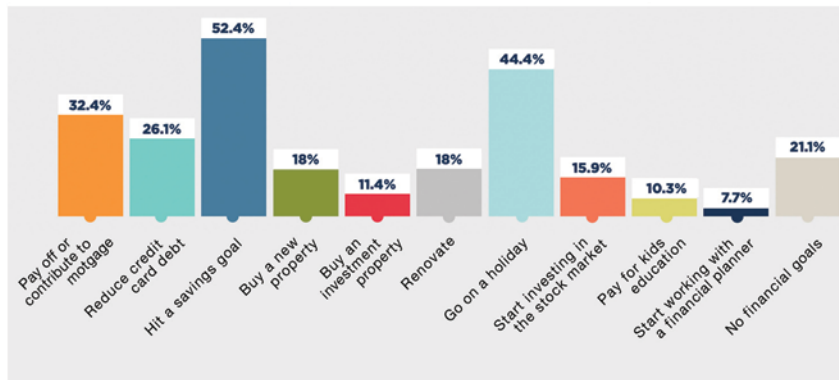
The enforced lockdowns made us value simple things like the importance of family and community. But uncertainty about the economy, jobs and our personal finances also encouraged many of us to reassess our approach to money.

According to the FPA survey, 45 per cent of Australians say the pandemic has made them more frugal. Large numbers also say they have increased savings (44 per cent), paid down debt (41 per cent) and created a budget (39 per cent).

Smaller but still significant numbers responded to the pandemic by topping up their super, investing more outside super or increasing health insurance. While women were more focused on budgeting and cutting non-essential spending, men were more likely to save and invest.

The big question now is, can we stick to these good habits and build on them in the year ahead. Or will we open our wallets and make a mad dash for freedom on the next international flight?

Top financial goals over the next 12 months



Source: FPA Money & Life Tracker Freedom Edition 2021

Goal setting

When it comes to goals for the next 12 months, the FPA survey found people were split between hitting a savings goal (52 per cent) and going on holiday (44 per cent) as their top priority. Paying off the mortgage and reducing credit card debt were also popular.

Given the recent strong performance of shares and residential property, starting an investment plan is also high on the list of priorities. This is especially so among younger people who are using new digital platforms to take greater control of their investments, in and out of super. Recent research also shows 77 per cent of Australians aged 18 to 40 would consider switching to a super fund with DIY options or a self-managed super fund (SMSF).

As restrictions ease and the economy recovers, hopefully we can all manage to have a bit more fun next year but get our finances in good shape at the same time.

To get the balance right, it's important to give your personal and financial goals the attention they deserve and draw up a plan to help you achieve them. As the saying goes, a goal without a plan is just a wish.

3 tips to help reach your goals

A financial plan doesn't have to rely on complex financial products or strategies. In fact, getting the simple things right is often best.

Here are three tips that have stood the test of time:

- **Build a cash buffer to tide you over in an emergency.**

This was one of the biggest lessons of the pandemic. It's generally recommended that you have around three months' living expenses at call. This might be in a savings account or in a mortgage redraw facility.

- **Manage your cash flow.**

Even high-income earners can fall into the trap of spending more than they earn. So, take a financial snapshot, noting your monthly income from all sources and the balances on your savings accounts. Then subtract your monthly expenses, including debt repayments. If there's a shortfall, look for cost savings.

- **Review your financial plan.**

We are here to help you set short and long-term goals, develop strategies to achieve them and provide support to keep you on track.

If you would like us to help you kick some goals in 2022, don't hesitate to get in touch.

i All statistics in this article (unless otherwise stated) are from the FPA Money & Life Tracker Freedom Edition 2021: A snapshot of how 2,000 Australians have fared since COVID-19, https://fpa.com.au/wp-content/uploads/2021/10/2021_FPA_Money_and_Life_Tracker_Freedom_Edition.pdf

ii <https://www.morningstar.com.au/smsf/article/millennials-are-making-the-switch-to-smsfs/216142>

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