

The skills you need for big money choices



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Even when you've got the skills to budget for your household, making big financial decisions can seem beyond you. You might feel like you lack the knowledge or confidence to plan for your financial future, instead of just managing day-to-day. So just what is it that holds you back from getting in control of your finances and feeling confident about your future?

In a 2018 report from UBS, 90% of women surveyed were in the know about their household accounts. But in spite of this, 56% said they would defer to their husband on major financial decisions like investing. And for the millennial age group this figure rises to 61%. It seems a new generation of wives are less than confident in their ability to secure their financial future.

It's a trend that has Peter Foley CFP®, director and principal of Thirdview very concerned about the financial and personal wellbeing of Australians. "Having read the UBS report and then the 2018 Household Income Labour Dynamics in Australia (HILDA) report findings about financial literacy, it's become even more important to me to build capacity and confidence in my clients to reach their financial goals," he says. "The HILDA survey demonstrates very clearly how poor financial literacy is linked to a whole range of economic outcomes like net wealth, as well as personal problems like financial stress."

Budgeting is key

When it comes to keeping a family afloat financially, Peter sees a whole range of budgeting approaches. Sometimes the approach is aligned with family goals and values, but sometimes it's much more ad hoc. "If your family goals include annual holidays in Fiji come the summer and Thredbo in the winter you need to know what that costs and how to pay for it," he says. "That might mean putting money aside and finding a way to claw it back from something else. Just reviewing your mobile phone plan or your health insurance now and again can be a way to save extra towards that family goal."

Overcoming fear

Let's say you've got the fundamentals of budgeting sorted. What stops you from taking action on bigger money matters, like super and investing? "It's down to a lack of confidence together with a fear of the unknown," says Peter. "We humans have an amazing capacity to tell ourselves stories about things that are unfamiliar. And the story we create around financial tasks like getting our super and insurance sorted is that it's terribly difficult, which scares us. Add this to the breakneck speed life takes on when you have a career and kids to manage and it's just so much easier to save it for another day."

Daring to dream

The fear of not having enough money if you fell ill or by the time you retire might seem an obvious way to overcome a fear of the unknown. In Peter's experience, however, fighting fear with fear doesn't work. "Behavioural economics tells us we're far more scared of losing money than we are excited by the prospect of gaining some," he says. "So, I've been surprised to find that what really works is giving people the time and space to focus on their ideal future. Daring them to dream of a lifestyle that's intentional, instead of hurtling along and making do, can be an incredible motivator."

Peter does this with clients in a 90-minute whiteboard session to map out the goals that matter. "Then we look at the gaps between where they're at now and achieving their vision," he says. "This gives us a path with clear actions they can take. And to overcome any doubts about whether it can work for them, I've got plenty of successful client case studies as proof of what's possible."

Having the discipline to follow through

Initially, clients are asked to follow up this session with some 'homework' – spending time, uninterrupted by phones, chores and children, talking about how they would feel having reached their

goals. “This is really important, because it becomes the ‘why’ to get them started on the journey and keep them going,” says Peter. “As their adviser, coming up with the strategy and steps is relatively easy because that’s my area of expertise. The greater challenge for our clients is to stay on course. You can have the ‘how’ all mapped out, but it’s the ‘why’ giving you the discipline to see it through.”

A focus on women

As well as discipline, Peter identifies a client’s willingness to be coached towards goals as being critical to success in reaching them. “It’s no wonder men expect to know it all when it comes to money,” says Peter. “In the UBS report, 87% of men said they expected to provide their wife with a sense of financial security. That’s enormous pressure they’re putting themselves under to have all the answers for their finances. If the majority of men have this belief, we can see why they might find it harder to ask for and accept help”. This research from UBS confirms Peter’s own experience that men sometimes hesitate to take advice on money matters, whereas women are generally very open to taking their financial literacy to the next level.

Another important reason to support women to be financially capable is the potential knowledge that can be passed on. “It’s still the case that women are primary caregivers in many families,” says Peter. “When my work empowers women to be confident in setting and achieving money goals, their kids are going to experience the benefits and learn lessons along the way. That’s got to be a good thing for the financial literacy and economic outcomes of a new generation of Australians.”