



## A guide to managing personal finances

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The importance of personal financial planning can't be overstated, regardless of your age. Proper financial planning can offer a safety net for you and your family while giving you the freedom to make informed choices.

Many adults worry about the fundamental aspects of finance, such as retirement planning and investment basics, indicating the broad relevance of this topic.

### 1. Understanding Your Income

Start by knowing your post-tax income, which is crucial for effective financial planning. Knowing exactly how much money you make after taxes and other deductions enables you to make realistic financial decisions.

### 2. Creating a Budget

Budgeting is the backbone of personal finance. The 50/30/20 rule offers a simple framework: 50% of your post-tax income should cover living essentials like rent and groceries, 30% can go towards discretionary spending like dining out, and 20% should be allocated for future savings and debt repayments. seeking advice is the only way to determine what is the right amount for your own circumstances.

### 3. Building an Emergency Fund

The concept of "paying yourself first" centres on setting money aside for unforeseen expenditures such as medical emergencies or job loss. Financial advisors suggest saving at least 20% of your monthly salary, targeting a fund equivalent to three to 12 months of living expenses. Again, seeking advice is the only way to determine what is the right amount for your own circumstances.

### 4. Controlling Debt

Debt management is more nuanced than merely not spending more than you earn. While it's true that borrowing is sometimes inevitable, make your loans work for you. Mortgages for home purchases or leasing options for cars can be smart debt

decisions. At the same time, minimising repayments can free up income for investments or retirement savings, especially when you're young and can benefit from compounded interest.

#### **5. Navigating Student Loans**

Student loans make up a significant chunk of consumer debt. Prioritizing their repayment is crucial, and there are various repayment plans available to help manage this debt. Strategies such as graduated, or income-driven repayments can make the process more manageable.

#### **6. Using Credit Wisely**

Credit cards are ubiquitous but can be debt traps if mismanaged. Make sure to clear your balances monthly and maintain a low credit utilisation ratio. Take advantage of rewards and cashback options, but don't overlook the importance of timely bill payments and keeping your credit score in check.

#### **7. Planning for the Long-term**

Retirement may seem distant but preparing for it early is wise. Contribute to your employer's retirement plans, especially if they offer matching contributions. Understanding the different retirement options available.

#### **8. Prioritising Insurance**

As you age, the importance of various insurance types like health, life, and long-term care insurance grows. Insuring yourself adequately can protect your savings and provide financial security for your family in case of unexpected events.

#### **9. Maximising Tax Benefits**

Don't leave money on the table come tax season. Keep track of potential deductions and credits, as they can provide substantial savings. Understanding the difference between tax credits and deductions can help you optimise your tax strategy.

#### **10. Self-Care and Delegation**

Financial planning doesn't have to be all about sacrifices. Occasionally rewarding yourself can serve as a motivating factor. Additionally, consider employing professionals like certified public accountants or financial advisors to set you on the right track.

In summary, financial freedom comes from disciplined planning, timely investments, and wise decision-making. It's not just about scrimping and saving, but also about strategic planning and making your money work for you.

If this article has inspired you to think about your own unique situation and, more importantly, what you and your family are going through right now, please contact your advice professional.

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