

know your money personality

and understand the financial you

GETTING TO GRIPS with your financial position is more than just filing a tax return on time and putting money away into an online account. It's about knowing what you want to achieve financially by when and how.

What are your financial values? How do you want to be? What do you want to do with your money?

"Once you acknowledge your values about money then you can assess whether your behaviours and goals are in line with your values or not. When they are out of kilter, you may feel discomfort, fear and avoidance. When they are aligned, hope and action prevail," clinical psychologist Dorothea Vallianos explains.

By having a financial plan and acknowledging that you need to know how to manage your cash flow, you can save.

Because how can you invest if you don't have any surplus funds? And if you don't have money invested then you miss out on the wonderful effects of long-term compounding interest, which powers up your balances.

Astute money cooks divide up their money into accounts (or even envelopes) and then put 30 per cent into saving and 70 per cent into living. The savings money is then divided into short and longer term funds. The short term funds may be play money for trips and the longer term money is for super and investing.

According to Dorothea, understanding and acknowledging your values about money can help set your compass in the direction you want your finances to go. So ask yourself: "What do you want your financial life to be about?"

Goals can help keep you on track to manifest your financial values, affirms Dorothea.

So if one of your financial values is to own your own home in order to feel secure then knowing how to reach your goal and what steps should be taken is the next consideration.

THE SECRET TO SUCCESSFUL WEALTH CREATION IS UNDERSTANDING WHAT MONEY MEANS TO YOU, WRITES JULIANNE DOWLING IN THIS EXTRACT FROM HER NEW BOOK



If you want to buy a house, then how much money should you save? Where do you put those funds in the meantime? Should you buy a property to live in or as an investment and which is better?

The goals will dictate the steps. For example, there's little point locking up your funds into say, a nine-year bond if you intend to access it for housing deposit in three to five years time. But there could also be other options than simply shoving your hard-earned dosh into the first savings account that springs to mind.

Finally, you may be wondering how you can have a more affluent future. Knowing your current financial worth and how that varies from year to year can assist in making you work towards wealth creation with more focus.

Essentially, net worth acts as a benchmark for how you're tracking towards your financial goals – and it's something useful to assess yearly along with your budget.

Knowing your net worth boils down to what you own versus what you owe. Net worth is not just about lifestyle. You can appear rich but be extremely debt-ridden and possibly have little behind you. You can be cash poor and asset rich but if your debt levels are in hand, that's fine. You can be cash poor and asset poor.

That's tough because climbing out of that state takes effort. But it can be done.

"People who have the look of wealth may have the most debt," says ANZ Financial Planner Katrina Pulbrook.

"Often, the house is the essence of your net worth but it's still all about cash flow. You can't expand your net worth unless you quantify the amount of cash you have.

"Loan to valuation ratios must be always checked to see that it's comfortable because if you don't have enough money, you will have to earn more (to meet payments). You probably don't want to sell a property too early because it takes seven years or more to be worthwhile. You want to cash in on the growth; usually, it's expensive to get into the asset initially.

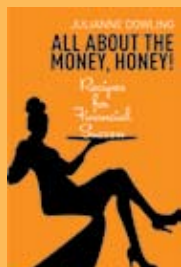
"Super tends to be neglected when purchasing a home and when parents are busy paying off the school fees. A lot of people want their kids to have a private education and haven't prepared for it financially.

"It's easy to put off starting a savings plan but if you leave it too late then you have to put more in to top it up. Time marches on regardless."

We all know that money is a means – not an end. But your long term prospects for independence will flourish if you take the time to think more often about your financial state and put some effort into learning the skills. ■

WIN one of six copies of Julianne Dowling's **ALL ABOUT THE MONEY HONEY!**

See page 65 for details.



take this test and find out who you are

Q1: My approach to life is:

- A** Take no prisoners. I'm very positive and throw all my energy into everything I do. Some say I'm reckless. I say I'm driven to succeed.
- B** Focused. I have a strong and clear idea of where I'm going, and what I want to achieve personally and financially. Things generally work out well for me. Friends say they don't know where I find the time.
- C** Considered. I weigh up the advantages and disadvantages before making decisions, but when I do act, I do so decisively.
- D** Agreeable. I like getting along with people, and prefer to seek consensus than make the wrong decision on my own.

Q2: How important is getting ahead financially for you?

- A** Essential. I work very hard and pump as much excess income as possible into making more money. That means making some lifestyle sacrifices in the short term, but it will pay off.
- B** Very important. I have a weekly budget, set strict financial goals and stay focused on building my assets. But I make sure there's still enough for restaurant meals and a trip away each year.
- C** I would like not to worry about money, but my lifestyle and happiness means I sometimes live from pay packet to pay packet.
- D** I'd like to be a bit better off, but having a happy and fulfilling life is what inspires me. Money is only a means to an end.

Q3: Thinking about your experiences with investing, would you say:

- A** I love it – I've made a motza and see opportunities to make money everywhere. I reckon I understand investing and do all my own research.



MOSTLY As:
The Warrior
Adventurous, active, positive and aggressive financially but may need to better balance the risk-return equation.



MOSTLY Cs:
The Traveller
Understands a bit about money but would rather go along with a slow and steady investment than accept high risk. Could you be doing more with your money?



MOSTLY Bs:
The Manager
Financially aware and adept, and seeks information before acting. But are you overexposed if markets correct?



MOSTLY Ds:
The Lover
The financial fear factor takes a back seat to making sure life is comfortable and predictable. Things seem OK now, but consider taking more control to ensure things can continue to grow and improve.

- B** I enjoy it and though I have done well with most of my investments, there have been a few failures. I read widely and seek advice.
- C** It gives me a headache. I have sometimes listened to the wrong people and haven't had as much success as I would have liked. Perhaps I don't have the time or knowledge to make the most of my money.
- D** My investment experience has really only been in fashion. I know a little, but I've never really been able to put extra aside into investing.

Q4: My attitude towards taking financial risks is:

- A** Yes, please. If the potential return is high enough, I'm prepared to lose money four years in every seven, so long as I come out well in front. I'm open to most things – nothing stupid, though.
- B** I understand risk, so I look at balancing higher-risk investments with less-risky ones to ensure I don't lose out overall.

- C** I'm more concerned with stability, so I'm not really interested in taking too many risks. I'm OK with some shares, but blue chips only, please.
- D** Risks? Nope. No thanks. Not interested. Slow and sure is the right approach for me.

Q5: When I invest, I put my money away for:

- A** As long as it takes to get the return I'm after. I'm happy to trade shares every day and rebalance my portfolio frequently just to make sure I'm ahead of the game.
- B** The medium term. I don't like locking my money away for ever, but short-term investments just seem too volatile for my comfort.
- C** About a year. I want stability and surety over market peaks and troughs that simply cause too much stress and fear. And I want to be sure that I can access it if I need it.
- D** The next sale at DJs. I really can't afford to have my money locked away out of my reach. What happens if I have an emergency?

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