Financial first steps.

Help as you are starting out on your financial journey.

Introduction.

At Westpac we believe the ability to make confident financial decisions is an essential step to enable individuals and businesses achieve financial wellbeing.

We believe that Australia's future depends on the financial literacy of its communities, businesses and individuals.

Financial education provides the awareness, knowledge and skills to build capability, empowering people to take charge and make sound financial decisions.

We believe that every Australian should have access to the financial literacy they need to achieve their financial goals and build a strong financial future.

westpac.com.au/davidsoninstitute

Contents.

Section 1:

What do I want?

Imagine getting a new games console, going on holidays one day or buying a new car. These are examples of the dreams and goals that we all have as we go through life.

Money is one tool that can help you achieve those dreams and goals.

In this section, we'll look at identifying and prioritising your dreams and goals.

Dreams and goals.

The reason we need money is to buy things. The things you wish to buy, or want to do, in the future are your dreams and goals. Everybody is different, so there are as many dreams and goals as there are people. Some dreams are big, like a car or a holiday with friends. Some dreams are smaller, like a trip to the movies, a video game or a new dress.

Sometimes they are things you may want but not really need. For example: a new outfit for the school formal. Distinguishing between wants and needs helps you to prioritise your dreams and goals.

SMART Goals.

Goals help you have a clear understanding of where you want to go or what you want to do in the future. They can also be a plan for how you are going to get there.

Goals are more likely to be achieved if they are SMART goals.

- Specific
- Measurable
- Achievable
- Relevant
- Timebound

Here's an example of a SMART goal: I am going to save $50 in my bank account by the end of the year to take away on holidays with me.

Top tips on goal setting:

- Visualise your goals – put a picture of what it is you want to achieve, or save for, somewhere where you will see it often.
- Scrapbooks – collect images from magazines and paste them into a scrapbook.
- Be specific about what you want or need and when you want to achieve it by.
- It often helps to break big goals into smaller, manageable steps or goals.

Activity:

1. What are your goals?

2. What do you want to buy or do in the future?

Prioritising goals.

There is usually a limit to the amount of money you can save in a certain timeframe. You may have heard your parents or another adult say that money doesn't grow on trees. So you need to work out what is important to you.

At any given time, most people want more things than they can actually afford. However while you can't necessarily have everything at once you can start the process of getting the things you want more, one at a time.

In order to decide what to buy first you need to prioritise, that is **decide what's most important.**

A simple tool that can help you decide is a priority matrix. This matrix helps you think about which goals are most important to you and the difference between needs and wants.

Instructions.

1.	For each goal, ask yourself whether it is really important, or not important at all. This is your goal, so you make the decision based on how important it is to you.
2.	For each goal, ask yourself whether you can wait to get it, or whether you must get it as soon as possible. This is your goal, and only you can determine how urgent it is to have.
3.	Write the goal in the box that you have decided it fits into.
4.	Once you have listed all of your goals, you can easily see the ones that are more important to you. Goals shown in box 1 are the most important. You would start saving for the goals in box 1 first. These will be your priority.

Priority matrix.

Really important	2.	1.
Not important	4.	3. New running shoes
	Can Wait	Need now

Example: Yann wants a pair of new running shoes. Her old shoes are okay, but they are starting to look old, and they don't really feel comfortable any more. Yann thinks that it is "not important" to get them, but she really wants them now. Yann would write "new running shoes" in the box 3.

Section 2:

How do I get it?

Money is one tool that can help you achieve your dreams and goals.

In this section we'll look at where money comes from, and how to make the most of it once you have it.

Sources of income.

The money that you receive is called income. There are a number of different places that you may receive money from; often though there will only be one source of money such as your pocket money from your parents.

If you want to increase the amount of money you receive you may need to think about ways to increase the amount received from your current source, or you need to add another sources of income. For example, getting paid for doing jobs/ chores around the house.

Activity:

In the list below, place a tick in the box next to all the places that you receive money from. Then write down other places that you might be able to get more money from.

Checklist.

My source of income	✔
Pocket money	
Gifts (money and gift vouchers)	
Pay for jobs/chores	

How much do I want?

$

How much do I get now?

$

Budget.

When people think of budgeting they tend to think of placing restrictions on their spending but a budget is just a plan for your money that can help you achieve your dreams and goals.

Picture yourself at the beach. In front of you are four buckets, and the most important choice that you can make is which bucket you fill with sand.

Money is very similar to this. When you receive money, there are four things that you can do with it. You can **spend it, save it, grow it or gift it.** Each of these is like the buckets on the beach. And the good thing is that you get to choose which buckets to fill.

Developing a budget will help you to determine which buckets you should be putting your money into, and how much.

Note: Don't forget your dreams and goals! How much money you need to purchase these items will, in part, determine how much money you put into each bucket.

Spend it.

The first thing that you could do with your money is spend it. You may spend it on a variety of things, such as food, bus and train tickets, trading cards, and, as you get older, on phones, electricity and rent.

The important thing to remember is that you will always need to spend some of your money in this way. The challenge is not to overspend, or spend your money on things that you don't need.

Have you ever had the experience where you started the week with $20 in your pocket, but when you got to the end of the week it was gone?

Sometimes you don't realise exactly how much money you're spending, or how quickly. The smarter you are with the money you receive, the more choices you have in how you can use it.

A great way to keep on top of where your money goes is to keep a money diary. To fill in a money diary, simply keep a record of every time you spend money. For example, if you visit the school canteen, make a note of the date, what you bought and how much it cost. This will give you a really good idea of where your money is going.

Some people find it useful to set a maximum amount on the money that they put in the "spend it" bucket. For example, you may choose to only spend 50c for every $1 that you receive. Doing this will help you to make sure you don't overspend.

Save it.

The next thing that you could do with your money is save it. When you save, you are letting your money build up so you can buy more expensive items.

In a very practical sense, saving gives you choices. Saving is like paying yourself first. This amount of money can be small or large. But every little bit counts.

By saving a little bit each time you receive money you can build up enough money to buy something more expensive such as a new bike, or electronic game.

Imagine you get $10 a week pocket money. If you saved all of this money for 5 weeks you would have $50. However, if you spent half of it on little things like lollies or comics it would take you a lot longer to buy the thing that you are saving for.

Aaron does chores around the house and earns $20 per week. He spends $15 each week on food at the canteen and saves the other $5. He is saving to buy a new skateboard which will cost $100. At that rate it will take Aaron 20 weeks to save up for his skateboard.

Grow it.

Generally, when you save money it's to spend it some time later. However, when you save money, you may also be able to grow your money when you put the money you are saving into an account that earns interest.

Have you ever heard the term "nest egg"? Building a nest egg means that we spend our savings on things that actually make money for us. This is known as investing. For example, when you put money in a bank account, the bank may pay you to store your money there. This is called interest and means your savings are earning you money.

There are three main types of investments: savings accounts, company shares and property.

When you are young, and just starting out, your investments will often be savings accounts.

As you get older, you may start to choose other investments such as company shares and property. These investments may earn more money, but also come with a bigger risk that you might lose the money invested. It is generally a good idea to talk to a financial planner when you are ready to make these types of investments.

Compound Interest.

Compound interest is one way for your money to make more money. Interest compounds when you earn interest on your money, leave the interest you earn in your account and continue to earn interest on that interest.

Example: Fiona deposited $100 into the bank. The bank pays her 5% interest per year. After one year, Fiona has $105. If she leaves that in the bank, at the end of the next year, the bank will pay Fiona interest on the $105, rather than just on the $100.

Gift it.

Gifting is the fourth way you can use your money. This means to give it away to someone else and not use it for yourself.

This could be saving up to buy someone a gift or even giving money as a gift in the form of notes and coins or a gift card. This type of gift gives the person the same choices you have with your money - to spend it, save it, grow it or gift it.

Or you may want to donate money to an organisation that helps others. There are many charities that you can donate to and since your money is limited you need to make choices as to where your money goes. Find the charity or charities where you like what they do and where you are happy they will **use your money for a good cause**.

Remember that donating to charity doesn't necessarily mean just a cash donation. You could also donate your time, skills, clothes or food.

Example: Jenny has always loved and cared for dogs. So she decided last year to donate money to the local animal shelter which cares for dogs and finds them a home. She also decided to volunteer there on the weekend to help out.

My money plan.

A. Write down how much money you get regularly eg pocket money.

B. Write down how much of that you want to save for specific things.

C. Write down the things you would like to spend your money on now and how much.

D. Write down the amount of money you would like put aside to grow.

E. Write down how much money you would like to give away or save for gifts.

F. Add up lines B, C, D, and E.

G. Subtract F from A to see whether you have money left over.

- If you have a negative amount you'll need to adjust your plan and reduce your saving, spending, growing, or gifting.
- If you have a positive amount you could increase either your saving, spending, growing, or gifting.

		Total $
A.	Money I get each week / fortnight / month	
B.	I want to save for:	
C.	I want to SPEND on:	
D.	I want to GROW:	
E.	I want to GIFT:	
F.	Total	
G.	How much I have left over	

Section 3:

How do I keep it?

Once we have our money, it's important to understand how to keep it. This starts by taking care of your income sources.

For example, keep doing your chores well so that you continue to get your pocket money.

It's also about keeping your money safe. Here are some tips to help you and your parents do that:

- Keep your cash safe in a wallet or purse, and keep it out of sight.
- Keep ATM cards in a secure place and report promptly if lost or stolen.
- Keep your PIN (Personal Identification Number) secret – don't share it with anyone!
- Use strong passwords on your computer and smartphone and keep them private.
- Keep an eye on your bank statement to make sure all the items listed are ones you recognise.
- Take care when using ATM's. Be aware of your own personal safety, and look out for scanning devices.

Another way to keep your money safe is to continue to learn about it. By knowing more about how money works and your personal money habits you are better able to make confident, well-considered financial decisions.

We're here to help:

Speak to your local Westpac branch manager, or visit the Westpac website.

westpac.com.au

Or visit the Davidson Institute website. The Davidson Institute website provides a host of financial literacy materials you can access 24/7.

We're helping to educate a more financially confident Australia.

westpac.com.au/davidsoninstitute

Glossary of terms.

ATM (Automated Teller Machine).	A machine often found outside banks and in other public places used to withdraw or deposit money into the bank, 24 hours a day.
Bank.	A business that is allowed to hold money for, and lend money to, people and businesses.
Bank account.	A storage place for money.
Bank account number.	The number a bank gives to a particular bank account. This along with the BSB identifies the individual bank account.
Bank loans.	Money the bank lends an individual. Typically the person borrowing the money will pay interest on the amount borrowed. The amount borrowed is repaid over a set time period.
Bank account statement.	A list of all the deposits and withdrawals made into and out of a bank account during a period of time.
BSB.	Bank State Branch number. A number that identifies a particular bank branch. This along with the account number is used to identify the individual bank account. For example 732-001; the 73 stands for a Westpac account, 2 stands for New South Wales, and the final 3 digits identify which branch.
Budget.	A plan for money coming in and going out for an individual, family, or business. A budget helps to ensure that financial commitments are met and shows how much money is available to pay for things such as food, housing, transport, and savings.
Company shares.	Part ownership of a business. Investors often purchase shares that they anticipate will pay them a dividend or become more valuable to sell at a later date.
Compound interest.	Interest paid on interest. For example if you start with $100 and the bank pays you say 10% interest, you would have $110 at the end of the year. If you choose to leave it all in the bank, the bank will then pay you interest on $110 next year. This is known as compounding.

Credit card.	A type of bank loan that issues a plastic card with the account number embossed and an electronic chip that allows you to purchase items via the internet or using EFTPOS. The money to purchase the items is loaned to you, up to an agreed limit, and needs to be repaid at a later date. Interest may be charged on the money borrowed.
Debit card.	A plastic card that allows you to electronically purchase and pay for items via the internet or EFTPOS, using money in your bank account. It can also be used to withdraw money from your account using an ATM.
Debt.	Money you owe to others.
Deposit.	Money put into a bank account. This may be in the form of cash or cheques, or electronically transferred.
EFTPOS. (Electronic Funds Transfer at Point of Sale)	A machine and process that allows you to pay for goods or services without using physical cash. The money is electronically transferred from your credit card or bank account to the seller.
Financial planner.	A specially qualified person who is licensed to provide financial advice on investments and insurance.
Income.	Money coming in. This is commonly wages, social security payments, or money earned from running a business.
Income Tax.	A fee which may be payable to the government based on the amount of income you receive.
Insurance.	A financial product to protect you from the risk of loss or damage to things such as your car, your home, your income, and even your life.
Interest.	Money the bank pays you for having money in your savings account or charges you for borrowing money.
Interest rate.	The percentage that is charged or paid by the bank for the use of money. For example 5% p.a.
Investing.	Using money with the goal of making more money. You may purchase company shares with the aim of receiving a dividend; or purchase an investment property with the aim of being paid rent; or even just leave the money in an interest-bearing account.

Money diary.	A diary that keeps a record of everything you spend. It often includes the date, what was bought and the amount. It is useful for identifying money leaks, or helping you to build a budget.
Money leaks.	Regular small expenses, such as a daily can of soft drink, which add up over time and may be preventing you from achieving your money goals.
Online banking.	A bank product that enables you to handle and manage your money using the internet.
PIN. (Personal Identification Number)	Your secret number that the bank uses to identify you electronically. It may be used at an ATM, with EFTPOS, or even when using telephone or online banking.
Savings.	Money set aside for future purchases or emergencies.
Savings account.	A type of bank account used to store your savings. It may pay you interest on the money in the account. It is often harder to access the money in a savings account, compared to a transaction account, to encourage you to leave it there.
Superannuation.	Often simply referred to as Super, superannuation is government-regulated retirement savings. Employers are required to pay a portion of an employee's wage into a superannuation fund. You may also put additional money into the superannuation fund yourself. These savings may only be accessed in specific circumstances, usually upon retirement from the workforce. There are a number of tax concessions for money contributed to or withdrawn from your superannuation fund.
Term deposit.	A type of bank account that has a fixed amount saved/invested for a fixed period of time that will receive a fixed rate of interest. For example it may be a deposit of $10,000 for 6 months that will receive interest of 2.5% pa. The money in the account may not be withdrawn or added to during the 6 months but the interest rate is also fixed for the 6 months.
Transaction account.	A type of bank account that is designed to be accessed easily and regularly for everyday transactions such as receiving your wages and paying the bills. It will often be paid a lower rate of interest than a savings account but may also have lower fees for multiple transactions.
Withdrawal.	Taking money out of a bank account.

Notes:

We're here to help.

Visit your local Westpac branch.

westpac.com.au

The Detail: The information is general in nature and does not take into account your personal circumstances, situation or needs.

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