YOUR MONEY & FINANCIAL WELLBEING

Ishar

Multicultural Women's Health Services

Your Money and Financial Wellbeing
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CONTENTS

INTRODUCTION

Meet Aisha.

Aisha is a 31 year old woman who moved to Perth four years ago.

Aisha works for a real estate company and earns $25 per hour.

She knows it can be tough managing money. At times, it's even stressful. Aisha has bills to pay, including rent, electricity and food bills.

And, of course, she wants to have fun with her friends and family too, like going out for lunch and shopping. But all these costs can be expensive.

When Aisha first moved to Perth, she worked part-time at a restaurant. She was earning less money.

As a result, her bills were much harder to manage. This experience taught Aisha really good skills at managing her money.

Aisha knows that learning how to manage a budget and make smart financial decisions can also make a big difference, even if you're only working part-time.

In this book, we will follow Aisha as she organises her finances. We will learn from Aisha's mistakes, and we will work to understand what is the best approach to making smart financial decisions.

Your financial wellbeing

The aim of this book is to improve your financial wellbeing. That means ensuring you have a budget in place, helping you actively save money, ensuring your superannuation and insurance is set up, and helping you organise an estate plan.

And the whole purpose of increasing your financial wellbeing is to give you peace of mind. You want to be able to live a happy and secure life without worrying about your money every day.

This book will help you plan wisely and make smart financial decisions. But there is still a responsibility on your shoulders to live within your means. After all, the best financial plan in the world can be easily ruined by bad spending habits and poor choices.

Make sure your expenses are sensible. Spend money on things that you really need.
At the end of the day, managing your finances isn't just about you; it's also about those people close to you. By making smart financial decisions, you can support those close to you – whether that be your children, your parents or even friends.

Life is definitely not about money. But managing your money well can make life more pleasant.

Lastly, never feel pressure to make any financial decisions, whether that be buying insurance or taking out loans. There is never a need to make quick financial decisions. Smart financial decisions are best made slowly. You should always make the decisions that are best for you.

I hope this book gives you the best chance at looking after your financial wellbeing. Some topics are complicated, so you should always be comfortable to ask for help from those around you.

As part of the deal with this book, I am providing you my email address so that you can contact me and ask questions: **george@thecluelesseconomist.com**.

The information in this book is general in nature. It's possible that your financial situation may be different from what is described in this book. It's important that before you make any financial decisions that you consider your personal situation and get the appropriate advice.

Aisha is an example based on a single average income and a single household income. Other expenses might be involved according to the individual (children school fees, pets, etc).

This book is designed to be a general guide and should not be the sole basis for any financial decisions you make.

CHAPTER 1

PAYING BILLS & BUDGETING

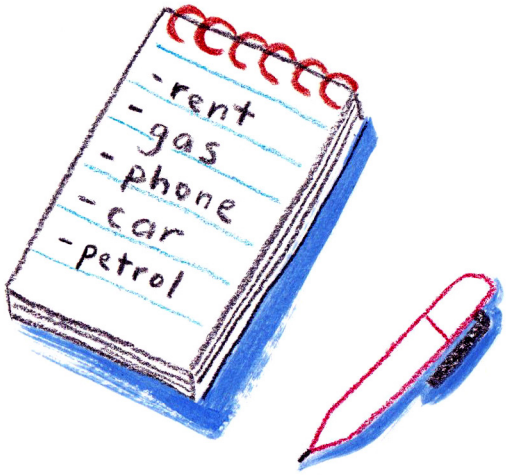
When it comes to keeping a budget, you have a responsibility to stick to your spending plan. Your budget can help to figure out which costs are essential, and which expenses are not as important. For example, rent has to be paid while purchasing new clothes can be done another time.

Let's see how Aisha goes preparing a budget:

Aisha gets her salary every two weeks.

She knows that each month she will get a bill for the following expenses:

- rent
- electricity
- gas
- internet
- car insurance
- phone



Aisha also knows that she will have to make the following payments:

- supermarket shopping
- petrol
- public transport costs

These expenses are the 'essential expenses' Aisha has to pay. Therefore, Aisha needs to prioritise these payments before she spends money on other 'fun' things, such as restaurants and shopping for clothes.

Of all the bills listed above, Aisha knows exactly how much some of them will cost. For example, she knows that rent is $800 per month. She also knows that internet is $60 per month. And public transport will cost $80 per month.

However, all the others can vary. For example, Aisha's electricity bill will change each month depending on how much electricity she uses. If the weather is particularly hot, Aisha may use the air conditioning more, and her electricity bill will increase.

Because the price of some of the bills are 'unknown', Aisha needs to be prepared to cover different costs.

Aisha decides to prepare a budget. A budget is a list of Aisha's income and her expenses. This allows her to plan her spending.

The first thing Aisha works out is her take-home pay per month. Take-home pay refers to your income after tax and superannuation are paid (this will be explained later). To do this, Aisha looks at her last two pay slips from work to see how how much she receives per month:

INCOME PER MONTH	
Salary (after tax & super)	$3,207
TOTAL INCOME	$3,207

Important note:
Even though Aisha earns $25 per hour, she will only receive $18.50 per hour in her bank account because of tax and superannuation. This will be explained later.

Next, Aisha works out what her expenses are per month. Aisha decides to list her expenses from the most expensive to the least, starting with rent and finishing with her phone bill.

Remember, these are the expenses that Aisha has to pay each month, such as rent, food and electricity. Aisha will consider other 'fun' expenses later.

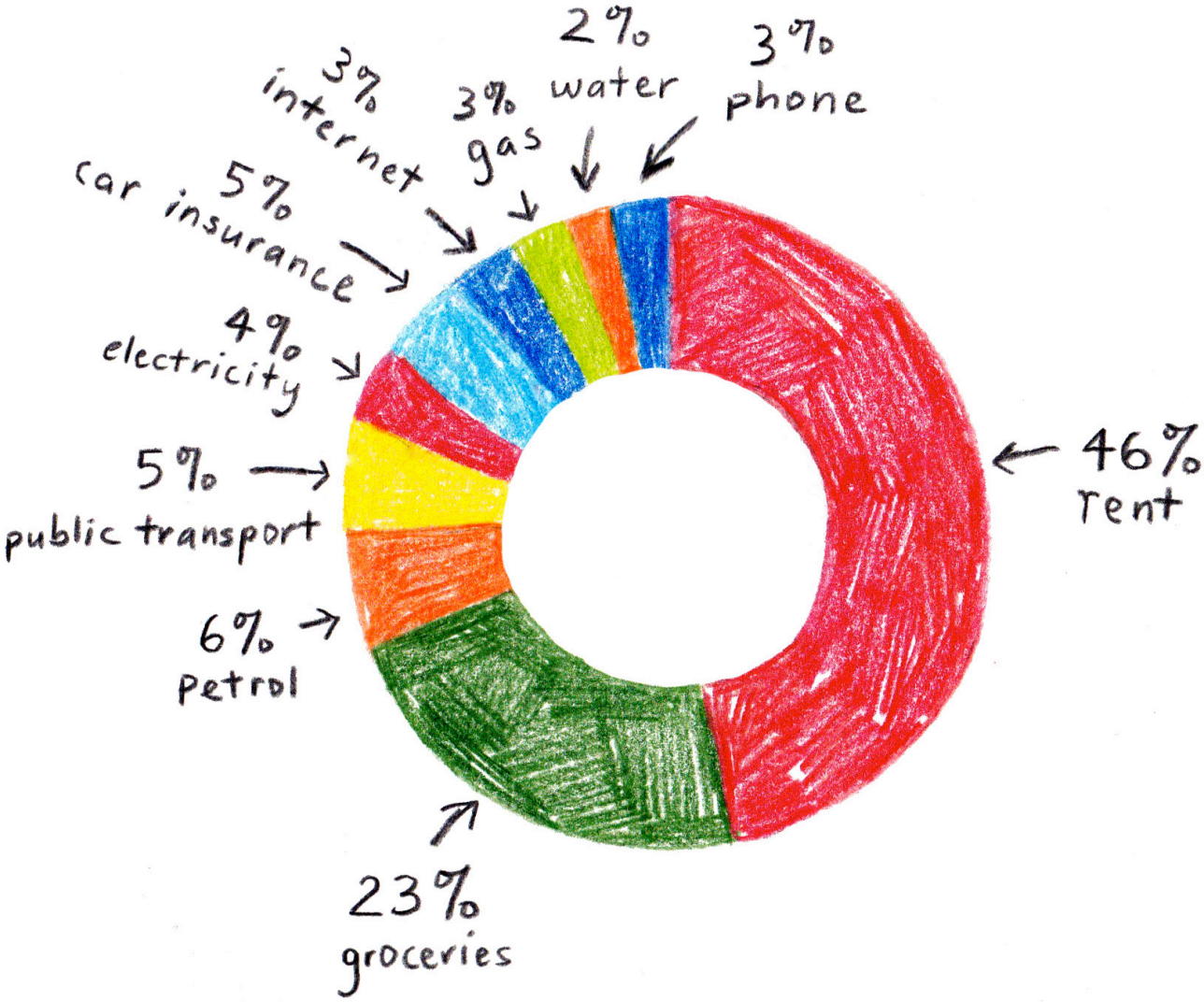
EXPENSES PER MONTH	
Rent	$800
Groceries	$400
Petrol	$100
Public transport	$80
Electricity	$75
Car insurance	$75
Internet	$60
Gas	$50
Water	$50
Phone	$40
TOTAL EXPENSES	$1,730

Finally, Aisha calculates whether she has money left over. Aisha looks at her income, and subtracts her expenses. Fortunately, Aisha has money left over! With the money left over, Aisha has the choice to either save some of this money or spend some of this money on other things.

MONEY LEFT OVER

Income minus expenses $1,477

Here are Aisha's expenses in a graph. This allows us to easily see which expenses are the biggest; in this case, Aisha's rent is her biggest expense.



From the budget we looked at before, we can see that Aisha earns $3,207 per month from her job. We can also see that Aisha spends a minimum of $1,730 per month.

This means that every month Aisha has $1,477 left over. This leftover money is called a ‘surplus’. Aisha can use this surplus of $1,477 on other expenses or save some money.

It’s really important that Aisha doesn’t spend all of the leftover money, because sometimes unexpected expenses come up. For example, Aisha’s car might break down, or her fridge might stop working. These things will need to be fixed. And if Aisha doesn’t have the money to pay for them, then she will either need to borrow money – which can be risky (and will be discussed later) – or start living without a fridge or her car. This would be very difficult.

Aisha decides that she is going to save half of her surplus money each month. Therefore, Aisha saves $738, which she can use for extra expenses.

Tips for budgeting:

Aisha knows it can be hard to stick to her budget, because sometimes prices go up for the things she needs. Also, sometimes Aisha wants to spend money on extra things, like a dinner with friends or tickets for a new movie.

The key to budgeting well is to be accountable to yourself. This means creating a plan and sticking to it. With Aisha’s budget above, she can also add in extra expenses such as restaurants, movies and shopping.

Once these extra expenses are taken into consideration, Aisha will have a better idea of how much money she will have left overall.

When Aisha put her budget together and decided that she was going save half her surplus and spend the other half, she realised that she will have an $738 to spend on other things.

Even though Aisha has this money to spend, it's still important to make sensible purchases.

One tip to make sensible purchases is not make compulsive purchases. Making compulsive purchases means seeing something for the first time and then buying it.

Instead, Aisha made a rule for herself that she has to consider each purchase for two days before buying it. For example, Aisha saw a pair of shoes that she really liked. But instead of buying them straight away, she went home and wrote it down alongside her budget. She then had two days to consider the purchase.

After two days, Aisha realises that she doesn't need the shoes. Therefore, she decides to not buy them. This a good tip for avoiding extra purchases.

Aisha makes sure she also sticks to a spending plan by only buying things on her supermarket shopping list. By being accountable to herself and sticking to a plan, Aisha can reduced her general expenses.

KEY TAKEAWAYS FOR BUDGETING

- The key to smart money management is putting together a budget.
- You can easily set up your budget either on an Excel spreadsheet or simply writing it down. A calculator can help you work out how much your total expenses are and how much money you have left over every month.
- Aim to save half of your surplus each month.
- You can spend the other half of your surplus on whatever you like. However, make sensible decisions.
- Stick to a plan.
- Don’t make compulsive purchases on the same day. Always think about purchases for two days.

CHAPTER 2

SAVINGS

Becoming a good saver requires practice. The best way to do it is to work out how much you can save each month, and then setting regular and achievable expectations of how much you can save.

Let's see how Aisha goes about saving money:

According to Aisha's budget, she is able to save $738 per month. However, sometimes this isn't always possible. Occasionally, Aisha has extra expenses. And that's ok. Saving money is designed to help for future purchases, both planned and unexpected.

Let's assume Aisha manages to save $400 per month.

This means after one year she will have saved $4,800! ($400 x 12 months = $4,800)

It's important that Aisha decides how she is going to save this extra money. Most people usually save this money in a 'savings account' with their bank.

The great thing about a savings account is that it is a good way to put money aside. On top of that, a savings account earns more interest. Interest is a great way for money grow by leaving it in the bank. We will learn more about interest shortly.

Aisha decides to open a savings account with her bank. Aisha was able to do this either online or by going into one of the bank's branches.

Aisha noticed that her bank had a few types of savings accounts:

- Some savings account are best for people who won't need to withdraw money from the savings account. These people might be more certain that they can put some extra money aside without touching it.

- Other savings accounts are good for people who want to be able withdraw money frequently. These people might not have as much money to put aside but may have more uncertainty about their day-to-day spending.

Aisha wants to be able to withdraw money as often she wants from the savings account, so she decides on the appropriate account. She was a bit unsure at first, so she called the bank to clarify. Aisha's bank was able to talk about all their options in full detail.

Each month, Aisha transfers the $400 she saves into the savings account.

She can wait until the end of each month to transfer the $400 into her savings account, or she can do it gradually throughout the month. Aisha decides that since she gets paid every two weeks, she will transfer $200 into her savings account twice per month.

The most important part about saving is regularly putting the money aside into a savings account. Therefore, saving is about creating good habits.

So Aisha decides to put a reminder into her phone to transfer money into her savings account. She finds that making regular and small contributions into her savings account makes it an achievable task.

A lesson on how interest works

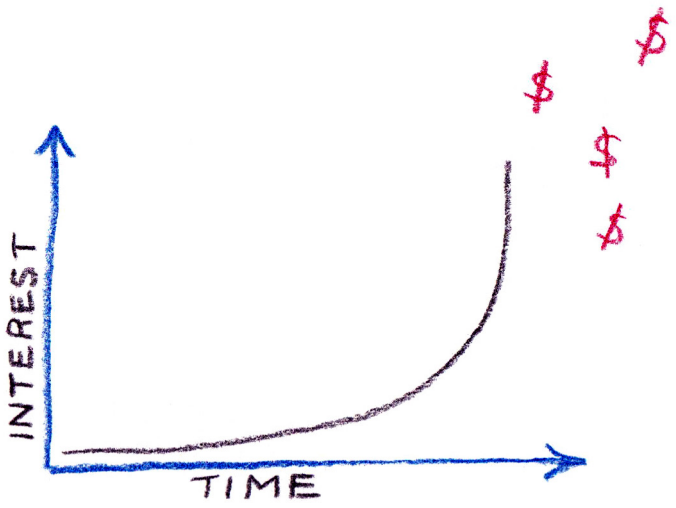
Once Aisha starts building up some savings in her account, she notices that each month her bank pays her some money. This payment is called interest.

Aisha jumps on her bank's website to understand what the interest payments are.

Aisha's bank offers an interest rate of 2% for their savings account. That means the bank will give Aisha a payment equal to 2% of the amount she saves. It's as though the bank is paying Aisha to save money!

Because Aisha's goal is to save $400 per month, after one year Aisha aims to save $4,800 in her new savings account ($400 x 12 months = $4,800).

If Aisha has $4,800 in her savings account, and the bank pays her 2%, that means the bank will pay her $96 interest each year! Now her total will be $4,896.



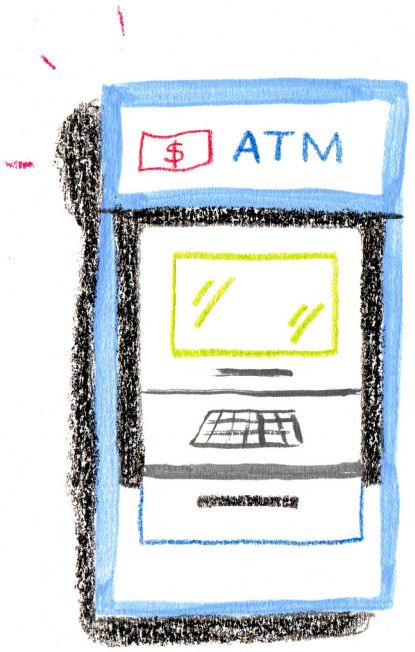
If Aisha can keep saving her money, her savings account will grow and she will receive interest payments from her bank that are even larger.

For example, after a couple of years of saving money, if Aisha has $8,000 in her savings account, she will receive $160 in interest from the bank each year, if the interest rate is still 2%.

But in reality, Aisha will actually receive more interest than just 2%!

The reason for this is because the banks pay interest every month. This creates an effect called compound interest. We won't fully discuss compound interest here, because it's quite complicated. The most important thing for Aisha to understand is that compound interest helps savings accounts grow more quickly! However, compound interest only occurs if money is not withdrawn from the savings account.

To use an example, compound interest is like a snowball rolling down a hill: the further it rolls, the more snow it collects and the bigger it gets. The snowball grows at a faster rate the bigger it gets. Your savings account does the same thing, thanks to compound interest.



What is interest?

Interest is the cost of money. For example, if you borrow $1,000 and the interest rate is 3% per year, you will need to pay 3% of the value that you borrowed each year. In this case, 3% of $1,000 equals $30.

Alternatively, if you save this $1,000 at a bank and the bank offers you an interest rate of 3%, the bank will pay you the interest of $30.

What is compound interest?

Compound interest is essentially an interest payment on interest payments. In the case of saving money at the bank, it means that the bank is paying you an interest payment on the interest they have already paid you.

Essentially, this means your money grows much faster.

KEY TAKEAWAYS FOR SAVING

- Efficient saving is all about making regular and realistic goals. Once you have created a budget, you can work out how much money you want to save each month. Then set a reminder in your phone so that you remember to put money into your savings account every week or month.

- Remember: if you don't know how to set up a savings account, you can always call your bank and they can do it for you. Just remember to explain your situation to the bank so they choose the appropriate savings account for you. For example, do you need withdraw money from your savings account, or will you just leave your money in the account?

- Be careful: sometimes banks offer an introductory rate which stops after a few months. While it sounds great at first, it's always important to ask if the interest rate is an introductory rate. Don't forget to ask the bank if the interest rate is an introductory rate.

CHAPTER 3

SUPERANNUATION

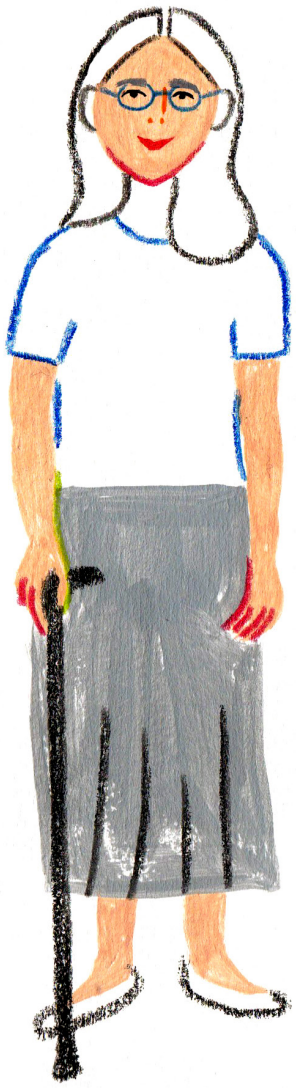
Each time you get paid a salary from a workplace, you will have your superannuation automatically deducted from your salary and transferred to your superannuation account.

You might remember from the beginning of the book that Aisha earns $25 per hour for her job at the real estate company. Since Aisha works eight hours per day, she earns $200 per day.

Aisha also works five days per week, so she earns $1,000 per week. However, she will receive less than this in her bank account when she gets paid. This is because Aisha's employer has to make a superannuation contribution payment for her.

Superannuation is a very important component of the whole Australian economy. And it helps make Australia a great country to live in.

Let's see how Aisha goes with her superannuation:



Superannuation is essentially compulsory savings. Remember earlier that Aisha had the option to put money into her savings account, if she had money left over the at the end of the month? Superannuation is another form of saving.

With superannuation, the money automatically comes out of Aisha's wage. This is known as a superannuation contribution.

Aisha realises it's important to do both forms of saving: her savings account and superannuation. After all, these two types of savings serve a different purpose in Aisha's life.

Aisha's savings account is for future expenses and she can access it now if she wants to.

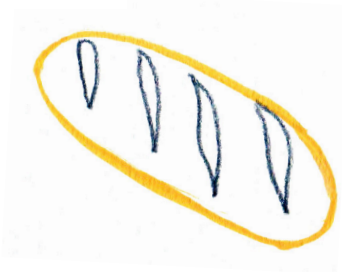
Aisha's superannuation is only for her retirement. She won't be able to access it until she is older – potentially 67 years old.

While Aisha doesn't like the idea that she doesn't have a choice about the money coming out of her wage, there are a lot of benefits to superannuation.

The main one is that superannuation helps us retire when we are older. We all need money to live, and when we are older and can no longer work, superannuation ensures we can still buy food, pay rent and have fun.

So how does it work?

Aisha's employer takes 9.5% of Aisha's wage and contributes it into a superannuation account.



Aisha decides to work out how much money goes into her superannuation:

- Aisha earns $2,000 every two weeks
- Aisha's employer takes 9.5% of her wage for superannuation
- Therefore, her employer makes a contribution of $190 into her superannuation account every two weeks.
- That means every year, Aisha saves $4,940!

Over a lifetime, this can really add up. For example, over twenty years, Aisha will save $98,800! And the best part is, Aisha's superannuation account earns her interest as well, so it will grow more quickly!

Aisha learnt earlier about how interest helps her savings account grow faster. Well, the same thing happens to her superannuation account.

Aisha jumps online to learn how her superannuation accounts grows with interest:

- Superannuation is invested in companies all over the world – including companies in Australia such as BHP and shares in the USA like Apple and Google.

- Spreading your investments all over the world is called diversification. Diversification is similar to the saying of 'don't put all eggs in one basket, because if you drop your basket, then you'll lose all your eggs' – your superannuation doesn't rely on just one business to perform well.

- As these companies perform well, Aisha's superannuation grows!

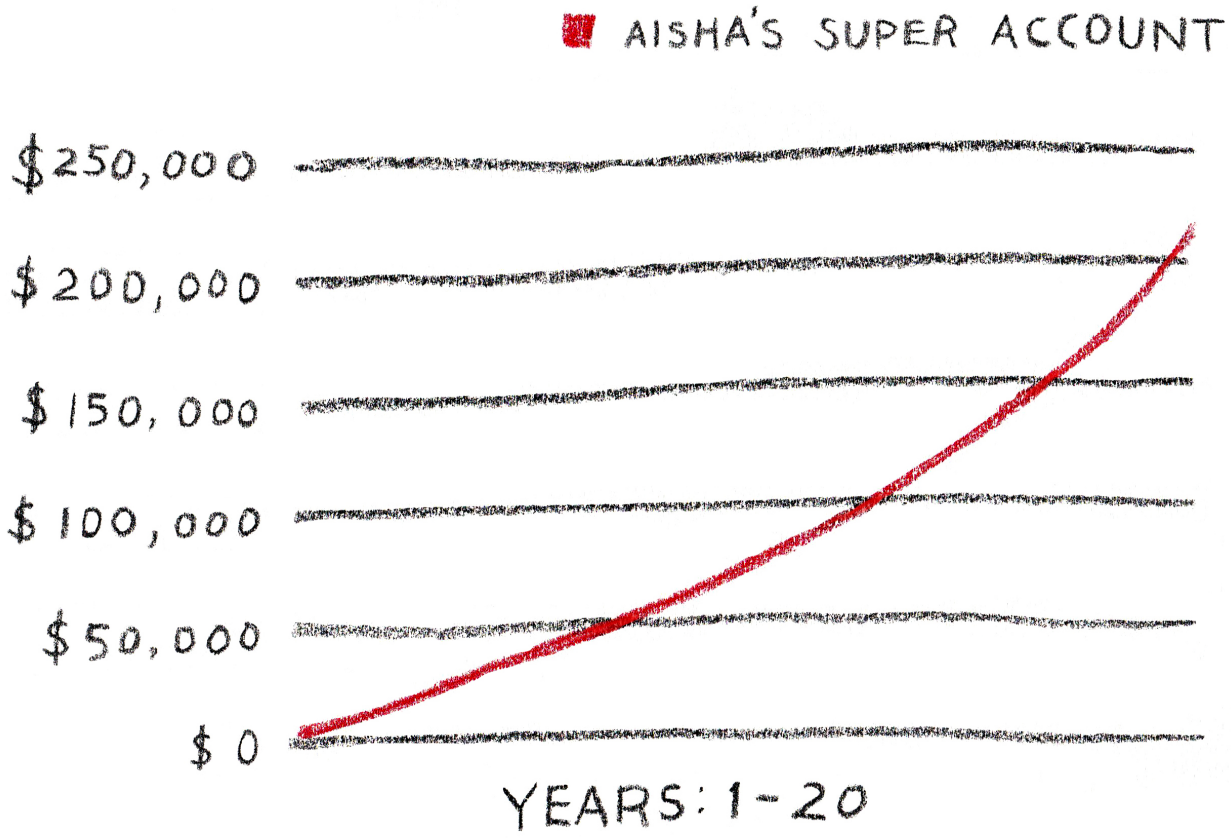
But Aisha doesn't have to worry about investing her money into these companies, as her superannuation company does it for her.

Over a lifetime of putting money into her superannuation account, as well as the growth in value as a result of investing in companies all over the world, Aisha's superannuation will grow to an amount that can support her retirement.

For example, Aisha reads online that her superannuation is predicted to grow by 7% each year. That means the amount of money in Aisha's superannuation account will grow by 7% each year. Aisha calculated earlier that her employer adds $4,940 into her superannuation account each year.

Working out how much this will be over 20 years is quite difficult. But one of Aisha's friends Jessica is an accountant and offers to help Aisha. Jessica works out that by adding $4,940 in superannuation each year, plus a growth rate of 7%, Aisha will be able to save $202,500 over 20 years!

Let's have a look at a graph:



This graph shows Aisha's superannuation account. Each year, Aisha's employer adds $4,940 into her superannuation account. This graphs shows that Aisha's superannuation grows faster because it is growing with 7% interest.

KEY TAKEAWAYS FOR SUPERANNUATION

- Superannuation is a very powerful way to save. The key is to start putting money into superannuation early, since investments take time to grow. Time is a key component.
- Superannuation allows you to invest money without worrying about making the investments yourself. Each time money is put into your superannuation account, it is automatically invested for you.
- Superannuation is a way to ensure you have enough money for your retirement. It's about looking after your future.

Choosing a superannuation fund

When Aisha first started working at the real estate business, she had to sign a number of documents, such as:

- A work contract;
- A document with her bank details so that she can be paid;
- A form to nominate her superannuation account.

Most workplaces will recommend a superannuation company. However, Aisha knew that she has the right to choose whichever superannuation company she likes.

Aisha knows it is important to choose an appropriate superfund. Because as well as being an important part of her retirement plan, Aisha's superannuation can also hold insurance for her. These insurance options will be discussed later on.

Aisha's employer will be able to help Aisha nominate her superannuation company, and they will handle all the payments into her superannuation account.

However, Aisha will have the responsibility of choosing a superannuation fund. Fortunately, it's really easy!

Aisha saw some advertisements on TV talking about the benefits of choosing an industry super fund, so she decided to have a look. The best way for Aisha to do this is to go onto this website: **https://www.industrysuper.com/**

- Aisha can have a look at the options available for industry superannuation funds.
- Aisha will be able to nominate whether she wants insurance in her superfund.
- Aisha will also be able to choose what sort of investments she wants.
- Aisha has friends who chose a 'retail' superfund via a bank. And Aisha knows that she can choose a 'retail' superfund as well. However, she is happy with selecting an industry superfund.

KEY TAKEAWAYS FOR CHOOSING A SUPERANNUATION FUND

- You can choose whichever superfund you want.
- Your workplace will handle paying your money into your superfund for you.
- It's important to also look at the insurance options available when selecting a superfund.

IMPORTANT LINKS FOR CHOOSING A SUPERANNUATION FUND

- https://www.industrysuper.com/

Choosing superannuation investments and insurance

When Aisha selects her superfund she will need to make two choices: what type of investments she wants, and what insurance she needs.

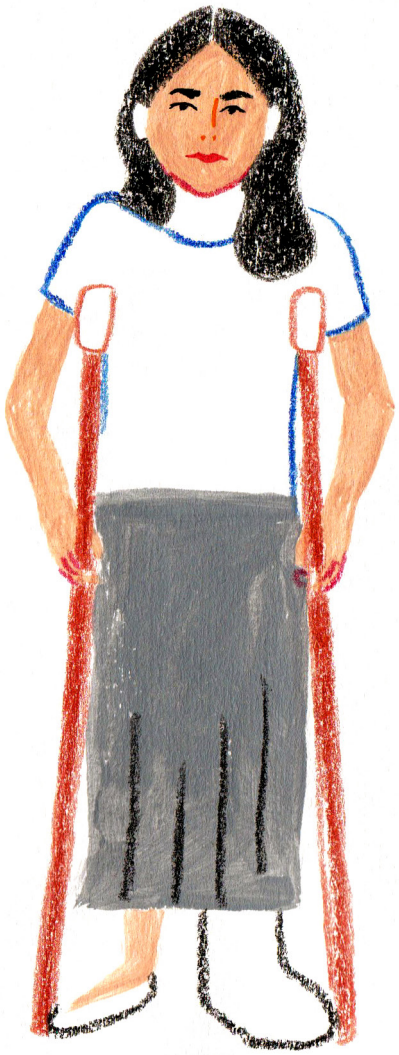
This can sound complicated at first. However, superannuation companies have 'default selections'. Aisha realises that she doesn't know a whole lot about investments. So she just decides to pick to the 'default balanced' investment option. This made the process a lot easier. Aisha has some friends who have been more selective with their superannuation investments.

This involves considering something called their 'risk weighting' as well as considering what you think will happen across the global economy. But that's a difficult question to answer. To get more involved in choosing your superannuation investments, Aisha found the following website: **https://www.moneysmart.gov.au/superannuation-and-retirement/how-super-works/super-investment-options**

However, for now, Aisha is happy with choosing the ‘default investment’ option.The next item on Aisha’s list is to choose her insurance.

Aisha realised that having insurance within her superannuation is a great way to protect her family in the event that she can no longer work.

Similar to selecting investments, selecting your insurance can appear complicated. But superannuation companies have default options, which can make things much easier. Aisha realises she doesn’t know a lot of about insurance policies, so again she goes with the default option.



Aisha selects a default option which has three types of insurance:

- **Life insurance:** insurance that is designed to protect your family financially in the event that you die.
- **Total and permanent disability insurance:** insurance designed to ensure you have sufficient money to cover your hospital and nursing care in the event that you become disabled. For example, disability insurance would cover the cost of having someone to care for you and also provide you with money since you would be unable to work.
- **Income protection:** insurance designed to provide you with income in the event that you had to stop working while you were injured. For example, if Aisha fell off her bike and sustained a head injury, she may require a few months of recovery. In this case, income protection insurance will pay for some of her salary.

Each of these types of insurance will be paid from Aisha’s superannuation account, so Aisha doesn’t have to worry about paying these bills herself each month.

There is more information via this link about insurance within your superannuation account: **https://www.moneysmart.gov.au/superannuation-and-retirement/how-super-works/insurance-through-super**

Aisha was surprised how easy it was to select her investment type and her insurance. In fact, she even called the superannuation company and ask them some questions about the types of insurance.

However, at the end of the day, Aisha has to choose her investments and insurance for herself. Unfortunately, the superannuation company cannot give advice.

KEY TAKEAWAYS FOR CHOOSING INVESTMENTS AND INSURANCE

- It's important that you choose investments that are best for you. The easiest way to do this is work out what risk weighting is appropriate for you. For example, someone who is quite nervous about changes to the stock market would usually select a low risk investment portfolio. Someone who is very comfortable and knowledegable about the stock market might select a higher risk investment portfolio. Stocks with higher risk weightings can grow more than stocks with low risk weightings. This is known as the risk vs return trade off. There will be lots of information on your superannuation company's website.

- Superannuation is a fantastic way to protect you and your family financially. Within superannuation, you can have insurance. This insurance can provide you and your family support in the event of something bad happening.

- Superannuation companies are able to discuss all these details with you. However, they cannot tell you which investments or insurance to choose. That decision is up to each individual.

IMPORTANT LINKS FOR CHOOSING INVESTMENTS AND INSURANCE

- https://www.moneysmart.gov.au/superannuation-and-retirement/how-super-works/super-investment-options

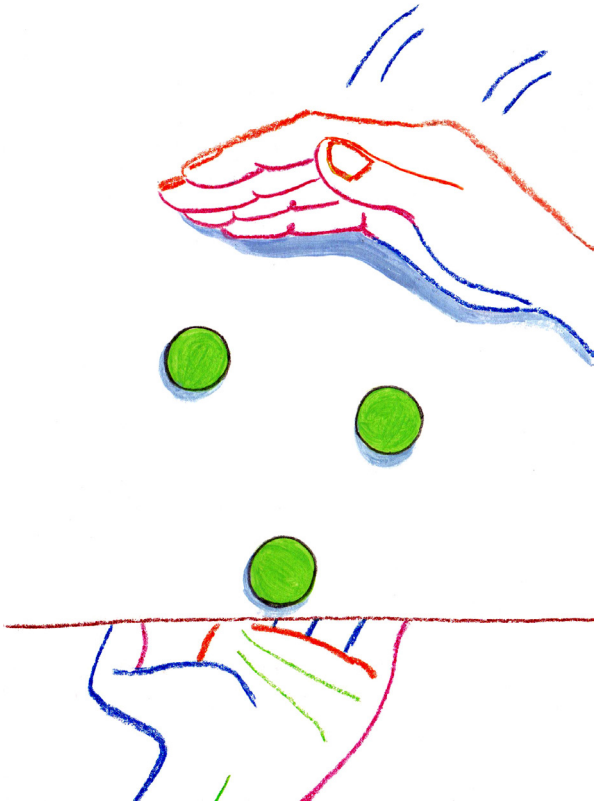
- https://www.moneysmart.gov.au/superannuation-and-retirement/how-super-works/insurance-through-super

Consolidating your superannuation

Aisha has worked in a few different places since moving to Perth. And each time she has started a new job, she has used a different superannuation fund. While this is common, it's not ideal because it means you'll be paying multiple sets of fees. Additionally, Aisha's money will grow faster once it is all together, as opposed to in separate accounts.

Aisha decides she wants to consolidate her superannuation accounts. This means finding all her superannuation accounts and putting them all together in one superannuating account.

Aisha found that the easiest way to do this was to contact her current superannuation fund and ask them to do it.



If Aisha knew exactly which other superannuation funds she had used previously, she could call them herself and request her money to be transferred to her current superannuation account. This would require completing some paperwork.

So Aisha decided that asking her current superannuation fund to consolidate her superannuation for her was the best and easiest idea.

KEY TAKEAWAYS FOR CONSOLIDATING YOUR SUPERANNUATION

- Call your superannuation company and ask them to find your other superannuation accounts.
- Consolidating your superannuation will save you money on fees and help your superannuation money grow faster!

Is superannuation safe and when can it be accessed?

Aisha has learnt that the superannuation system gives your money the best chance to grow bigger.

However, is superannuation safe?

Superannuation is held within a highly secure and highly regulated financial system, and it is protected by government legislation. Basically, no one can take your superannuation.

Superannuation is very secure. Nobody can access your superannuation besides you. Your partner cannot access your superannuation if you get a divorce. And your children cannot access your superannuation either. Superannuation is only for you.

The only possible way for superannuation to become accessible to someone else is in the event that you die.

Superannuation is designed to prepare you for retirement, so it cannot be accessed until you're ready for retirement.

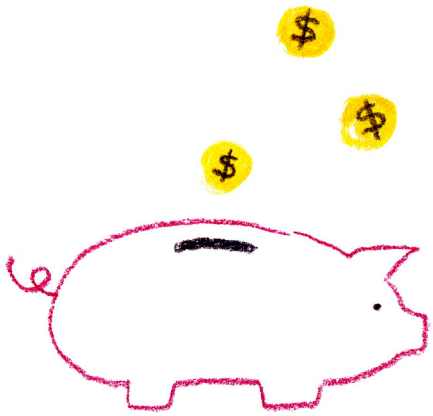
For example, since Aisha is 31 years old, she was born in 1988. To find out when she can access her superannuation, Aisha goes onto the following website: **https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/super-and-pension-age-calculator**

Aisha puts in her month and year of birth into the 'calculator' and learns that she will be able to access her superannuation when she is 67 years old.

Aisha can still retire before the age of 67. If Aisha feels that she has enough money saved in her normal bank account, she can retire whenever she would like.

However, Aisha will only be able to access her superannuation when she reaches the retirement age of 67.

Technically, it is possible to access your superannuation at an earlier age, but this is generally on the basis of personal hardship, such as being diagnosed with a terminal illness. More information can be found here: **https://www.ato.gov.au/Individuals/Super/Accessing-your-super/Early-access-to-your-super/**



KEY TAKEAWAYS FOR IS YOUR SUPERANNUATION SAFE AND WHEN CAN IT BE ACCESSED

- Superannuation is a safe and secure way to save money for your retirement.
- Generally, you cannot access your superannuation until are 67 years old.

KEY LINKS FOR IS YOUR SUPERANNUATION SAFE AND WHEN CAN IT BE ACCESSED

- https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/super-and-pension-age-calculator
- https://www.ato.gov.au/Individuals/Super/Accessing-your-super/Early-access-to-your-super/

Accessing your superannuation

When Aisha is ready to retire, there are a few ways she can access her superannuation.

Most commonly, people receive their income in small monthly payments. Because your superannuation has to get you through your entire retirement, it's important not to take it all at once.

However, there is no maximum amount that you can withdraw from superannuation. So technically, Aisha can withdraw the whole amount in one go. But this will mean that Aisha will have nothing left in her superannuation. That's why it's important to take smaller amounts.

There is actually a minimum you have to withdraw each year once you have retired. When you first retire, the minimum amount is 4% of the total amount in your superannuation. This amount does increases as you get older.

Once Aisha is ready to retire and withdraw money from her superannuation, she can contact her superannuation provider. They will assist her and set up her income payments from superannuation.

KEY TAKEAWAYS FOR ACCESSING YOUR SUPERANNUATION

- When you are ready to retire and receive money from superannuation, it is simply a matter of signing a form. If you call your superannuation company, they will either send you the form or tell you where to find it online.

Government-funded age pension

Australia has an excellent welfare system to help people when they get old.

Aisha knows that if she doesn't save enough money to pay for her retirement, that the Australian Government will provide her with an age pension. The amount of government-funded pension that Aisha may receive depends on her financial situation, such as the amount of money in her superannuation and whether she owns a home.

Aisha does some research online, on an Australian Government website: **https://www.humanservices.gov.au/individuals/enablers/payment-rates-age-pension/39901**. She finds that the maximum age pension she can receive in retirement is $916 per fortnight. This equals $23,816 per year, which is less than Aisha earns per year. So it's important to make sure you save plenty of money so that you can support yourself during retirement.

You can find more information about how to apply for an age pension via this link: **https://www.humanservices.gov.au/individuals/services/centrelink/age-pension/claiming**

KEY TAKEAWAYS FOR GOVERNMENT-FUNDED AGE PENSION

- Australia has an excellent system to support people who need extra money during their retirement.
- The maximum age pension that you can receive as an individual is $916 per fortnight ($23,816 per year).

KEY LINKS FOR GOVERNMENT-FUNDED AGE PENSION

- https://www.humanservices.gov.au/individuals/enablers/payment-rates-age-pension/39901
- https://www.humanservices.gov.au/individuals/services/centrelink/age-pension/claiming

CHAPTER 4

TAX

Do you remember in the previous chapter where we looked at how superannuation would be taken out of Aisha's salary before she got paid? Well, superannuation isn't the only payment that comes out of Aisha's salary before it reaches her bank account. Aisha's employer also has to pay tax first.

While tax isn't exactly everyone's favourite topic, it is a very important aspect of society. Tax keeps the hospitals operating, ensures our roads get built, and pays for services like fire fighters and police officers.

The way tax works is that we all pay an appropriate amount. People and businesses that earn lots of money pay lots of tax. People and business who earn less money pay less tax. We all have to contribute.

Let's have a look at Aisha's tax situation:

Aisha knows that she earns $25 per hour, so every two weeks when Aisha is paid, she thinks that she should receive $2,000 ($25 x 8 hours per day x 5 days per week x 2 weeks = $2,000).

However, when Aisha was learning about superannuation, she learnt that her employer will pay 9.5% of her wage into superannuation, so $190 every two weeks. As well as her superannuation, Aisha's employer will also pay tax. Because Aisha is earning $2,000 per week, the amount of tax paid will be about 15% of salary. So $300 of her $2,000 salary will go to tax.

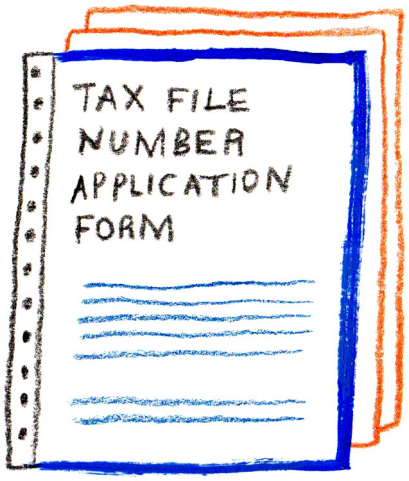
So what does this leave Aisha?

- Aisha earns $2,000 every two weeks
- $190 is paid into her superannuation account
- $300 is paid into her tax.

This means Aisha's 'take home' salary every two weeks is $1,510. 'Take home' salary is what you receive into your bank account.

Before Aisha started working, she need to apply for a tax file number (TFN). A tax file number is the way that the Australian Taxation Office keeps track of everyone's tax. It's an important requirement for everyone working in Australia.

To apply for a tax file number go to this link: **https://www.ato.gov.au/Individuals/Tax-file-number/Apply-for-a-TFN/**



When Aisha started working at her new job, she had the option to provide her tax file number to her employer. Aisha didn't have to provide her tax file number, however, her employer would need to withhold more tax from her wage. If Aisha had tax withheld, she would need to wait until she completes her tax return before she would get it back.

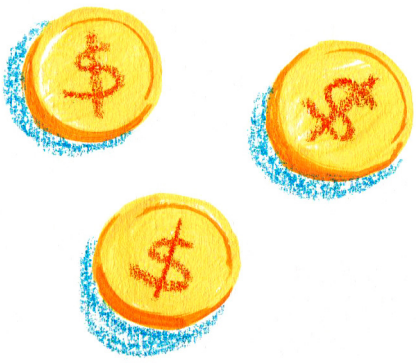
So Aisha decided to provide her tax file number to her employer. Her employer simply provided her with a form to complete.

And that's it. Aisha's tax gets paid efficiently by her employer. And best of all, Aisha doesn't have to worry about paying her tax throughout the year. It's already handled by her employer.

All Aisha has to do now is complete a tax return once per year.

Aisha can either ask an accountant to help her with her tax, or simply go to myGov and submit it herself: **https://my.gov.au/LoginServices/main/login?execution=e1s1**

- In both cases, Aisha will need to know her tax file number
- Aisha's workplace will provide her a document which outlines how much she has been paid. This document will also outline how much tax has already been paid on Aisha's behalf by her employer.
- Aisha needs to make sure she also has documents for any private health insurance, donations or other contributions she had made
- Remember, if you lodge your tax return via myGov, you need to submit it by October 31st each year. Otherwise you can get fines.



KEY TAKEAWAYS FOR TAX

- It's important that we all pay our share of tax.
- If you are an employee of a business, your tax will be paid automatically out of your salary.
- You can calculate your own tax rate using the following link: **https://www.ato.gov.au/Calculators-and-tools/Host/?anchor=STC&anchor=STC#STC/questions**
- You have to submit a tax return each year. You can do this either via the myGov website or alternatively you can pay an accountant. While an accountant may cost extra money, an accountant will do everything correctly and on time. They will also tell you what documents you need to provide.
- Be aware of tax scams. Every year, a phone call scam goes around where someone calls you and pretends to be from the Australian Tax Office. The person claims that you haven't paid your tax, demands payment and threatens to arrest you. The Australian Tax Office will never call you and demand money. All these calls are scams.

KEY LINKS FOR TAX

- https://www.ato.gov.au/Individuals/Tax-file-number/Apply-for-a-TFN/
- https://my.gov.au/

CHAPTER 5

LOANS

Sometimes, regardless of how much money you may have saved, unexpected expenses can cause you to have to take out a loan. A loan is simply money loaned to you by a financial institution, such as a bank. While loans can be convenient, it's important to remember that loans do have to be paid back and they also attract interest payments along the way. For example, if you borrow $5,000 at an interest rate of 9% per year, and your loan and interest is due at the end of year, you will have to pay the $5,000 back as well as $450 in interest.

This means that if you borrow $10,000 from the bank for a period of one year at an interest rate of 9%, you would owe the bank $10,900 at the end of year.

People often use loans to cover payments they don't have money for straight away. People take out loans to pay for cars, houses, or other smaller purchases such as fridges and washing machines.

Let's see how Aisha goes about deciding whether to take out a loan:

Once Aisha had read about how loans work, she realises that it's very important to weigh up the benefits and costs of taking out a loan. How important is the purchase you are making? Do you really need to make this purchase right now? If the answer is yes, then a loan is a great way to secure a purchase before you have the money to pay for it. However, it's very important to not get caught out by the idea that a loan is 'free' money. A loan will cost you more in the long term.

Aisha now realises that by taking out a loan to pay for something – like a car – the loan means Aisha will pay more than the actual value of the car. For example, if Aisha buys a $10,000 car and borrows $10,000 to pay for the car, over the lifetime of the loan she may pay up to $15,000 by time she pays the loan off, depending on how much the interest rate is.

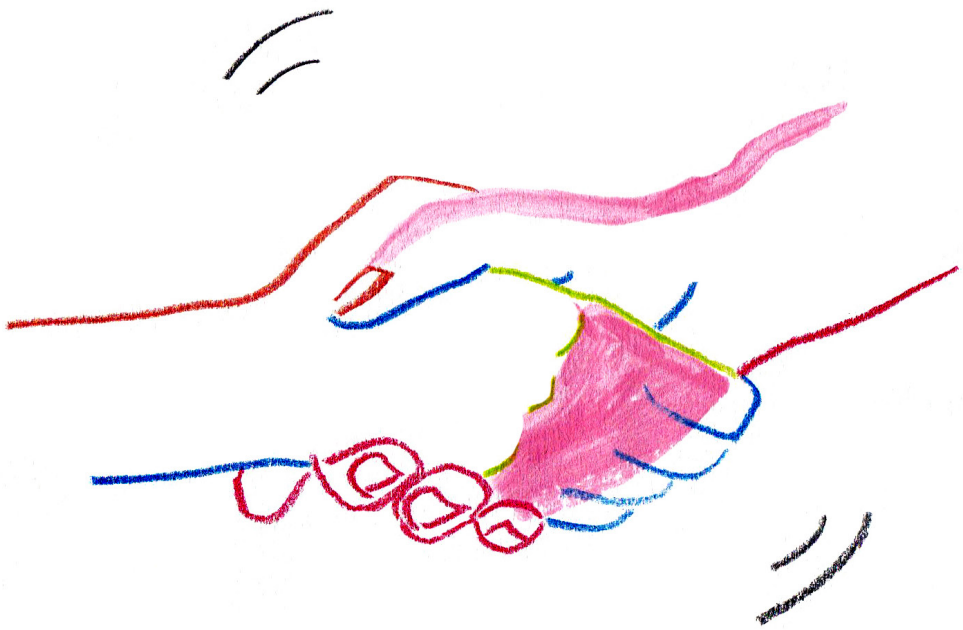
When loan repayments are drawn out over long period of time, for example four or five years, it means you will pay even more interest. The longer it takes you to pay back your loan, the more interest you will be required to pay.

The interest you pay is essentially a fee for borrowing for the money. The bank consider the ‘interest repayment’ a method to compensate the bank for the risk of lending the money.

Because Aisha was looking at buying a car, she decided to look into getting a loan. So Aisha decided to go see a loan broker. A loan broker is someone who helps you take out a loan, either for cars, personal expenses or businesses.

Aisha was told that the amount of money she could borrow depends on her financial situation. It will depend on whether she is working full-time, part-time or casually.

If Aisha was unemployed, it’s possible that she could still take out a loan. However, it would depend on how much money Aisha had saved in her savings account or whether she owned a house. This is know as having security to back up a loan.



From the bank’s perspective, they are happy to lend you money if you have a job because a job is ‘security’ that you will be able to pay back to the loan. Similarly, if you own a house, the bank will be happy to lend you money because you have a ‘physical asset’ to borrow against. In this case, you house is the ‘physical asset’. But Aisha knows that doing this is risky. For example, if she owned a house and didn’t have the money to pay back her mortgage, she may be forced to sell her house.

Paying back loans

The loan broker approves Aisha's loan for her car. The loan is $10,000. Now it's time for Aisha to organise how she will repay the loan.

Aisha organises a direct debit from her bank account to pay back the loan. Each month, money will be automatically transferred from her bank account to the loan in order to repay the loan. Loan repayments sometimes cannot be repaid via a credit card. You need to have the cash in your bank account to cover the loan.

The loan broker tells Aisha that it is very important to make sure she has enough money in her account each month to make the loan repayment. That's because if Aisha doesn't have enough money to make one of the monthly repayments, she will usually have to pay a fee to the bank. This fee will be on top of what she already owes the bank.

It's important that Aisha keeps up with her loan repayments because by missing loan repayments, her late fees and loan repayments can start to add up. And Aisha could be forced to sell her car to pay back the loan.

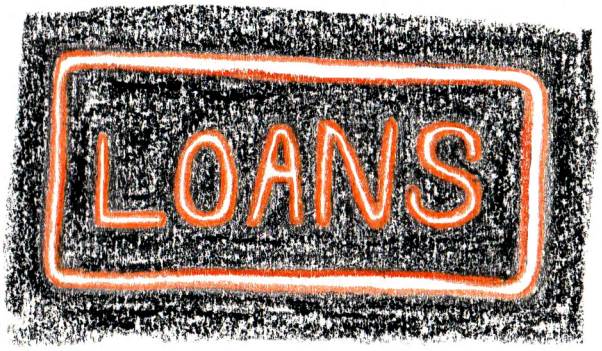
Aisha then goes through calculations with the loan broker to determine how much money she will pay over the lifetime of the loan. These calculations are quite complex. But all Aisha needs to understand is that she will repay $13,000 over the lifetime of the loan. This means that over five years, Aisha will pay $13,000 in order to buy a $10,000 car today.

The take-home lesson is that taking out a loan means you pay more money in the long run for what you want to buy today.

But for Aisha, that's ok. Because she needed to buy a car. So paying the extra money over the lifetime of the loan was worth it for her.

Short term and payday loans

Short term and payday loans are very common these days. Companies offer quick and easy loans, sometime via a phone app. These loans can be approved within one hour and you will receive the money in your bank account immediately. It sounds great. But the truth is it's very expensive.



Let's see how Aisha goes when looking into short term loans:

When Aisha was looking at borrowing money for car, she saw an advertisement offering quick loans of up to $15,000. The advertisement was very funny and it made the process seem really easy. All Aisha had to do was download an app in order to apply.

But Aisha had spoken with a friend about these short-term loans. So she had a look online to see what information she could find. Aisha had a look on the National Debt Hotline website: **http://www.ndh.org.au/Debt-problems-1/Payday-short-term-loans/Risks-of-payday-short-term-loans**

Aisha was very surprised with what she found. Even though these loans look easy and simple, the truth is they are very expensive.

Aisha remembers when she was applying for her car loan, the interest rate was charged each year. However, with short term loans, the interest rate is charged weekly or monthly. This means the interest repayment is a lot higher. Aisha realised that because the interest rate is calculated monthly, the overall interest rate may be over 50% per year, compared to 10% for her car loan.

There are also high fees for any late repayments.

Aisha realised that these short term loans should only ever be used in the event of an emergency. Preferably, they should never be used.

Credit cards

Credit cards are everywhere. It seems that everyone is using credit cards! Even though they are common, it's important not to forget that credit cards are similar to loans. When you use a credit card, you are using the bank's money – and then you have to pay the bank back. If you don't pay the bank at the right time, then you have to pay interest on your purchases, just like you would with a loan.

Let's see how Aisha goes applying for a credit card:

Aisha decided that she would apply for a credit card. A credit card can be handy to have for a number of reasons. It can be good when you are travelling overseas, to accumulate frequent flyer points or shopping points, purchase items online, and quickly borrow money from a bank.

Aisha did some reading on credit cards. And one aspect of credit cards seemed most important to remember: using a credit card is like taking out a loan from the bank. The money you spend on a credit card has to be paid back – just like a loan has to be paid back.

Aisha found that applying for a credit card was very easy. Most of the application was done online, and then she had to send in a signed form to the bank.

Aisha decided to set a limit on her credit card. Aisha's limit was $1,000. The limit is designed so that you don't spend more on the credit card than you can afford to pay back.

Aisha has heard of people spending thousands of dollars on their credit card and then not being able to pay it back. Those people get lots of late fees and large interest repayments.

One aspect of the credit card that Aisha really liked is that if she did ever need money very quickly, she could use her credit card instead of applying for a loan. Then all she has to do is pay back the money within the time limit set by her bank. This would usually be 30 or 60 days.

Not all of Aisha's friends use credit cards. Many just use their debit cards. A debit card is simply linked to their bank account and uses the cash in their bank account.

A debit card is a safe way to spend money, because you cannot spend more money than you actually have. This way you won't have to worry about having to pay interest to the bank.

And that's it. Aisha was approved for her credit card by the bank. She decided to keep it in her wallet and save it for times when she really needs to buy something but doesn't have the cash to buy it straight away, like a car service.

Otherwise, Aisha just uses her debit card, which accesses the cash in her bank account.

KEY TAKEAWAYS FOR LOANS

- Loans can be very helpful to cover expenses in the short term. However, be careful about taking out too many loans in the long term because it can cost you more money that anticipated.
- Taking out a loan means that you will pay more in the long term for what you are buying today.
- Loans must be repaid in accordance with the repayment plan. This will most likely be a direct debit once per month.
- If you are late making a loan repayment, you will have to pay a fee.
- Payday loans are very expensive. They should be avoided and only be used in emergencies.
- Credit cards are an easy way to borrow money from the bank. But remember: the money still needs to be paid back within 30 or 60 days, depending on the limit set by the bank.

KEY LINKS FOR LOANS

- http://www.ndh.org.au/Debt-problems-1/Payday-short-term-loans/Risks-of-payday-short-term-loans

CHAPTER 6

ESTATE PLANNING

Managing your finances is more than just about saving money and making smart financial decisions. Estate planning is also very important.

Estate planning is the process of putting together a plan for how your finances will be shared when you pass away. Estate planning also includes giving responsibilities to family members and friends; for example, giving one of your children the power of attorney over you in the event that you become very unwell and can no longer act.

Let's see how Aisha goes about her estate planning:

The will

The reason people create an estate plan is to make sure a family tragedy doesn't become a financial tragedy. Aisha knows her friends and family would be very sad if she died, so she wants to make sure her estate can be divided and organised between her family. After all, it's better that Aisha makes the decision about what happens to her things in the event that she dies.

Aisha decides the first thing she needs is to prepare a will. Before she decides how she will prepare her will, she needs to think about how complex her situation is.

- Aisha is renting and has a savings account, a superannuation account and a car. So Aisha's financial situation isn't complex.
- Aisha also has a few precious family heirlooms, such as jewellery and paintings that she wants to leave to particular people.
- If she had children, pets or a business, Aisha's will could also include information about who may look after these in the event she dies.

There are two ways that Aisha can prepare a will:

- Aisha can go online to Smart Money and download the forms: **https://www.moneysmart.gov.au/life-events-and-you/over-55s/wills-and-power-of-attorney**

- The other option is to go see an estate planning lawyer. This option will be more expensive, but Aisha will only need to have an initial appointment with a lawyer and then they will do all the work. If Aisha needs to make plans for who would look after her children, if it strongly recommended that Aisha gets a lawyer to help her with her will.

As well as preparing a will, there is another very important thing Aisha needs to do: she needs to talk with her friends and family about her decisions. It's never wise to prepare a will and not tell people about it. Aisha doesn't want to give anyone any surprises after death. For example, perhaps one of Aisha's other family members felt entitled to a piece of jewellery that Aisha owned. Or perhaps a friend had loaned Aisha some money years ago, and assumed that this would be repaid in Aisha's will.

As mentioned above, the whole purpose of estate planning is to ensure that a family tragedy doesn't turn into a financial tragedy. This means that Aisha wants to make sure that following the sad event of her death, people don't start arguing and contesting the will and wasting lots of money on legal battles.

Talking about your will with your family can be an uncomfortable conversation, because essentially you're talking about your death. However, in this example Aisha is the best person to explain to her family the reasons behind her decisions. She doesn't want to leave people guessing after her death.

What about superannuation?

Aisha's superannuation will be left to whoever is deemed most appropriate by her superannuation fund. For example, this might be Aisha's partner or children. However, technically, Aisha doesn't have complete control of who receives her superannuation in the event that she dies.

In order for Aisha to control who she wants her superannuation to be left to, she will have to complete a Binding Death Benefit Nomination Form. This can be done via her superannuation fund, by either calling them or checking their website.

Aisha realises that there are two types of Death Benefit Nomination forms:

- A Binding Death Benefit Nomination Form: This form lasts forever. So for example, if Aisha wants to leave her superannuation to her children instead of her partner, she will need to complete this form.

- A Non-Binding Death Benefit Nomination: This form lasts three years and then it expires. This form needs to be renewed every three years to remain valid.

Once Aisha has completed her estate planning, she can be confident that she has done everything to help make things easier for herself and her family in the event that she becomes very sick or dies. Aisha wants to avoid any tension for her family.

KEY TAKEAWAYS FOR ESTATE PLANNING

- There are two key principles to estate planning:
  1. Preparing a good plan. This includes a will, and potentially a power of attorney.
  2. Talking openly and honestly with your family.

- Once you have done these two things, you can be confident that you have done everything for your estate planning. And while you may think that just talking with your family is enough, having it document in a will and power of attorney makes sure that it's official and clear for everyone to follow.

- Superannuation is not covered in your will. To choose who you want to leave your superannuation to, you will need to complete either a Binding Death Benefit Nomination form or a Non-Binding Death Benefit Nomination form. This form can be found online on your superannuation fund's website.

KEY LINKS FOR ESTATE PLANNING

- https://www.moneysmart.gov.au/life-events-and-you/over-55s/wills-and-power-of-attorney

CHAPTER 7

YOUR RIGHTS AT WORK

It's important to know your rights at work. Unfortunately some people may take advantage of workers by either either making them work too much, working in unsafe conditions, or not paying them enough.

Let's have a look at Aisha's experiences in understanding her rights at work.

Aisha remembers when she first arrived in Perth. She was working at a little cafe and getting paid cash. Aisha needed to work so she didn't question it. However, it is illegal for an employer to pay an employee in cash. In this case, it was illegal for the cafe to pay Aisha in cash, but it was not illegal for Aisha to receive payment in cash. Therefore, Aisha hasn't done anything wrong, but the cafe has.

Why is it not good to be paid in cash?

Aisha realised that when she was getting paid in cash, she was getting paid below minimum wage. Aisha was not being paid enough for her work.

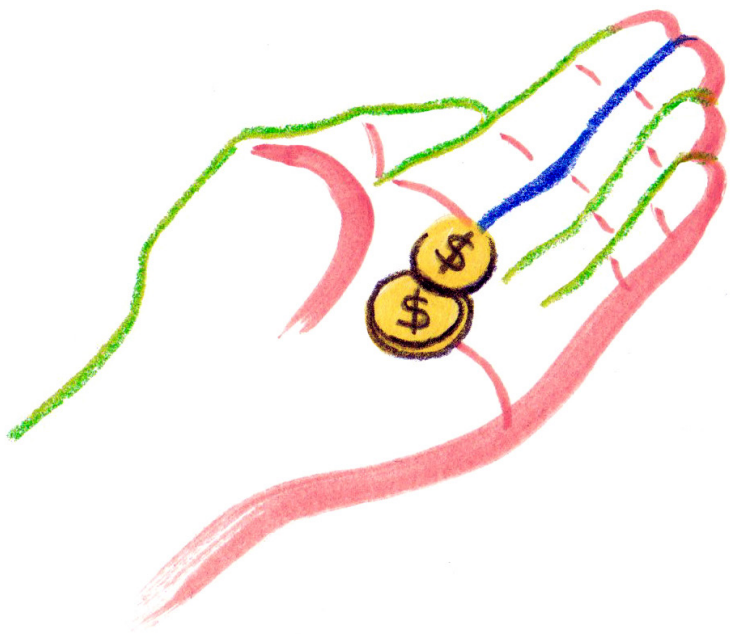
When employers pay their staff in cash, it's often a tactic to pay people less, avoid paying tax, and avoid paying superannuation.

Aisha's employer told her that it's ok to pay her in cash because Aisha won't have to pay tax. It is correct that Aisha will avoid paying tax on the money she earned. However, it's not fair that Aisha won't received superannuation contributions.

Aisha also remembers that one of her colleagues at the cafe injured themselves; they slipped on a wet floor hurt their ankle. Because the cafe was paying the employee in cash as well, they didn't have to help the employee with his medical expenses because he wasn't insured. When employers pay their staff in cash, it's often a tactic to avoid liability. This means the cafe can avoid helping their staff in the event that something goes wrong.

Aisha realised that this wasn't a good working environment. However, she needed the money, which made it a difficult situation for her.

It's always better to be paid via electronic payments into your account and receive pay-as-you-go (PAYG) statements from your employer. PAYG is a payment summary that shows the payments you have received and the amounts withheld from those payments during a financial year.



What if an employer wants me to have an ABN?

Aisha remembers that one of her friends used to run her own business as a gardener. Aisha friend is called Samantha. Samantha use to go to many different gardens for work. In Samantha's situation, she needs to provide an ABN to get paid. This is ok, because Samantha is running her own business and contracting for the different properties she works on. Samantha is not a full-time employee of any of the gardens. Rather, she runs her own business.

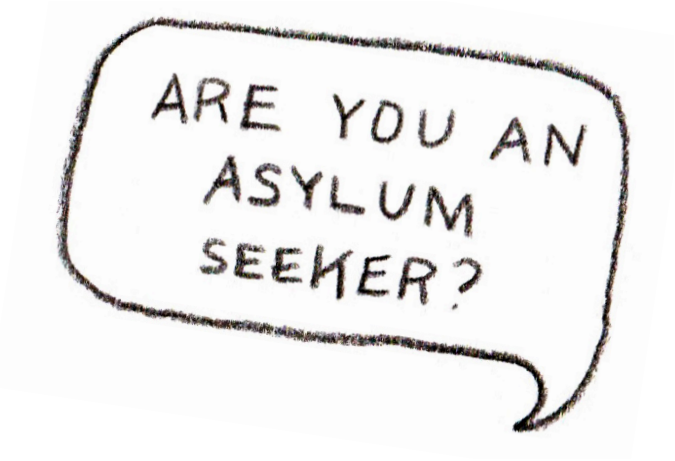
However, Aisha remembers that the cafe she worked for asked her for an ABN. Aisha didn't have an ABN. The cafe owner was annoyed at first, but still gave her the job.

In Aisha's situation, it is unfair of the employer to request that she has an ABN. The employer is asking Aisha to provide an ABN so that they can legally pay Aisha as a contractor. This means that they can pay Aisha without paying superannuation or tax.

It is only ever ok to provide an ABN for work if you run your own business.

If you work full-time or part-time somewhere and your workplace requests an ABN, it means that they are most likely trying to avoid paying your tax and superannuation.

What about Aisha's work rights in Australia?



When Aisha first arrived in Australia, she was on a temporary visa because she was seeking asylum. With Aisha's visa status, she still had work rights in Australia. So Aisha was allowed to work.

Aisha did wonder if an employer had the right to ask if she was seeking asylum? The answer is no.

A workplace does not have the right to ask Aisha or anyone if they are seeking asylum. All Aisha needs to tell her employer is that she has the right to work in Australia under the conditions of her visa.

KEY TAKEAWAYS FOR YOUR RIGHTS AT WORK

- You should make sure you are getting paid properly by your workplace. This means you should be transferred money by your employer, and not paid in cash.
- You do not have to provide an ABN to work for an employer.
- You do not have to tell an employer whether you are seeking asylum. You only need to tell your employer than your visa makes you eligible to work in Australia.

KEY LINKS FOR YOUR RIGHTS AT WORK

- https://www.fairwork.gov.au/

Ishar Multicultural Women's Health Services
21 Sudbury Road Mirrabooka WA 6061
(08) 9345 5335