The Australian Finance Podcast Episode Transcript

Episode: Graduating? Here's 10 money lessons you need to hear
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Speakers: Kate Campbell, Owen Rask
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Episode transcript:

Owen:
Kate Campbell, welcome to this episode of the Australian Finance podcast.

Kate:
It's good to be back on to talk about something that I have been thinking about for quite a while as I've seen many people I know graduate year 12 or graduate university over the last month or two. And that is what lessons would we want to tell a graduate from school, uni, TAFE, whatever it is, what would we want them to know in their early 20s before they go out into the big wide world? So I think today's episode, I've put together a list of 10 different things that Owen and I want to talk about. And it goes over everything from just getting started to taxes, to superannuation, there's a lot of stuff out there.

Kate:
But we hope this episode is useful for you or a younger person in your life that you can send this across just to get them thinking about getting started early on because so many of these things if you get it sorted out in your early 20s, you're really set for life and you don't have to do too much more along the way apart from making small minor adjustments or maybe going to a lower fee product. But getting started early is the number one piece of advice nearly every single guest gives our listeners. And I think

this is the episode where we want to encourage our listeners as well to get started early and encourage the younger people in their life to get started as well.

Owen:
Yeah. Not many people know this, but I'm actually only 21. And so this is actually really relevant for me.

Kate:
You wish.

Owen:
It's fantastic. As Kate said, if you have a young person in your life, it can be really hard to break through to them. So sometimes you just need to give them the short, sharp version, and you need to make it worth their while. We're going to weigh the 10 things here, and then we're going to try and explain why they're important to tackle early on. And even making some of these changes could have profound impacts. I'm going to say profound, maybe hundreds of thousands of dollars, like number six in particular, which we'll get to, our six thing on the list is one of those things. If you make the right changes now, it takes bugger all time and it could result in hundreds of thousands of dollars more in your pocket in many years time. So Kate, let's crack on. Number one, what's the first thing that young people, not necessarily young people, but really anyone that's graduating should know?

Kate:
The first lesson is that money can and be thought of as a tool, and it really gives you choices. But if you don't learn how to use it, it's going to start using you. And that's what I think a lot of young people need to think about that as you start gaining a bit of understanding of how money works and the way you can use it to give you greater choices in life, you'll realise that it's just another tool in your toolkit along with your education, along with your lifelong learning, along with all of the other soft skills that you've built in your career. One of the other things is that money isn't sentient, it doesn't have thoughts and feelings. It doesn't get attracted to you or go to someone else, it's really how you use it. And I think sometimes I see those abundance coaches on Instagram that are like, oh, you can manifest all of this wealth.

Kate:
But I think money can be used to do good things, and it can be used to do bad things. And people who have lots of money can be both really happy or really unhappy and vice versa. I think the more you understand about how your personal finance work, the more you'll be able to view money as just a tool rather than something really good or really

bad, which is sometimes when we get brought up with particular conversations about money and different money mindsets, we might in our brain be thinking, oh, money, something we should have, should worship or we should avoid at all costs because wanting money will make us a bad person. So just view it as a tool that you can use not something that is either really good or really bad.

Owen:
Yeah. Well, we were just talking off air a minute ago about how we can invest in shares and maybe some of our shares fall in value. Back in the day, that would've been really tough for us to get emotional handle on. And so we might let the fear of losing money dictate how well our day was going. And now both of us are along the lines of if it falls, that's fine. If it goes up, that's great too. You can't win them all, and really the investments and the money that we have is really just to get by and set us up for the future. We don't rely on that, we don't get really emotional about it. And so it's fantastic that you say it gives you choice, don't let it control you. We've got some things here that will hopefully help people not be controlled.

Owen:
Number two, which is one that's close to my home as well Kate is self-education is worth every dollar and minute you invest in it. We've talked about this a lot on the show. I think you're a really strong advocate in this because you've gone back to study formally. But you don't have to just do formal study like a university kind of study do, you can do really anything.

Kate:
Yeah. There's so many courses out there, and we've mentioned so many in the past. But anything you want to learn about, you can learn online now. I was seeing this, I don't know if you've come across MasterClass, but it's quite a cool online platform where really the experts in their field from across the world provide their lessons to you. One of the founders has actually gone off and started a new company called Outlier where they're taking courses like calculus and philosophy, university level courses and making them around $400. So they're taking something that was maybe completely unaccessible for people around the world before and they're packaging it up so you still get that high quality information.

Kate:
You get to learn from the best teachers in the world instead of just getting whatever the teacher at your university is. And you pay a fraction of the price to learn all of these amazing skills. I think it's something that we really need to think about. And many of the career experts we've had are just like, lifelong learning is part of life now, you can't avoid

it. If you want to stay ahead and avoid having your jobs overtaken by robots, you need to be committed to self-development. And it's something you just have to do every day, every month, every year, you just can't take a few years off trying to learn more things.

Owen:
Yeah. And that's the thing I've noticed too is sometimes you can get so sucked in by the rat race of life that you forget to invest in yourself. And people graduating probably don't want to hear this, but it doesn't really stop when you switch off the lights of that study at home for university, it keeps going. And I think the people that are lifelong learners and commit to even spending 15 minutes a day or one night a week learning something, those are the people that tend to be more flexible, more employable, have a more optimistic outlook in life. But there's so much more that comes with just educating yourself and becoming more worldly and more understanding of things.

Owen:
And so, yeah, I think that's a fantastic piece of advice for anyone, but in particular people that might be graduating now or coming out of high school, it's really important. You don't have to spin the earth to go ... You don't have to get a top university degree at master's level, it can be anything. And that's what employers are going to be increasingly looking for soft skills, interesting pursuits that relate to employment-

Kate:
And the easiest way to prioritise is habit stacking it into your life. So if you already go for a walk for an hour every day, can you add an audio book or a podcast or an audio course into that? A lot of the future loan courses, you don't have to really look at the screen unless there's really good slides there, you can check them out later. So incorporate that into your daily practises already. Maybe you set 30 minutes in your calendar before bed or you put two hours every Sunday morning that you dedicate to learning a new skill or improving in a particular area in your current role at work. So you need to actively prioritise it, otherwise it'll just fall through the cracks.

Owen:
Yeah. I'll give an example to people that is relevant to me, which is you can take MIT courses. MIT obviously being probably the world's most prestigious technology university. They do something called OpenCourseWare, which is on YouTube, which is their full curriculums for some units. Like I'm doing one on blockchain at the moment completely free on YouTube. And you can just listen to it as you go or you can watch it while you're sitting on the couch doing whatever. It's a great way to just keep learning about interesting things. Number three, Kate is having an emergency fund, and we talked about this going way back in the day to our first 10 episodes. This was one of the

foundational rocks that people needed to lay in their personal finance journey and investing journey why is emergency fund important?

Kate:
Yeah. I think this is one of the most important starting stones. Assuming that you haven't got yourself into too much debt already, you're in a perfect position now to start building that emergency fund. If you're young and you don't spend too much money and you're pretty frugal, you might not need that much. But a lot of experts will say three to six months of your basic living expenses set aside in their own savings account that is very hard for you to touch when you're on a night out and just wanting to spend a bit more. And this will be your security blanket if anything ever happens, if you need to book a last minute flight to see a sick family member, if you need to get out of a job because it's not a safe workplace, if you need to get out of an unsafe situation. You have that money and you don't have to get into debt to pull yourself out of that situation or take that last minute flight.

Kate:
And I that's really important because so many of the stories we read about people getting into debt, it's because they didn't have that emergency fund there to protect themselves in the event of an emergency. And so I think it's really important as a young person to put that into place early on and make sure that's there for the rest of your life. And it might change, it might get to the level where you want to have a family and you go, "Hey, I really need a year of living expenses because I'm taking some time out of work." But finding the number that works for you makes you comfortable. And it's a lot easier to invest knowing you've got that money set aside. When you're investing for the long time and when there's a lot of risk involved, knowing you have your basic living expenses there gives you a lot of, it helps with that sleep at night factor and you can invest much more comfortably over that long term.

Owen:
Yep, totally. And you can go and just put this money in an Up bank account, an ING Bank account, UBank, whatever you're using, go and get this money, just stick it in there. It's the money that you probably shouldn't access very easily. So don't keep it in your transaction account, check it in your savings account. Most people don't do this until they've got a house, but even an offset account once you get to that point. Offset accounts nowadays are mostly free if you have a good bank. So yeah, that's really important. And the key is here that it doesn't have to be a lot of money if you're a younger person listening to this. You don't have to have $10,000, you don't have to have $50,000.

Owen:
For you, it could be 1,000, $2,000 if you still live at home. That might be all it is because you might only have your mobile phone, maybe some travel costs and that's really all you pay for. So that's okay. And if you're just starting out and you're thinking I don't even have an emergency fund at all, and I've still got some debt, start by paying off those debts. Pick the high interest one, get rid of that and just slowly chip away at it. We talk about investing, investing is actually quite a privileged thing for a lot of people.

Owen:
Some people don't get to that for many years, and you've got to work for it. The way that you can do that is start by saving 1% of your income, 2% of your income right up until you get to magical 20% figure savings. It all starts somewhere, so work towards that. Number three is having an emergency fund. And number four is extremely closely related to this Kate. It can be six of one, half a dozen of the other when it comes to having an emergency fund, but this is staying out of debt. Tell us a little bit about this and tell us why this is important to be aware of early.

Kate:
Yeah. So for young graduates, you probably don't have any debt to begin with. Maybe you've run into it and have pay, account at some stage because that's the audience they target. There is so many ads out there at the moment, you can't walk past a sign or a TV or a Instagram page without seeing some sort of buy now pay letter ad. But I really encourage you to stay away from any forms of harmful debt, personal loans, even the products that are appearing where you can get your paycheck early or part of it. And that really gets you onto that's debt cycle. And Scott likened it to the marijuana, the gateway drug. And I think getting into that habit early that you're not saving for things and you're not delaying that gratification can be really harmful over the long term and lead you down a slippery slope.

Kate:
Getting into that practise of saving up for things you want as much as it sounds like we should all know that, there's a lot of marketing that tries to tell us otherwise. And it tries to trick us into getting what we want now, getting that holiday straight away and paying for it months down the track. And some of those ones are quite scary when they let you pay it off over 24 months. So suddenly the time you pay off that debt for that holiday, you have well and truly forgotten about that experience. So buy what you can afford, save for the things you can't and use your emergency fund if you get into a situation, not just for something consumeristic.

Kate:

I think it's important early on not to get sucked into the materialistic side of society. And a lot of your financial goals can be reached if you avoid getting sucked into I need the latest gadget, I need the latest holiday, I need this right now. And the marketing's going to tell you you need it right now and you deserve it right now. But if you want to set strong financial habits early on, you need to get used to the fact that saving is a good thing, delayed gratification is a good thing. It's going to lead to a lot more joy and happiness over time.

Owen:
Yeah, that's right. If you drool, it tastes better. But the thing to keep in mind too is that a lot of people, particularly younger people, I fell into this trap is you go and you use some sort of credit product. Now, this isn't a campaign against bu now pay later, it's just being aware of what the psychology of this. They go and get a credit product like Afterpay, and then they purchase something which immediately falls in value. So it might be some clothing, it might be a piece of electronics, something like that. Basically what ends up happening unfortunately is people end up being a two-time loser. You end up losing on the ... You find yourself under a lot of emotional pressure from having an outstanding liability, but then also the thing that you've bought is falling in value as well.

Owen:
And while the interest and all of that is a real killer for most people, when it comes to things like credit cards, it's actually the falling value of things that you purchase that does the most damage over the long term, and people don't realise this. For example, people buy cars on credit and they think, 400 bucks a month. Maybe that's what you pay the bank, but you're actually losing on the value of the asset as well if you can call it that. So this is just a little nudge just to be aware of your own habits and how they inform you and eventually lead down that path where it becomes acceptable for you to do that.

Owen:
The earlier you can train yourself just to say it's okay if I don't have this thing, it's okay if I don't have what my friends have or it's okay if I don't have a nice car because if you take that approach and you're a bit more, I guess, humble about it. Over the long term as every single one of our expert guests will say, they wish they saved more earlier on and just did something useful with that money rather than spent it on consumeristic stuff as you said. And that's not to say go into your holidays, that's fantastic because memories earn interest. Something to keep in mind, it's a slippery slope as you said Kate. Number five Kate is another thing which we are hoping you're listening to this so it's a great thing to be doing. But this is something that [inaudible 00:16:11] talked about on the show as well about her parents. What's number five?

Kate:
I'd really like to encourage all listeners, and when they're talking to the loved ones in their lives that talking about money is a really positive thing, and we should encourage it and encourage it as early as possible. And so if you've got young people in your life asking you questions or if you find opportune moments to bring up things about saving, potentially investing, superannuation, taxes, as those events happen and you get your first job, start those conversations and try to open it up and be that person they can talk to or be the person that your other family members talk to as much as possible. Because I think treating money as we've seen time and time again as a taboo subject is just really harmful to our collective financial futures, but it also impacts those around us.

Kate:
So if we never talk about it, people don't think they can talk to us about it. And so if we keep silent about these issues, if we keep silent about how we deal with our super, how we negotiate our salary, we often don't realise these unspoken conversations going around us and these unspoken narratives, and we can really put ourself in harm financially. We might have a family member who's never thought about their superannuation. And if they had just had someone in their life to say, hey, where are you investing your super fund? That conversation might completely change the way they invest for their retirement. They might go and change to a lower cost provider or they might change from a cash only fund to maybe a balance fund. And that's going to make huge changes over decades to come. I think we really need to as early as possible normalise this conversation with our friends, our colleagues, and our family because we can start small.

Kate:
We don't have to dive straight into how much are you earning, how much do you have invested? Those conversations are quite challenging. So maybe just starting with, oh, what is something you're saving up for at the moment? Oh, you're saving up for a laptop, I'm saving up for a trip to Europe when we eventually can leave the country. How are you saving up for that goal? Have you had to sacrifice anything along the way? Starting with those smaller conversations where it's ... Most people are comfortable talking about a short-term savings goal they're working towards, maybe even their journey towards saving up for a house, hearing from different people's stories.

Kate:
Start with something that people are comfortable with, whatever it is in that situation and then you can work up to the bigger ones like how did you negotiate your salary or why are you invested in this particular super fund? And I think if we can encourage these

conversations, Owen and I would just love if everyone listening to this podcast would go and speak to just one other person in their lives about different financial topics. It really positively impacts all of our financial futures.

Owen:
Absolutely, couldn't have said it better myself, Kate, that is awesome. Just chat to people. My family never talked about money, ever when we were growing up. It was really a scary thing, and that later led on to my life feeling that money was not something that you can be vulnerable with and talk about. So really, really good. Number six, which I alluded to at the top of the show is a really powerful one for younger graduates and people coming out of your schools. And anyone can do this at any stage of their life. I've got mates that are doing it now in their early 30s.

Owen:
Superannuation, also important particularly when you're in your 20s. You got to make sure your employee is paying it, you've got to make sure that you've chosen a good super fund. And don't be scared, it's not that much pressure, it's not that hard to choose a good super fund. You can just choose the one with lower fees, with the right investment strategy for you for the long term. We've done separate episodes on this. But picking a super fund, Kate, year 20 if your are 20, year 21 early on in life is going to be much more powerful than say doing it at say 40 or 50, right?

Kate:
And the government is bringing in a lot of rules that are actually going to help young people, including stapling, they're going to attach your first super fund to you as you work through now. Hopefully that's going to avoid too many generations to come with people ending up with 10 different super funds floating around, which is good to see. And super funds are lowering their fees, super funds are doing more in the space of education, they're trying to actually reach their younger members. So I think it's a good time, and the conversation is really starting to open up about superannuation. There's so many resources like our free superannuation course that helps you just get that shit sorted out today on Rask Education. So I think spending maybe even just 5 to 10 hours in your 20s will just get you set up for life. Once you pick a good fund and you understand the different investment options, you know how to read a product disclosure statement, each year, it's just more about monitoring, making sure you're still in the right option, you've got the right insurances, you're in a low-fee choice.

Kate:
Maybe you want to change some things because your life circumstances have changed. But it shouldn't take more than an hour of monitoring each year once you've spent

maybe 10 hours figuring out the basics. And I think this is such an important investment because it, as Owen mentioned, it can make the difference between retiring with maybe 100 or 200,000 or retiring with a million dollars. Just a few changes can make a massive difference over your lifetime, and it is worth every minute you invest in it. I remember seeing this quote that people spend more time shopping for a new television than they do figuring out their retirement. And this was a study done out of the US.

Kate:
And basically saying that it only takes a fraction of time to actually give your data about your super, which is our version of how we retire in Australia versus the enormity of time that we spend on things like infotainment and all that sort of stuff. It is so easy to pick a super fund in Australia now that's decent. You can just go with one of the big ones and pick the investment strategy that's right for you. All in, most super funds shouldn't charge you more than $100 a year in membership fees, around that level is fine, maybe $120 in membership fee.

Kate:
So that's that kind of dollar 50 per week kind of figure that they quote. That's for the super fund. The other thing that you pay is the percentage, and that's for this strategy that you choose. This one shouldn't be above, in my opinion, it shouldn't be above like 0.6% per year. If you can get it below that, that's good. There are some super funds that do it for basically nothing, it's like 0.1 percent, things like that. So that gives you a yard stick. Go and find a reputable, big super fund. You can use the YourSuper website, one that has really low membership fees and really low investment fees for your strategy. Just a note on this because I was telling some mates about it yesterday, if you use the YourSuper website, typically the YourSuper website compares the balance strategy or the kind of default strategy.

Kate:
If you're a younger person, you can afford to be in the higher risk strategy most likely as long. As you don't go in the middle of COVID and change it, you can afford to stay in that for the next 20 or 30 years. That's a bigger higher risk, higher growth strategy for the long term and keep those fees really low. That would be my silver bullet for super in your 20s. Kate, number seven, which is a really kind of ... I was glad you included this one because it's really interesting. I'm interested to hear your personal take on this. But number seven you had manage your money in line with your values and how you view the future. This is a fantastic line, tell us more about this.

Kate:

Yeah. We've spent a lot of time talking in the past year about ethical investing, but I think it really goes more than that. Once you realise how much choice you have with your money, you can choose where you put your savings. You can choose who you transact with, you can choose where your super goes. You can choose how you invest and how you build your portfolio over time. You can choose the kind of financial advisor you seek if you get financial advice. And you can choose who you spend your money with as well. And I think if we view money in that way as a tool and we can choose how we allocate it, and we can allocate it in the best way we see possible and the best version of the future. I think it's a different way of approaching it, and it gives you a little bit more ownership over your own decisions because you don't have to just get given the option that you were, you don't have to use that Dollarmites account just because you had it.

Owen:
A CBA account.

Kate:
Yeah, yeah. Sometimes we get given a default option, and that's been the case with many things in the past. If you don't make a decision, you just get the default. By making no decision, you do make a decision in many circumstances. The more you learn about your personal finances and how to invest and whether that's by taking some of our free courses on Rask Education, just reading widely, talking to other people, you start to realise there's a lot of choice now, and there's more and more better options appearing. If you come back to that, the money is a tool, you can use it, you can allocate at it in the way that you see fit.

Kate:
And if you just think about what are my values, and how can I use my money in a way that aligns with my values, and from saving to investing, to spending, I think that gives you a lot more control and ownership over your decisions, especially over the long time. And I think it does pay off in investing if you are investing in line with your values because you feel a lot more comfortable with the decisions you make, and you can see them through.

Owen:
Absolutely. We talk about investing and using this kind of approach in that way is invest in the companies or the ETFs or whatever that represent your best version of the future. So if you are thinking the world's going towards hydrogen and solar panels and electric cars. Well, go and invest in those things and be proud of it, own that. Yes, it might not be what a financial advisor tells you to do, but just own it, that's your version. And sure,

that's great. And so we can bring that home to our money as well, we can be a bit more deliberate. I think one thing that I wasn't was deliberate.

Owen:
This is not an issue with this bank or credit union, but I had CUA, the credit union CUA growing up. And perfectly reasonable, I was probably happy to get that and maybe not the Dollarmites account. I was quick to realise that that probably wasn't the right option for me at that time in my life. I was happy that I did that, but I stayed with that bank for a very long time just because it was the default bank. I was chatting to a mate the other day, and he said that he's still with CommBank super, I don't know what it's called because-

Kate:
The colonial first state, I think they've got ...

Owen:
Yeah, right from the very first thing that he ever did as a 15-year-old, he kept that same super fund. And he's like, "I don't know what it does, but I'm pretty sure I'm getting screwed." I'm not saying he is getting screwed, but he was just really mindful of that. He's woken up and he's like, "This is not where I want my money to be, I might want to be more ethical in the way I allocate my money." And so just being a bit more values based is really cool. At the end of our, just a shameless plug here, at the end of our ethical investing course, there's this huge, huge list of different organisations that can help you be more deliberate. So there's one list for personal finance. You know there's ethical and sustainable options and all that sort of stuff.

Owen:
But then there's the superannuation funds that stack up ethically, and then there's the ones for the investments that stack up ethically. So it's a really good list if you want to be more deliberate in that way. Speaking of trying to think about values, Kate, this is the next one, number eight is about tax. And it's something that we all think of like, oh, we have to pay tax and whatever. It can't be avoided but maybe it can be mitigated. Tell us a little bit more about tax and how young graduates or just graduates in general can manage this.

Kate:
This is the thing they don't talk about in school like many other topics that actually you have to pay. And living in Australia if you're working full-time maybe even if you're working part-time most of us are going to be having tax taken out of our paycheck and sent off to the ATO on our behalf. And we're actually going to have to do a tax return at

the end of each financial year, which ends 30th June usually each year. Is June always 30 days?

Owen:
Yes, it is for tax, and it's 30 days. Yes, the end of the financial year. It's a bit more weird, but companies have a different cycle.

Kate:
Yeah. So there's no escaping it, it's something you're going to have to learn about because it is going to be part of your reality on a yearly basis. But I think you can make your life easier by learning about some of the main taxes you have to pay. Even the ATO website is really improving itself as a resource to look at here. And they're producing some great educational guides for everyone on what is income tax, what is capital gains tax? How this all works. And when do your tax return, there's some great things that you can actually deduct like charitable donations to your registered charities. So these are the sort of things that no one's probably going to tell you about, maybe you'll see on a sign that says, oh, tax deductible or something on an advertisement, but no one's just going to give you a nice handy list.

Kate:
So you actually have to go and investigate some of this for yourself. And this will give you more ... Even if you use an accountant, having more knowledge is a good thing. And that's what I like to say, even if you outsource your finances to accountants and financial advisors and all sorts of things, at the end of the day, it's your money. And you do need to have some knowledge of how it's all working, how it's all fitting together. And you need to own the decisions because at the end of the day if something goes wrong, it's your money that was invested, it's not theirs.

Kate:
You do need to understand how the system works. And even if you start doing something like doing Uber Eats on the weekend, if you don't know that you need to put some tax aside because you're earning this extra income, you could end up with quite a significant tax debt. Even something like when you're filling in the form for a new employer, if you don't tick that you have a university hex debt, they might not take enough tax out of your salary each fortnight or month. So you might end up having to pay more tax instead of getting a refund. So just getting your head around some of those basics early on will put you in good stead as well.

Owen:

Imagine having absolutely no understanding of your health and then on June 30th or July 1st you go to the doctor and you're like, "Okay, just fix me up. Thank you." That's how a lot of people deal with their tax. They're just like, "Oh yep, okay. End of the year, got to do my tax return." But if you actively take some sort of steps to keep receipts to maybe even just once a month just have a spreadsheet where you just keep a column of all the money that you spend on fuel or all the money you spending on books or whatever. And you take the out to your tax agent at the end of the year, you're going to do so much better from a tax return perspective and your life is just going to be better.

Owen:
I would say the key thing is just have a very basic understanding of what is tax deductible and what's not. We've covered that in a podcast, we always do it every year around June 30th. We did some with Jacob. So go back and have a look at those. We've also got this one video on the Rask Education site, which is how tax works in Australia. It's actually funny, Kate, we've been doing this for quite a few years now, and the number one things that are viewed on our websites and our YouTube page on everywhere is tax, it's tax-

Kate:
Not the franking credit video?

Owen:
Well, that's also a tax thing if you think about it. So franking credits is actually a tax thing. So all of the tax stuff is super popular because everyone needs to pay it. So just take a little bit of time to understand it so you can start making it work for you. Fantastic advice.

Kate:
Another thing with if you spend just a couple of hours learning about it during uni, you're going to be in much better stead for your whole life. And you can actually maximise your tax return and hopefully avoid getting yourself into a sticky situation where you actually owe the ATO a significant summer money that you weren't prepared for.

Owen:
Yeah, we did this thing, I don't know if you remember it, but just after tax time, we did some tax time tips. There was one in there about also keeping up to date with tax changes because younger people now are going to be working from home, probably starting a career at home. And a lot of people are going to be doing that. You can actually make more deductions now than ever for your home office even if you don't really have a home office, air quotes home office. For anyone that's seen The

Accountant with Ben Affleck where he's talking about, "No, you do have a home office." You can actually do all these things, make deductions and claim more. So really important to stay on top of. Number nine, Kate, second from last, this is a really important one for you I know. So I'll let you intro it.

Kate:
Yeah. So the ninth idea I want to introduce you to is that being financially independent is possible. And this for me really changed the way I viewed work and money. The idea that I could actually become financially independent over time. And that's having enough money to really choose what you want to do of your time without relying on one single source of income, whatever that means to you. Reaching financial independence is quite a good overarching goal that can guide your finances over decades to come. And whether that's thinking more about your superannuation to make sure it can actually provide for you in retirement, whether that's building the emergency fund. Getting out of debt and building that emergency fund is really the first step towards becoming financially independent where you have choices, you're not reliant on anybody else if you get into a tough situation. And just investing over time, we've got a free course on that in Rask Education. We've done podcasts in the past, so I won't get into the nitty-gritty of it.

Kate:
But just building financial freedom into your life and building more choice and the ability to maximise your time is really important. And I encourage any listeners to just Google the asset Money Smart calculator and have a look at some different scenarios. What would happen if you invested $200 a fortnight over 30 years, what would happen if you invested $1,000 a month over 20 to 40 years? So look at some different scenarios and just try to figure out what could be possible, and I think that opens your eyes. Especially when it comes to investing, it's a little bit easier to have a longer investment timeframe when you've got this big overarching goal. I know some people in our community have said they can just invest for the sake of it. They can just go forward, they can just save, invest. But I need to have a bit of a vision when I'm investing, there needs to be some overall point to the whole thing. And so having a goal of being financially independent over a few decades really pulls my whole financial plan together and holds it in one place really.

Owen:
I couldn't have said it better myself. That compound interest calculator from Money Smart, that actually changed my life. I'm not joking, it actually changed my life. Before this new modern one that looks really nice, it was this old clunky piece of junk. And I've got to admit, I looked at that, I'm like, "Holy heck, I can either have this really amazing

chart of money that goes from bottom left to top right and just grows exponentially or I could be in debt and use my ... At the time, I had a ute, and I had a personal loan on the car and all that sort of stuff. And I was paying interest, and I'm like, "Or I could go the other way and see my money go down and make it even harder for me over time."

Owen:
So I made an active choice in my early 20s, I was like, "Man, to hell with this debt stuff, I'm going to start with really small amounts of money and just play the slow game and just slowly put money away because I can tell that every dollar that I save now is probably going to be worth 20 in 20 years or even more in 30 years." And that compound interest calculator was just light bulb. It wasn't even a light bulb, it was like a lightning bolt into my head that was just like-

Kate:
It definitely changes your perspective because you can see what ... Sometimes you can go, "Oh, just saving $50 and investing it, it's going to do nothing over the long time. How on earth am I ever going to have any sort of financial confidence or independence if I only can save $50 a fortnight?" But once you start having a look at that calculator, it gives you more of an idea of what's possible. That $50 over a long period of time does make a humongous difference. And even looking at the superannuation calculator, just adding an extra $10 a fortnight to what your employer is already paying to your super can make substantial difference over a long period of time. Whether that's your lightning bolt moment or just changing your perspective and the way you plan for the future I think this is a fantastic tool that every young person should have a look at.

Owen:
Absolutely. And the sooner you do it the better because the sooner you do it, the sooner you can start saving and you realise how powerful it is. Number 10, what a way to finish on our 10 things. What is it?

Kate:
The final one I want to leave everyone with is that money isn't everything, so don't forget to enjoy the journey. I thought this one might seem a little bit funny to end the whole article talking about money and building wealth and all sorts of things like that. But I think it's really important to reiterate that you shouldn't let money control your life. At the end of the day at your funeral, people aren't going to say, "Oh, she died with a million dollars." They're going to remember the memories and experiences and how you made them feel. Although money can buy you choice and time and freedom, it doesn't buy things like love and purpose and happiness. So you really have to focus on finding that along the way through living your life. And also money doesn't stop all the bad things

happening, but it does give you some help when they do because you can choose to, if someone's sick, you can choose to take some time off work to support them.

Kate:
You can choose to help someone else who's in need. I really think it's important to keep it in perspective, balancing present you with future you because you don't want to sacrifice everything now for the future because you just don't know what's going to happen. You want to be able to enjoy life as you're living it, but you also want to put some priority towards future you and investing. It's hard to find that balance, it takes many of us quite a few years or it's just a never-ending process finding that balance between present you and future you. And it's like that when you commit to going through a university course or trying to find a new career. You have to sacrifice something in the now for the future you expecting it's going to pay off over time. And it might not, so there is risk involved. Don't get too focused on it, it's fantastic to learn all of these things in your 20s because it's going to set you up for life, but make sure you actually live your life along the way.

Owen:
Hand it to you, Kate, I obsessed over money for a very long time. It was a real big point of insecurity for me. Money can enable you to be more present. If you're a parent, it can enable you to be more present when someone gets sick. It enables you to be more present in the moment, generally speaking. And what I mean by that is when you sort your finances out, it allows you to just forget about it to be honest. You can set it up and forget it and just go and do all the other things in life. But don't put all of the other things in life before getting to that point. There's just so much more to happiness than that.

Owen:
And we've talked in the past, people obsess about careers, for example, or people will spend all of their life thinking how can I get more money basically at the expense of happiness? We keep coming back to that quote from Morgan [Houser 00:40:04], which is that being good with money has less to do with how smart you are and more to do with how you behave. I think there's so many good lessons in there. But Kate, that's 10 points, we've been through 10 fantastic points, massive points.

Kate:
A lot in there.

Owen:

That's a lot to do. If you've made it this far through the podcast, kudos to you, awesome that you've got this far through, but now what do we do Kate? Where do we start with this thing?

Kate:
Yeah. I think after listening to this, if you're a young person listening to this now, you've got to make a choice not just don't make a decision. Am I actually going to do something with everything I've learned? Am I actually going to spend some time working out the basics of tax, of super? And there's all the resources out there, they're free, they're fantastic. Everything is there for you if you just take maybe a few of the weekends that you would've been watching Netflix and just dedicate it to investing in yourself and your future with your time and investing in knowledge because this will really set you up for life. And then any mistakes you make you can make while you're young instead of waiting until 50 to sort everything out.

Kate:
And I just think making a few fantastic choices, they don't even have to be fantastic, they just have to be a few average good choices with your money like just changing your super fund. It's not revolutionary, it's just a few good decisions early on and you're never going to have to worry about buying a latte or going out for brunch. And the tools are there if you're willing to take them. If you're a young person now and you do take on some of this, you listen to a few podcasts, you check out the resources, you go into Money Smart and the ATO's website and just soak it all in for 10, 20 hours, you're going to be so much better off in your future. And I guarantee that when you look back in your 40s and 50s, you will be grateful that you spend this time now. I would highly recommend just spending a bit of time over this summer getting the basics sorted. And it's just going to pay off so much over time for you.

Owen:
That's it. This summer would be great to do it. Yeah, sure, you might be going out, doing things and spending money on stuff or travelling, fantastic, do all that enough. Maybe just listen to some of our podcasts, go and listen to some previous episodes. Those first 10 or 11 are super important. Trust us when we say you'll thank us for it. Kate, I'm not 21, shocker. I'm actually 10 years older than that, scared to say. But I was so grateful that I started learning about money about when I was 21 and took it seriously and really took the time to learn. I think I invested more of my last 10 years in learning than I did in actually doing, but that set me up for the rest of my life. If I walked away from finance today, of course, I'm a finance person, but if I walked away from finance day, I'd be fine for the rest of my life.

Owen:
I wouldn't need to worry, I could go study whatever I wanted to do and do lots of stuff. And I'm certain that you are the same and you're much younger than I am. You've just put in the time to learn about it and now you're sailing. I'm going to put you on a spot here, I want to ask a question, I was thinking about this coming into the show. When you got your paycheck, the first meaningful paycheck you had in your life, whether it's full-time employment or whether you're contracting or doing something, do you remember the thing that you bought or thing that you spent money on?

Kate:
I just know I spent it all. The first six months of full-time employment when I was 17 years old, I did not save a cent. I don't don't even know where it all went, I know I bought quite a few books and I went out and all sorts of things. But that's the thing, you can't remember all those things.

Owen:
I remember one thing and one thing only, I actually bought a Swarovski necklace for my partner, but that was the only thing that I bought. And then the next year or two was just a complete blur of spending money on just random nonsense that I cannot remember where any of that money went. I didn't really take it seriously.

Kate:
That's the thing, you're not intentional. If you want to spend $5,000 and go on this awesome Kentucky tour, just do it safer and intentionally. And then you much better enjoy the trip, enjoy the memories. Whereas if you're just spending money mindlessly on Apple Pay without thinking about it, without having any intention behind what you're doing, you're not going to remember all of those things. Owen and I, I wouldn't say are frugal people, we're happy to spend money on experiences and things if they mean something to us. But it's being intentional with your money. And that comes back to using your money in a way that aligns with your values. Those memories, those items are going to have much more meaning over time. And you're going to actually be able to remember them rather than just spending with absolutely no intention, having no idea what's coming in, what's going out of your life.

Owen:
Absolutely, wonderful Kate. Just to recap really quick the 10 points that we covered. Money is a tool and it gives you choices, don't let it control you. Self-education is worth every dollar, we can both attest to that. An emergency fund is the number one thing you got to get sorted. Work towards that, pay off the debt. Speaking of, debt is a slippery slope. We're not out here to say don't do this, don't do that with your money, sometimes

you can use debt strategically. But just recognise that it can be a slippery slope, especially when you're young. Number five is talking about money is a positive thing. If you're a parent, talk to your kids about it. If you're a kid, talk to your parents about it. If you're someone just going through life, speak to your friends about it, you never know what they know.

Owen:
Number six is super is a good thing, and it takes probably less time than it does to curate an Instagram feed to sort out your super. And so go and check that out. Yoursuper, I don't know if it's .gov, but just go check it out. Your super, link it to your myGov. You can switch, tell your employer, et cetera. Number seven, manage your money in line with your values and how you view the future. If you're with a bank that you've been with forever, try something else if there's something that's better for you. Kate's a great one for this, she always tells me which banks are the best. Number eight, tax is inevitable, but you can manage it. Number nine, being financially independent is great, work towards it. It's achievable. Use the compound interest calculator, changed our lives, it could change yours. Kate's also got the fire course on Rask Education. And finally number 10, money isn't everything. Wow, what an episode Kate. Thanks for putting it altogether. And as always, thanks for joining me on the show.

Kate:
Thanks for listening everyone.