

- Personal finance

Five steps to better financial wellbeing

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Financial wellbeing doesn't need a lot of money over and above the basics of food and housing.



This isn't about "getting rich" or the nebulous "financial freedom" people talk about — especially when they're trying to sell overpriced investments. It's about having a healthy relationship with money and looking after what you have. It's personal wellbeing, long before you even look at a budget, bank account or investment.

Be mindful

Mindfulness is about being fully present and consciously aware of what you're doing. Being in the moment. We often don't give a lot of thought about how we use our money. Even saying to yourself "I'm spending \$10 on" whatever it is. It helps us wake up to the subconscious decisions, that sometimes aren't the best. Don't take it for granted that you have to buy whatever it is your friends have. Make these decisions consciously and, well, mindfully.

Look after your health

Ill health can cost you dearly. Any of us could become disabled through illness, although we mostly think it only happens to other people. Strokes can happen at any age. If disability through illness stops you from working, your finances will go backwards rapidly. ACC doesn't cover illness and Work & Income benefits barely cover the basics. If you have to pay for medicine, operations or other medical care, savings can be eaten up fast. Treasury noted in its Trends in Wellbeing 2000 to 2020 report that some of the most striking differences in wellbeing relate to disability, with disabled people often having much lower wellbeing than non-disabled people.

Seek advice

Talk is good. Discussing financial issues with others can help if you're in a rut or worse. Don't be afraid of admitting what you don't know about personal finances. That could be talking with friends and family. But often professionals are a better bet. I don't just mean budget and financial advisers. People's money issues are very often deeply ingrained and psychotherapy can be the first step. My only proviso about talking to others is be aware of their motivation. "Advisers" in financial fields often make money from the dollar value of products they sell you, which can skew their advice. Paying for services by the hour is more transparent.

Save 10 per cent of everything

If you save 10 per cent from your very first job, your financial life will be smoother. I know some people will scoff. But if you plan your spending each month, it can be done. It's called paying yourself first. If you save 10 per cent you're going to have money when you really need it in life. It's a good habit that builds resilience from the good habits. That resilience can help you weather financial storms. KiwiSaver makes it easier because it's deducted from your pay before you see the money. If you're only putting 3 per cent away in Kiwisaver, open a long-term investment and drip-feed the rest in. Don't fall foul of the cognitive bias of mental accounting, where you put money in different mental buckets according to how you earned it. A bonus is still part of your overall income. Save a minimum of 10 per cent of it.

Have a Plan B, C and D

If Covid-19 has shown us one thing, it's that life can throw up unexpected obstacles. Insurance can be one of those plans. That includes health, critical illness, mortgage/income protection, and life insurance (which often pays out if you're diagnosed with a terminal illness). Your own Plan B, C and D, may not involve insurance. Maybe you've saved a big enough emergency fund. Or you have plans for your other half to take over working. Maybe you're on the home run and can retire a bit early. Those alternative plans may even involve retraining.

I'm reminded when thinking of this topic about my colleague Mary Holm's book Rich Enough and its sequel A Richer You — both good reads if you want to find out about making the most of what you have already.