



# Building your financial fitness

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# Building your financial fitness

Taking control of your finances means taking the time to look after yourself. And like your physical fitness, regular activity can make a big difference over time. This workbook provides you with an outline of what financial wellbeing is, as well as steps you can take to build your financial fitness.

At Earnd we have financial coaches available to help you through some of the activities and ultimately to achieve your goals. All you need to do is log on to the Earnd app and tap Speak to Support. You'll need to answer a few questions and then will be ready to chat to a human coach.

## What is financial wellbeing?

Financial wellbeing refers to how people feel about and act with money too. Earnd uses the Centre for Social Impact's (CSI) definition of financial wellbeing.

The CSI defines financial wellbeing as when someone is able to meet their expenses and have money left over. It's about being and feeling in control of money and feeling financially secure, not only in the short-term but under adverse circumstances and in the future .

We've broken this workbook down into three different sections which cover these scenarios. These are:



### Every day

your day-to-day money  
management



### Rainy day

your back up when things  
don't go to plan



### One day

your financial goals and  
plans for the future

# Every day

We make dozens of money-related decisions every day. Whether it's what brand of flour buy at the supermarket or whether to pick up an extra coffee in the afternoon, these daily choices have an impact on the way we manage our spending and ultimately what's left of our income

It's important to take a step back and consider how these small decisions are impacting our larger habits and whether or not they're helping or hindering us from achieving our goals.

Research suggests when we don't think about our behaviour, it can be harder to take control over it. Whereas when we think about our actions, we're more likely to stay in control of them and reach our goals. So paying attention to your spending, for example, can help reduce overspending, as well as avoid impulse purchases that can leave you feeling regret.

**Activities:**

Activity 1: Compare your income and expenses

Activity 2: Estimate and track your spending

Activity 3: Build a budget

 **Activity 1: Compare your income and expenses**

One of the first and most important steps when it comes to financial wellbeing is making sure you're not spending more than you're earning.

Looking back over your bank statements for the last 6 months, add up a total for your spending each month and compare it to your income. If your income changes from month to month, you'll have to factor this in too.

Month	Income	Spending
<b>Total</b>		

If your spending is more than your earning, or you just want to cut back, it's worth categorising your purchases so you can get a clearer picture of where you may be overspending. For example, you could categorise your spending in terms of your bills, your groceries and so on.

## Activity 2: Estimating and tracking spending

Spending can be classified as discretionary and non-discretionary. Discretionary spending is where you have choice as to how much you spend such as groceries and clothes, non-discretionary spending is where the amount is set such as electricity and rent.

All spending is discretionary to a point - you could choose to change electricity provider or move home, for example, but the focus of this activity is to look at the spending that is easier to alter.

In the table below, estimate how much you've spent in the previous two weeks. Then once you've estimated all of the items, log in to your banking app to check what your actual spend was. You might be surprised at how you think you spend changes from how you actually spend!

Expense	Income	Spending
Groceries		
Petrol		
Public transport		
Coffee		
Eating out/takeaway meals		
Entertainment		
Clothing		
Subscriptions		
<b>Total</b>		

Are there any big differences in your estimates and the actual amount spent? If so, why? Also, are you happy with how much you're spending across all categories? If not, what could you cut back on? It may be tempting to say 'No more coffee ever again', but what's more realistic and achievable may be to cut back slowly. Give yourself small targets to aim for - like cutting your spending back in one area by 10-20% - and then build from there.

## Activity 3: Build a budget

A budget can be considered a blueprint for financial success. Some people avoid budgets because they don't want to have limits or think it will be too much work, but a budget can reduce the amount of time you spend worrying or thinking about money - as well as help you spend guilt-free because you have a good idea of what you can afford.

Start by getting a clear idea of your spending across all categories. To do this, analyse your spending for the last 3-6 months. You might want to keep your banking app handy or print out some recent bank statements and get a highlighter and pen ready.

Category	Average monthly spend
Rent/mortgage	
Bills (electricity, internet, subscriptions etc)	
Groceries	
Eating out and going out	
Shopping (clothes, homewares etc)	
Transport (car and public transport)	

You can also use a tool like [Moneysmart's budget planner](#) to build a budget.

Once you have a clear idea of where your money is going, set yourself goals for spending within each of the categories. Below are some ideas for the categories you could use.

Keep in mind not everything has to change - for example, rent or mortgage payments are likely to be fixed unless you're planning on moving in the near future. But you could use this as a good opportunity to assess whether you could get a [better deal on things like electricity and internet](#), as well as look at any subscriptions you could cut out.

Category	Average monthly spend	Goal for monthly spend
Rent/mortgage		
Bills (electricity, internet, subscriptions etc)		
Groceries		
Eating out and going out		
Shopping (clothes, homewares etc)		
Transport (car and public transport)		

Check in at the end of each month to see how you're tracking and remember that you don't need to hit all your goals immediately. The main thing is being aware of your spending and keeping your targets in mind. Remember, tracking your behaviour can make all the difference.

Total



# Rainy day

We all know things can go wrong, but we don't like to think about it. Research shows we have a tendency to underestimate the risk of unfortunate events happening to us.

As a result we're often not well prepared when the unexpected does happen. While we can't know what the future holds, we can be better prepared for it.

Being ready for a rainy day means having something to fall back on when we're faced with unanticipated expenses - this can be in the form of savings and sometimes insurance. Having these fall back options makes us more financially resilient.

**Activities:**

Activity 4: Review unexpected expenses from previous months

Activity 5: Start building your rainy day fund

Activity 6: Assess your insurance coverage

 **Activity 4: Looking at your unexpected expenses**

Look through your bank statements for the last 12 months and mark down if you had a financial shock in any of these areas:

Type of cost	Amount of times	Total cost
Car		
Vet		
Medical		
Home		
Fine		
Legal		
Other		

 **Activity 5: Building a rainy day fund**

Now you have an idea of the types of costs that can catch you out and how much they could be costing you over a year, the next step is to build a savings account where you can separate your rainy day savings from any other savings.

Saving for things we're excited about can be hard enough, so when it comes to saving for things you'd rather not think about it's important to be really clear in setting your goals and the steps you'll take to achieve them.

I'll set a goal balance of \$ \_\_\_\_\_

I'll open a Rainy Day account on: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

I'll make an opening deposit of \$ \_\_\_\_\_

I'll contribute \$ \_\_\_\_\_ a month

I'll reach my goal on: \_\_\_\_ / \_\_\_\_ / \_\_\_\_ (divide goal by monthly contribution amount)

I'll tell \_\_\_\_\_ and ask them to check in on my progress  
name

When I reach my goal I'll treat myself by \_\_\_\_\_

## Activity 6: Assessing your insurance coverage

When insurance policies are set up to auto-renew, it can be easy to keep paying for them regardless of whether the policy is suitable or not. And when there are so many options out there, it can also be overwhelming to know where to start when choosing coverage.

Despite this, it's important to look at your insurance coverage regularly to make sure you're covered for what you need and have the best deal possible.

Insurance should protect things you can't afford to lose such as your car, health and home. To make sure your level of coverage is appropriate or to assess any new policies you're considering, ask the following questions.

1. What exactly does the policy cover? Your policy is the terms and conditions of your insurance
2. What's not covered? This is also known as the exclusions
3. Are there any conditions that would invalidate the insurance? For example, a pre-existing health condition
4. Is there an excess amount to paid? If so, how much is it? Your excess is the amount you have to pay when making an insurance claim
5. What is the cost of the premium over a year? Your premium is the amount you pay to hold your insurance
6. Is the total cost of the premium and potential excess similar to the potential cost of paying for the item yourself?



Sometimes you can reduce your premium by increasing your excess, but this means you'll pay more if you do have to make a claim.

For more information on insurance visit [moneysmart.gov.au](https://www.moneysmart.gov.au)

# One day finances

What we do with our money today impacts the life we're able to live in the future. Taking care of our one day finances means making choices that don't only consider our wants and needs for today but for tomorrow as well.

Prioritising our one day finances isn't always easy - after all, there's already so much to focus on today. But a few small steps - like writing out financial goals, setting up a regular savings habit and checking in on our super - can make all the difference in the long run.

**Activities:**

Activity 7: Connect with your future self

Activity 8: Create financial goals

Activity 9: Develop a plan for when you go off track

Activity 10: Set up your savings

Activity 11: Work through the superannuation checklist

# Saving for the future

One of the reasons it's hard to save is because our 'present self' and 'future self' want different things. For example, our present self might like to buy a new outfit each time we go out or get a season pass to the football, but our future self might want to have money for a house deposit.

Research from behavioural science finds we tend to prioritise rewards in the short-term over rewards in the long-term. In other words, we tend to choose to feel good in the moment at the expense of our future self.

One famous experiment found that people respond differently when they have the option to receive a smaller amount of money in the short-term compared to a larger amount later in time.

When people were asked if they'd like to have \$10 after waiting 6 months or \$15 months after waiting 7 months, most people chose to wait to get more money later. However when people were asked if they would like to have \$10 today or \$15 in one month's time, people changed their mind - and asked for the smaller sum straight away.

## Activity 7: Connect with your future self

Our present bias can mean that we need future rewards to be large in order to make a sacrifice today. Unfortunately, this short-term perspective usually catches up with us - after all, we eventually become our 'future self' and have to live with the choices that our past self made.

But there are steps you can take to empathise with your future self, to help you make decisions with them in mind:

- Write a letter to your older self to increase your connection with future you
- Write down what achieving your goal would look and feel like - describe it in vivid detail
- Use visual cues to motivate you to make sacrifices for your goals - think about putting an image of your goal on your fridge or phone background to keep your eyes on the prize!

## Activity 8: Create financial goals

Your dreams are how you imagine your future and your goals are your plan to get there. When you set a goal, you need to be able to track your progress so you can see how far you've come.

Having financial goals not only gives you a plan to achieve them but can boost your motivation too. Our savings habits are heavily influenced by our emotions - and when we imagine what achieving our goal could look like, we're statistically 73% more likely to save.

The best goals are ones that can give you a sense of achievement and keep you motivated. For these results, your goal needs to be:

- Specific
- Measurable
- Actionable
- Realistic, and
- Time-bound.

In other words, SMART. Remember planning your goals pays off because you're more likely to achieve them. Write out your goals for the medium and long-term as well as for your retirement.

You can use the questions below to work out how attainable your goal is and when you're likely to reach it.

- What is your goal?
- Why do you want to achieve?
- When do you want to achieve by?
- How many pay cycles are there between then and now?
- How much will it cost?
  - Divide the cost by the number of pay cycles to work out the amount you need to put away:  
 $\$XX \text{ (goal value) divided by number of pay cycles} = \text{regular savings amount}$
- Consider whether saving this amount regularly is realistic?
- Think about how this goal fits with the rest of your life? For example, do you want to reach one goal before others? Would anything need to change to reach this goal?



## Activity 9: Develop a plan for when you go off track

Have you ever been on a diet and stumbled when you were presented with an opportunity to slip up? How did you feel? Did you think 'well, I've broken my diet now, I might as well eat whatever I want'? If so, you're not alone. Researchers have found this behaviour so common that they've called it the 'What the hell' effect!

Unfortunately, this type of thinking is just as common when you're trying to reach a financial goal. You might break your budget by a small amount but then think to yourself; 'What the hell, I've already fallen behind my goal this week, so I might as well spend up and save later'.

Research finds that ambitious 'all or nothing goals' can lead to this kind of thinking. And the solution to these goals is just being more realistic with the plans we make. When we've got a bit more flexibility in our goals, we're better able to stay on track and reach our ultimate goals.

There are steps you can take to create more realistic goals - the types of goals you can actually stick to. Here are a few ideas to keep in mind as you set your financial goals:

- Keep your budget and financial goals achievable so you're less likely to go off track - unrealistic goals can really be demotivating, so think about allowing some wiggle room
- Be kind to yourself if you slip-up! Everyone slips up from time to time and the best way to stay on track when you do is to be kind to yourself instead of giving up
- Think about how you could boost your savings if you go off track. For example, you could sacrifice takeaway food for a month to help boost your savings.

## Activity 10: Set up your savings

Saving regularly is a key component to achieving our financial goals. When we're saving regularly, we're more likely to be in good financial shape. Saving regularly is the most influential behaviour on our overall financial health, along with not borrowing for everyday expenses.

When we save regularly, we get into the habit of prioritising our future self along with our present self, earn interest on our savings and start making progress towards long-term goals. All of this can be incredibly motivating, giving us the boost we need to build wealth for the future.

Here's where to start when setting up your savings:

### **Look at the interest rates**


Interest rates are quite low at the moment across the globe but you might still be able to find a savings account with a high interest rate. See if you can earn any bonus interest and what requirements you might need to meet those rates. And be wary of introductory rates - they might look appealing in the short-term but can mean lower rates after the introductory period is over.

### **Name your account**

Naming your savings account after the goal you're saving for might sound simple but it's a really effective way to help you keep your goal front of mind. If you're tempted to withdraw money from an account you've named 'new car', for example, you'll likely feel like you're stealing from your future self. Being reminded of what you're saving for helps keep your eyes on the prize.

### **Automate a savings transfer**

Setting up automatic savings from your bank account to your savings account as soon as you earn it helps separate your savings from your spending. It also reduces the chances you'll forget to save or the likelihood that you'll accidentally spend your savings. Saving money as soon as you're paid is referred to as 'paying yourself first' - you're looking after your present and future!

 **Keep it realistic**

Be realistic with how much you can save and by when. Instead of aiming too high and feeling disappointed, it's best to save a realistic amount that you can stick to. Make a plan to top up your savings if you do need to dip into them or to sacrifice something from your budget to help you stay on track.

# Understanding superannuation

Superannuation (super) is money set aside during your working life for you to live on when you retire. Your employer pays a percentage on top of your earnings or as part of your salary package into your super account. Your super fund then invests that money, plus any other funds you contribute yourself, so you have money to live on in retirement.

Super can sound a little confusing if not totally boring. But many of us will spend about one quarter of our lives in retirement, which means the decisions we make about super in our working life can have a huge impact on the kind of life we can live when we retire. For example, every dollar you don't contribute in your thirties could cost you about three dollars to make up in your fifties.

## Staying connected to your super

When it comes to making decisions, we're often swayed by the default option. When something is a little bit complicated, it's easiest to go with whatever is already chosen for us. But this can mean we're disconnected from what's going on - because we've not had to make a choice.

For example, your smartphone might have your background app refresh automatically switched on - your apps may stay up to date, but you spend more on data when you're not connected to WiFi unless you go to your Settings and actively change this. Australia's superannuation system is similar. Our employer automatically contributes a fixed amount to our superannuation fund - and when we don't actively choose that fund, they set money aside into a fund of their choice.

This means we're not making active choices about which fund we're in. We may not look at how well they perform, what fees we're paying or what risk portfolio our investments are in. But small and even infrequent changes to our superannuation can have a big impact over time. Here are some actions you can take to get your super sorted.

## Activity 11: Work through the superannuation checklist

### Consolidate or review your accounts

Consolidating your accounts can help you save on fees and make it easier for you to manage your super as it'll all be in one place. Here are some questions you can ask yourself before consolidating. You can also use these questions if you're reviewing your super:

- Look at how much you're charged in fees for your accounts - it's likely you'll be charged an investment management fee and an administration fee. If the investment management fee is a percentage, calculate what that would add up to.
- Check your superannuation statements to see what insurance cover you're paying for. You can use the questions on page 11 to help you. You could also research what kind of insurance cover is suitable for you at your stage of life.
- Check past statements to see what returns you're getting or look up how your superannuation funds have performed over the past 5 or so years. It's worth keeping in mind that past performance won't always be an indicator of future performance.
- Review the investment option you've chosen and whether that still suits your stage of life. It may help to read about [investment strategies](#) to help you make your decision.
- Check whether there are any drawbacks for changing from one fund to another - would you lose any insurance or are there any tax implications?
- Think about how easy your super is to check in on - the easier your super is to navigate, the more likely it is you'll stay connected to how your money is growing.

### Check in on your super regularly

It's a good idea to review your super every year or so, comparing your provider to others in the market and reviewing the fees you're paying for investments and any insurance you have through super. As your circumstances change, you may want to change things over time. For example,

you may change your investment option and the amount of insurance cover you have. You can use the bullet points above as a guide.

## Strategies to boost your retirement saving

You can boost your super by making pre-tax salary sacrifice contributions to your account or by making post-tax contributions. Putting extra money into your super when you're young can make a big difference to your balance in the long run.

Salary sacrificing some of your income into super can also be tax effective. That's because the extra amounts contributed into your super are generally taxed at 15% compared to your take-home pay which may be taxed at up to 47% if you're a high income earner. This can also reduce your taxable income, which can mean less tax withheld from your take home pay.

You can also make post-tax contributions to grow your super and can often claim a tax deduction on personal contributions. You just need to be mindful of how much extra you're contributing to super as the government has a cap on how much you can contribute each year.