

Understanding money

How to make it work for you



A few simple things done regularly can make a real difference...

Put yourself in charge

Have a plan for your money and stick to it.

Prepare a budget for yourself and keep it up to date.

Establish a savings habit – save as much and as regularly as you can.

Take control

There's more you can do too:

- Take a hard look at your loans and credit cards and see what scope there may be to consolidate them or adjust some of your spending habits.
- Look for opportunities to make your money work harder by investing, and check if you're contributing enough to your superannuation.
- Think about strategies for protecting your money, such as making sure that you have the right insurance.
- Shop around and get information and advice if you're not sure about managing your money or if you need help.

This handbook will provide information on these and other issues to help you better understand your money.

Income

Work out your regular income.

Type of income	Amount received each period
Salary or wage (after tax)	\$.....
Pension or Government allowance	\$.....
Child support or other payments	\$.....
Regular interest from savings	\$.....
Regular income from investments (such as rent from an investment property, distributions from a managed fund, or dividends from shares)	\$.....
Other	\$.....
Total income	\$.....

Expenses

Work out your regular expenses.
Remember to use the same time frame that you chose for your income.

Next, add up the subtotals to get your total expenses.

Household expenses		Education expenses	
Rent	\$.....	School fees	\$.....
Repairs	\$.....	University or TAFE fees	\$.....
Gas	\$.....	Tuition	\$.....
Electricity	\$.....	Books and uniforms	\$.....
Water	\$.....	Camps/excursions	\$.....
Telephone/mobile	\$.....	Sub total	\$.....
Rates	\$.....	Debt repayments	
Body corporate fees	\$.....	Mortgage	\$.....
Internet	\$.....	Car loan	\$.....
Cable/TV	\$.....	HECS or HELP payments	\$.....
Furniture	\$.....	Credit cards	\$.....
Appliances	\$.....	Personal loans	\$.....
Groceries	\$.....	Store cards	\$.....
Gardening	\$.....	Lay-bys	\$.....
Sub total	\$.....	Sub total	\$.....

Expenses

Transport expenses		Savings	
Car registration	\$.....	Superannuation contributions	\$.....
Parking	\$.....	Regular savings	\$.....
Fuel	\$.....	Regular investments	\$.....
Repairs/maintenance	\$.....		
Public transport	\$.....	Sub total	\$.....
Sub total	\$.....	Other expenses	
Personal expenses		Child care	\$.....
Clothes and shoes	\$.....	Child support payments	\$.....
Hair and beauty	\$.....	Gifts	\$.....
		Donations	\$.....
Sub total	\$.....	Hobbies and sports	\$.....
Medical expenses		Subscriptions	\$.....
Doctor	\$.....	Newspapers and magazines	\$.....
Medicines	\$.....	Movies and DVDs	\$.....
Dentist	\$.....	Restaurants and takeaway	\$.....
		Alcohol and cigarettes	\$.....
Sub total	\$.....	Pet food	\$.....
Insurance		Other pet costs	\$.....
Home and contents	\$.....	\$.....
Car	\$.....	\$.....
Health	\$.....	\$.....
Income protection	\$.....	\$.....
Life	\$.....	\$.....
Sub total	\$.....	Sub total	\$.....
		Total expenses	\$.....

Need tips on how to use the budget planner?

See page 5

Foreword

No matter who you are – whether you're at school or a retiree – improved financial knowledge and understanding can increase your choices and help you get more out of life.



The Hon Peter Dutton MP

I'm pleased to offer you this handbook as part of the Australian Government's financial literacy information and awareness-raising campaign. The Financial Literacy Foundation has been established by the Australian Government to help all Australians improve their financial knowledge and better manage their money.

Understanding money can pay off, no matter what your age or income. I encourage you to read the handbook and see how you can put yourself in charge and make your money work better for you.

A handwritten signature in black ink that reads "Peter Dutton". The signature is fluid and cursive, with the first name "Peter" and the last name "Dutton" clearly distinguishable.

The Hon Peter Dutton MP

Minister for Revenue and Assistant Treasurer

Contents

Know where your money goes

Budgeting and having a plan for your money 5

Make your money work for you

Saving 11

Investing 13

Loans and credit cards – be in charge of your debt

Choosing a loan or credit card and steps to manage your debt 17

Money for your retirement

Superannuation 23

Protecting your money

Insurance 29

Rights and responsibilities 31

Scams 32

Getting information & advice

Finding good advice 35

For more information 37

Useful terms 40

Introduction



Paul Clitheroe

People often ask me, ‘What is the secret to being good with money?’ The answer I give is that there are a few basic financial habits that can really make a difference. Understanding money really does pay off.

Understanding money means understanding how much money you have and where it goes. It means being in a position to make the most of what you’ve got. And it means protecting what’s yours.

No matter who you are or what you earn, it’s easier than you think to take control of your money. This handbook can help you to understand money better. Obviously it can’t provide detailed advice, because that depends on your personal circumstances, but it does contain loads of information that can help you to make your money work harder for you.

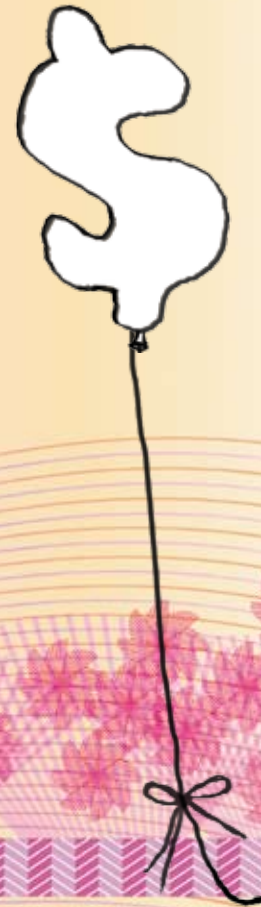
I encourage you to make use of the information in this book and on the Financial Literacy Foundation’s website **www.australia.gov.au/understandingmoney**. Remember, it’s your money, and learning how to make the most of it can really pay off. Put yourself in charge.

A handwritten signature in black ink, appearing to read 'Paul Clitheroe'. The signature is fluid and cursive.

Paul Clitheroe

Chairman, Financial Literacy Foundation Advisory Board

Know where your money goes



Know where your money goes

Do you find that your money seems to slip through your fingers? Have you ever thought about preparing a budget plan, but put it in the ‘too hard’ basket? Doing a budget and having a plan for your money isn’t difficult, and it can help you do the things you really want.

We’ve included a fold-out **budget planner** at the front of this handbook to help you work out how much you earn and what you spend it on.

How to use the budget planner

Start by writing down all of your income and all of your expenses. You’ll need to decide whether your budget will be a weekly, fortnightly or monthly guide. Some people like to match their budget to their pay period. Once you’ve decided, make sure all the numbers you write down are for the same time period.

Be realistic.

Write down your actual income and what you spend on things, not what you think you should earn or spend.

When you’ve worked out your income and expenses, you’ll be able to see how much regular income you get and where that money goes over your chosen time period. Take away your total expenses from your total income to get your result.

$$\begin{array}{ccccccc} \text{TOTAL INCOME} & - & \text{TOTAL EXPENSES} & = & & ? & \\ \$ & & \$ & & \$ & & \end{array}$$

Your result will show whether you’re spending more than you earn, or if you have money left after your expenses to use for other things.

What do I do with my budget?

Is the result what you were expecting? If you're spending all of your income (or even more), your budget can show you areas where you might be able to change your spending. If you need to make a change, you might like to sort your expenses into two groups: essentials and extras. It's your budget, so you can decide what you think is essential and what you might be able to spend less on.

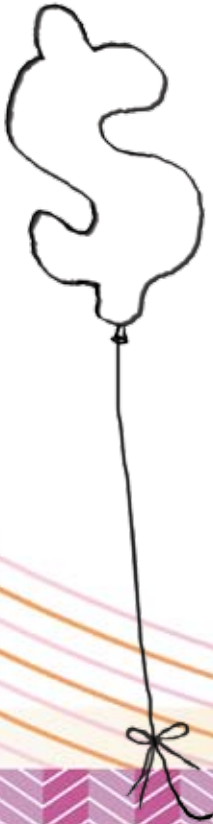
If you have money left over, think about how that money could be used. Getting debt under control is important, and you might choose to increase your loan or credit card repayments. Or you could organise a regular deduction into a separate savings or investment account.

Whatever you do, make sure that you put any extra money to good use.



Tips to help you spend more wisely

- Make a shopping list for groceries, and stick to a limit.
- Leave your credit card at home.
- Take your lunch to work.
- Consider pre-paid options for your mobile phone.
- Think about renting a product before you buy it – you may find it's not what you expected.



Do you have a plan for your money?

It can be hard to stick to a budget if you don't know what you want to do with the money you save. It helps to have some goals so that you know what you're working towards, and they don't have to be big. Your goals will depend on a lot of things, like your age and family commitments. You might want to:

- save for something that's important to you or your family
- get your debt under control
- save for a deposit on a home
- save for when you retire.

“I can save \$5 a day by taking my lunch to work – that’s \$1200 a year!”

Think about your goals, and then work out how much it will cost to achieve them. For example, you might want to save for a home deposit. Using your budget, you can work out how much money you have left after your expenses to save for your deposit. Then you can plan how long it will take to get the amount you need.



Tips to help you set goals

- Be realistic – if you plan to achieve your goals by cutting out all your extras, chances are that you won't stick to your budget.
- Be specific – you're more likely to achieve your goals if you know what you want and why.
- Keep motivated by setting a time frame to achieve your goals.

Try using the table below to set out your goals. We've given you an example to help get you started.

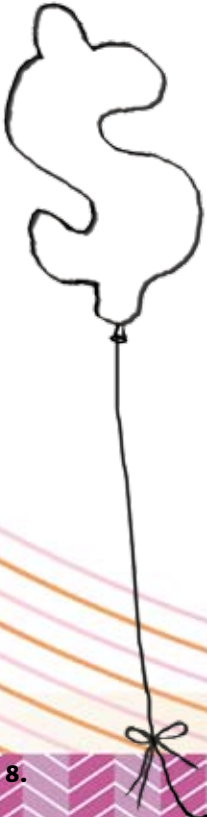
GOAL	TYPE	DATE	TOTAL AMOUNT	AMOUNT REQUIRED EACH PAY PERIOD
Digital camera	Short-term	Christmas	\$360	\$30

Planning for unexpected expenses

It's a good idea to put some money aside to use in emergencies. Build it up gradually if you need to. You can decide how much money you think you need to put aside, but the idea is to use this fund for unexpected expenses, so that you can avoid using personal loans or a credit card. Remember to top the fund back up again when you can.

Keep it up to date

Your life changes, so it's good to revisit your budget and your goals regularly. For example, if your pay changes you'll need to redo your income estimates. And big events like getting married or having children will also have a big impact on your expenses. It's a good idea to go through your budget at least once or twice a year.



Talking about money

Many of us don't find it easy to talk about money with people we're close to. It can help avoid misunderstandings if you and your partner agree on what you want to do with your money, and how you want to achieve it. It also helps to be aware of each other's attitudes to money. Preparing a budget together can be a good start.

If you have children, talk to them about money. Your children will learn a lot about money from you. For younger children, try simple things like comparing prices when you take them grocery shopping or explaining about the value of different notes and coins. You could involve older children when you prepare a family budget. For example, show them how much the family spends on electricity and water and encourage them to think of ways to save on those bills.



Tips to help kids learn about money

- Set a good example by managing your money well.
- Encourage them to save as much and as regularly as possible.
- Set up a savings account with a passbook to help them keep track of deposits, withdrawals and any interest they earn.
- Make saving fun by letting them choose a goal.

Make your money work for you



Make your money work for you

Why worry about saving?

Living from one payday to the next can be stressful. Having some money set aside can reduce your worries and help you deal with large bills or unexpected expenses. As your savings grow you won't have to reach for your credit card as often and your savings will earn interest for you. If you stick at it, you can achieve bigger goals such as buying a car, having a deposit on a home or paying off your home early.

The power of compound interest.

If you start saving now, over a longer period your savings will build up even more because you will earn interest on your interest. Over a long time it can make a big difference.

How to get started

The secret to successful saving is simple: start now. You could start by setting up an automatic deduction from your pay or transaction account so that you won't forget to put it away. If you're not sure how much you can save, see **Know where your money goes** on page 5. Otherwise, you could start by setting aside part of your weekly income into a separate savings account. It doesn't have to be a large amount.

If you leave your savings to grow, you'll get the benefit of **compound interest**. This is where you earn interest on the amount you've deposited, as well as on interest you've already accumulated. Even if you only contribute a small amount, your savings can really build up over time.

Tips to help you save

- Start now, no matter how small your savings.
- Pay yourself first – deduct savings from your pay automatically.
- Put your savings in a separate account that doesn't have ATM access.
- Try to save any pay rises, bonuses or tax refunds.

It helps to have a plan or goals for your savings. This gives you an idea of how much you need to save and it helps keep you focused on the end result, particularly when you're tempted to spend. You could set a small goal first and then build up to saving larger amounts.

Where can I save?

There are lots of options. Some people like to save in accounts that lock your money away for a while, like Christmas Club accounts or term deposits. There are also a good range of online savings accounts.



Tips to find the best account for you

- Choose an account that pays the best interest rate for your needs.
- If you think you'll be tempted to withdraw it, put your savings into an account that's harder to access.
- Compare fees and other charges.

Organisations like Cannex and InfoChoice have websites that allow you to compare different savings products. For contact details see page 38.



Investing your money

You don't need to have lots of money to invest – it's all about making your money work harder. Some people start with a small amount of savings they've built up, while others invest regular amounts. The trick is to start and then keep adding to your investments as you can.

Don't put all your eggs in one basket

You might worry that investing is risky. In general, the higher the earnings or **return** you expect from an investment, the more risky it will be. Investments that offer lower returns are generally less risky.

You can reduce your **risk** by spreading your money around and investing in different types of investments – this is called **diversification**. This is a good way to help protect your money, as it's unlikely that all your investments will perform badly at the same time.

What can I invest in?

There are lots of different investments to choose from. The four main areas – also known as asset classes – are shares, property, bonds and cash.

You can invest in some of these asset classes directly (such as by buying shares or starting a term deposit). Others can be indirect – for example, where you buy shares or property through a managed fund. With a managed fund, your money is pooled with that of other investors and invested on your behalf.



The right investment for you will depend on a number of things. Ask yourself:

- How long do I want to invest for?
- Do I want an investment that can be sold quickly if necessary?
- What level of risk am I comfortable with, and what can I afford?
- What's my plan? What do I want to achieve from my investments?

If you need your money for emergencies and don't want to lock it away for a long time, you might want to choose investments that can be cashed in easily, like a higher interest savings account. If you're willing to invest for a longer period you might choose property or shares, where values may fluctuate more but the returns are generally larger.



If you're new to investing, you can learn more by reading financial books, magazines and newspapers. You can also get financial advice to help you to choose the best investments for your situation. For more, see **Getting information and advice** on page 35.

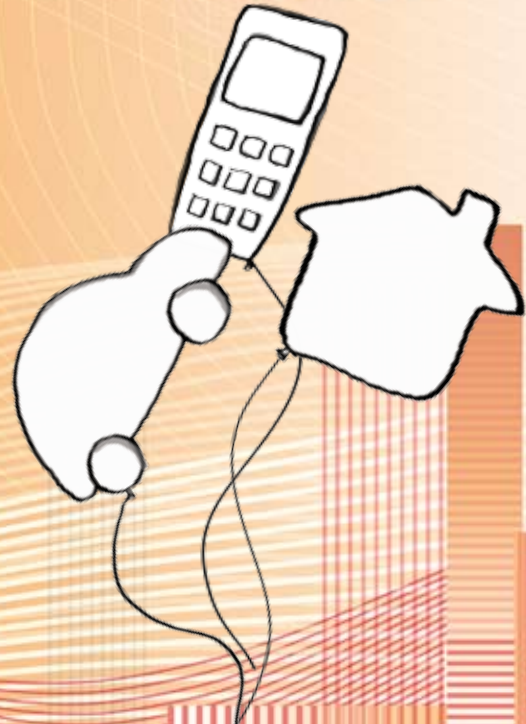
Watch out for investments that promise returns that sound too good to be true. It could be a scam and you could risk losing your money. For more information see **Being alert to scams** on page 32.

Fees, charges and taxes

Most investments have fees, charges or other costs and they're not always obvious. Make sure you do your homework on fees and charges before making an investment, as these costs can really have an impact on the size of your nest egg.

Your investments may also be taxable. Make sure you understand the tax effects of your investments. Talk to a registered tax agent if you're unsure. You can also contact the Australian Taxation Office for more information – see page 37 for details.

**Loans and credit cards
– be in charge of your debt**



Loans and credit cards – be in charge of your debt

Loans and credit cards can be very effective tools to help you achieve what you want in life. Debt isn't bad as long as you can afford it. In fact, most Australians wouldn't be able to own a home without getting a loan. A few key steps – such as shopping around for the right loan and paying off your credit card as soon as possible – can ensure that you have control over your debt, and not the other way around.

A few debt basics

There are many types of debt. Different forms of debt have different interest rates, fees and conditions, including the length of time you have to pay off the debt (this is known as the 'term').



Tips before you get a loan

- Work out what you can afford. Include a buffer to allow for a rise in interest rates.
- Work out a limit to borrow and stick to it.
- Save as much as possible so that you have a bigger deposit and don't need to borrow as much.

Choosing a loan

First, look for a loan with the lowest **interest rate**. This will make a big difference to how much you pay, particularly with long-term loans. Make sure you understand all the terms and conditions. Some loans offer 'honeymoon' or introductory rates which may sound good but can be more expensive in the long run.



Pay off your loan as quickly as you can.

Paying off your loan over a shorter period can save you thousands.

You may also need to choose between **fixed** and **variable interest rates**. Under a variable rate your payments will rise and fall as interest rates change. With a fixed rate you'll know exactly what your payments will be over a set time. You should also check whether you can make extra payments without paying extra fees.

Compare the fees and charges – these can vary greatly between loans. All loans advertised have to show a **comparison rate**. This lets you compare the cost of each loan, including interest payments and most fees and charges. Check magazines and newspapers and use the comparison rate to compare different loans. There are also online services that compare loans, such as Cannex and InfoChoice – see page 38 for details.

Credit cards

Credit cards are just another form of debt. They can be very convenient but remember that you're paying your credit card provider to use their money.





Tips to manage your credit card

- Don't get a credit card if you can't handle the repayments.
- Shop around for the best card for you.
- Make sure you compare the interest rates, administration fees and the interest-free period for repayments.
- Try to pay the balance off before the end of the interest-free period.
- Don't increase your credit limit if you can't afford it, can't handle it or just don't need it.

“I got a letter saying that I'd been approved for a higher limit on my credit card. I said 'no' because I was worried that I couldn't handle more credit.”

Do you need to get your debt under control?

If you're not sure whether you need to tackle your debt, start by writing down the value of what you own and the total amount owing on your loans and credit cards. If you owe more than you own, you may have too much debt. If you're struggling to make your repayments, that may be a signal that you should try to reduce your debt.

It can also help to sort your debt into 'good debt' and 'bad debt'. Good debt is debt that's used to buy assets that are likely to pay you income or increase in value over time, like your house or an investment. On the other hand, bad debt is used to buy things that generally go down in value, such as cars and TVs.

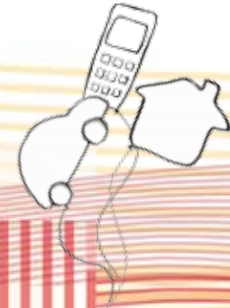
If you decide to reduce your debt, you should plan which debt to pay off first. This is generally debt with the highest interest rate, such as credit cards or personal loans. Also try to pay off any 'bad debt' first. Interest payments on some loans are tax deductible – these are generally a lower priority to pay off.



Tips to help you control debt

- Try not to use your credit card – leave it at home.
- Make loan repayments fortnightly instead of monthly.
- Make extra payments if you can.
- Do a 'debt check' at least once a year to keep track of how you're going.
- Cancel all your credit cards except the one with the lowest rate.
- See if you can get a better deal by refinancing your home loan.

Look at your budget and think about whether you can increase your repayments so you can pay off your debt sooner. If you haven't already done a budget, it may help to do one – see **Know where your money goes** on page 5.



You may have several loans or credit cards. It can sometimes help to consolidate these debts into one low-interest loan, so that you save on fees and have a lower overall interest rate. Do your homework first. Remember to check the fees and charges to make sure that you'll end up saving money.

If you do combine your debt, try to put the money you save in repayments back into paying off the loan faster. If you use a loan to pay off your credit card, think about not using your card any more or paying off the balances at the end of the interest-free period.

Having trouble paying off your debt?

If you think you can't repay your debts, talk to your financial institution as soon as you can. They may be able to vary your repayment plan. Remember, if you've borrowed money, you have a legal responsibility to repay it.

Not-for-profit financial counsellors can give information to people who are struggling with debts. Organisations such as Centrelink's Financial Information Service also offer free information and seminars. For contact details, see page 37. If you're having trouble with debt you may also want to think about getting some broader financial advice – see **Getting information and advice** on page 35.

Money for your retirement



Money for your retirement

Superannuation is an investment that builds up over your lifetime to provide money for your retirement. For most people, superannuation starts when they get a job and their employer starts making superannuation contributions. These contributions are called the superannuation guarantee.

If you're eligible, your employer should contribute at least 9 per cent of your earnings into superannuation. For example, if you earn \$50,000 each year your employer would contribute \$4,500. There are some exceptions to the compulsory contribution – for example, if you are under 18 and working less than 30 hours a week. If you think you're missing out, contact the Australian Taxation Office – see page 37 for details.

Putting extra money into your superannuation

You can also make your own contributions to superannuation – even if you're not working – or into a fund on behalf of your spouse. If you're self-employed you can choose whether or not to have superannuation.

Boost your super.

If you earn less than \$58,000 and make after-tax super contributions you may be eligible for the Super Co-contribution. Contact the Australian Taxation Office for more details.

The earlier you start contributing, the more you'll benefit. Because superannuation is generally taxed less than similar investments, your nest egg grows faster over your working life. You may also get tax deductions or other government benefits such as the super co-contribution if you make your own personal contributions.

Where is your superannuation?

You should receive annual *member contribution statements* from your superannuation fund that record how much superannuation is being contributed on your behalf. Make sure you check your statements. The statements should also give you information on how the fund invested your money and how it performed during the year.



Tips to help keep track of your superannuation

- Keep your fund up to date with your contact details.
- Read your superannuation statements.
- Call your fund if you don't understand your statement.

If you can't track down your superannuation, the Australian Taxation Office's SuperSeeker service can help you find it. You will need your Tax File Number. See page 37 for contact details.

The Government has introduced laws to allow many people to choose where their employers invest their superannuation contributions. If you're eligible, your employer must give you a *standard choice form*. As well as choosing between various funds, you may also be able to choose your investment policy. Some choices may offer higher returns with higher risk, while others may offer greater security but with lower expected returns. Choose the level of risk and return that you're comfortable with.

If you've got more than one superannuation account, sometimes it pays to combine them into one fund so that you pay less in fees and can keep track of your money more easily. Before you do this, make sure you do your sums as you could be charged termination fees for leaving the old fund and contribution fees for joining the new one. You should also check if you may lose life insurance benefits if you combine your accounts into a new fund.

Don't rush into changing superannuation funds just because there's been a poor earnings result in one year. Superannuation is a long term investment, and you need to consider the performance of funds over five years or more. Sometimes a fund that performs poorly in one year may perform well the next year.

When can I get my superannuation?

Superannuation is meant for your retirement, so you generally only get it when you retire from the workforce. You also need to reach a minimum age set by law, called your **preservation age**.



Your date of birth	Minimum age for getting your superannuation
Before July 1960	55
July 1960 – June 1961	56
July 1961 – June 1962	57
July 1962 – June 1963	58
July 1963 – June 1964	59
After June 1964	60

Since July 2005, new rules give you more options to continue to make the transition from work to retirement. If you've reached your preservation age, you'll be able to draw on your superannuation without having to retire permanently from work.

What fees will I pay?

All superannuation funds charge their members fees to cover the cost of running the fund. The fees may seem small, but they can have a big impact on your final payout. Make sure you understand and compare the fees across different funds before becoming a member. Each fund is required to list their fees in a *product disclosure statement*. This information should be shown in a standard way, so that you can easily compare several funds.

How much superannuation will I get?

Your final superannuation balance will depend on how much you and your employers have contributed and when you started making contributions. It also depends on the returns your fund earned on the investments and the tax paid.

“I want to enjoy my retirement, but how much money will I need?”

No matter when you plan to retire, it pays to start thinking about how much superannuation you're likely to need. Many funds offer online information services to help estimate how much superannuation you'll get when you retire. The ASIC website also has a useful super calculator. See **For more information** on page 37 for details. Do you need to think about making extra contributions? If you're not sure, talk to a financial adviser about your situation and future needs. See **Getting information and advice** on page 35.

If you're about to retire, you can choose how you want to get your benefit. When you retire most funds will offer you a lump sum, a pension or a mixture of both. Find out how tax and government benefits such as the age pension may affect your decisions. Remember that your money may need to last for 30 years or more after you retire. You can contact Centrelink, the Australian Taxation Office or ASIC – see **For more information** on page 37. And remember to get financial advice if you're not sure what to do.

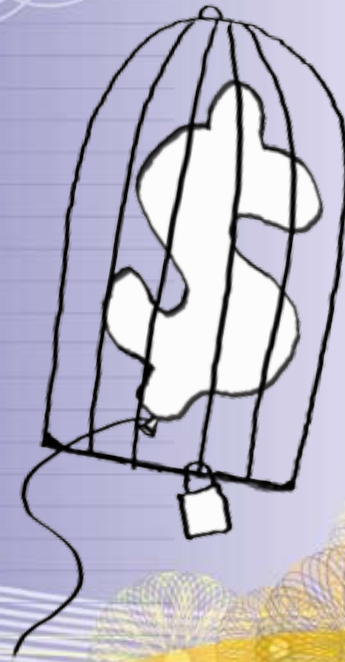


To find out more:

- **Super Choices** – This publication contains information about superannuation, including information on choosing a super fund and changing funds. For a free booklet, call the Super Choice Infoline on 13 28 64, or visit www.superchoice.gov.au.
- **Your Money** – This publication contains information and ideas on planning, budgeting, investing, retiring and much more. Call ASIC's Infoline on 1300 300 630 for a free booklet, or view it online by clicking the Managing Your Money link at ASIC's consumer website - www.fido.asic.gov.au.
- **Fact sheets** – For more information about superannuation, including choice of superannuation fund, lost superannuation and super co-contributions, visit the ATO website at: www.ato.gov.au/super.



Protecting your money



Insurance

We all hope that things won't go wrong, but it pays to have some protection in case they do. Insurance is all about protecting yourself, your family and the things you own.

Types of insurance


You can buy many different types of insurance.

There's cover for things you own – your car, mobile phone, home, and belongings. You can take out health insurance for health services or travel insurance if you're going on holiday. Income protection insurance can give you an income if you're sick or injured and can't work. And life insurance pays your dependants a set amount of money when you die.

“I was concerned about the safety of my family, so I had my home fitted with smoke detectors. I was pleasantly surprised to find that this lowered the cost of my home insurance.”

Getting the most out of insurance

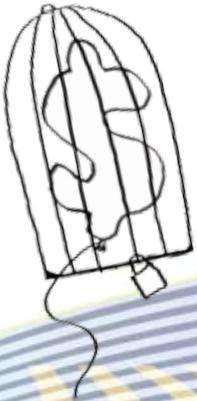
- **Know what you need.** If you're thinking about life or income protection insurance, check if your superannuation fund can provide it or already gives you cover. With health insurance, you may be able to tailor a policy that fits your stage in life. Make sure you understand what your insurance covers.
- **Shop around for a good deal.** Compare premiums, excesses and details of exactly what the policies cover. For most types of general insurance, you can pay a lower premium if you agree to pay a larger excess if you need to make a claim.



Make sure you're covered.

Check that your home and contents insurance covers the full replacement cost – you don't want to have a big shortfall if you need to make a claim.

- **Insure for the right amount.** Most people underestimate the value of what they own. If you're looking for home and contents insurance, make sure you insure for the true replacement value. It can help if you keep receipts and take photos of valuable items.
- **Provide full and accurate information.** Make sure you answer all questions correctly. If you don't, you may have misled the insurer about the risk they're accepting, and they may be able to refuse or reduce any claim you make.
- **Understand your contract.** Insurance companies need to give you a *policy document*. This sets out what you're insured for, so make sure you understand it. Keep it handy in case you need to make a claim.
- **Keep your policy up to date.** Let your insurer know if you make any changes that might affect your policy – for example, if you renovate your house or buy expensive household items.
- **Keep tabs on what's available.** When your insurance comes up for renewal, think about whether your situation has changed. You may want more cover, or to change your excess. Shop around and be prepared to change your policy if you find a better deal.



What are my rights and responsibilities?

Where can I get insurance?

You can organise insurance through an insurance company or by using an insurance broker. It's important to do your homework and ask questions so that you understand what's on offer.

If you buy a financial product or service, you have a number of rights, such as being given the information you need to make a proper choice and having your privacy respected. Some financial products or services might come with other rights. You should check the terms and conditions to find out what other rights you may have.

As a buyer of a financial product or service you also have responsibilities. These might include giving honest and accurate information or agreeing to accept the risks of an investment.

What can I do?

Read any contract before you sign it. Also check the documents that your product or service provider gives you – this could include a financial services guide, a statement of advice or a product disclosure statement. Ask your product or service provider if you've got any questions.

What if there's a problem?

You should contact your financial product or service provider. If they don't fix the problem, you can contact an independent dispute resolution service. These schemes can help resolve complaints and are an alternative to the courts.

You can also report the actions of your financial product or service provider to your state or territory office of fair trading or consumer affairs or ASIC. For contact details, see pages 37 and 38. You can also take action through the courts to enforce your rights.

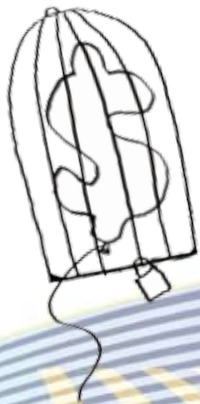
If you've failed to meet your responsibilities – for example, by missing a number of payments – get in touch with your product or service provider as soon as possible. You may be able to work together to find a solution.

Being alert to scams

Unfortunately, some Australians have lost some or all of their savings to scams. Scam offers can come in letters, in emails or by phone calls.

Be careful about promises of quick financial gain. It may be a scam if:

- it comes out of the blue
- it sounds like a quick and easy way to make money
- it tells you there is almost no effort and no risk
- it sounds just too good to be true.





Steps to protect you against scams

1. Say 'no', at least for the moment.
2. Do your homework.
3. Ask questions.

Financial scammers usually don't have a financial services licence issued by ASIC, even if it looks that way. They may have glossy paperwork, but it's rarely a proper product disclosure statement or prospectus. If you're not sure, ask questions and don't be pressured into making a decision on the spot.

Some 'top' scams

- Lottery scams – like the El Gordo and Princess Diana lotteries where you 'win' even though you never bought a ticket.
- Cold calling investment schemes – where a call or email comes out of the blue offering you an investment opportunity.
- 'Phishing' emails – from criminals pretending to be your financial institution and trying to get your personal details.

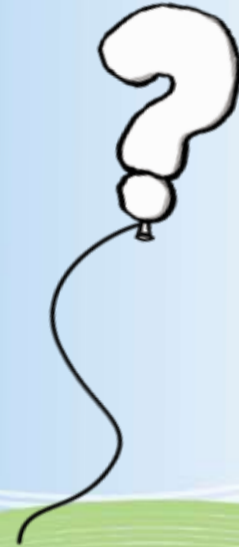
If you've received what you think is a scam, delete it, hang up, destroy it!

Getting out of a scam

If you think you've fallen for a scam, contact the authorities straight away. The sooner you act, the better the chance of finding the scammers. Unfortunately, people rarely recover their money once it has gone to a scammer, especially one that is overseas.

For scams about financial products and services, contact ASIC. You can also contact ScamWatch, the ACCC or your state or territory consumer affairs organisation – details on pages 38 and 39. You could also notify your local police.

Getting information & advice



Getting information & advice

Sometimes we need help with managing our money. You might need to make a big decision about your finances and aren't sure what to do. Or you might want some advice on planning for your future. If in doubt, there are many ways that you can learn more, including by getting some advice. There are many sources of financial information and advice, and who you go to will depend on why you need it.

Where can I get advice?

Good information and advice can come from a variety of sources. Financial counsellors can advise and assist on a range of questions. If you need advice on issues like investing or superannuation, you might think about getting it from sources such as accountants, banks and financial planners. In other cases you may need highly specific legal advice – for example, if you are going to make a will.

“By having a will and keeping it up to date, I know exactly where my money will go.”

There are several government and community services that can give you free information about how to manage your money. See page 37 for a list. Some can provide advice on specific issues – for example, on planning for retirement or managing debt.

You can also get advice from a licensed financial adviser. The licence means the adviser meets certain standards, and offers you extra protection if anything goes wrong. Finding good advice means finding a good adviser. You can talk to family and friends who have used a financial adviser and learn from their experiences. If you can, aim to see two or three different advisers before you make your final choice.

When choosing an adviser, ask to see their *Financial Services Guide*. This covers issues such as the adviser's experience and qualifications, how they charge for services and their range of products and services. The Financial Planning Association can help you find advisers in your area.



Some helpful advice.

Good advice will help you make money and can save you a lot of headaches.

You'll have to pay for services provided by a financial adviser. This can be through an upfront fee and / or through commissions charged for making investments on your behalf. Over a longer period of time, commissions on products like superannuation, managed funds and other investments can really add up, so make sure the benefits are worth the costs. Regardless of where you get your information, you should ask questions if you're uncertain of anything. Don't make a decision that you're not comfortable with.

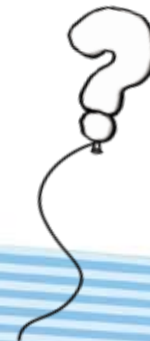
What do I need to tell my adviser?

Your adviser needs to know as much as possible about your needs, your goals and your attitudes to money. So think about these issues and do some research before you go for advice. You'll probably also need to give information on your income, expenses, assets and debt level.



Tips to get the most out of financial advice

- Do your homework.
- Give full details about your financial position and needs.
- Try to have a clear idea of what you want your money to do.
- Be honest about the level of risk you're willing to take on.
- Ask questions if you don't understand the advice you're given.
- Review your financial plan regularly.



For more information

Government agencies

Australian Securities and Investments Commission (ASIC)

The consumer protection regulator for financial services. ASIC provides financial tips, safety checks on financial products and services, and warnings about scams.

Phone 1300 300 630
Visit www.fido.gov.au

Australian Taxation Office (ATO)

Can provide information on tax matters, Superannuation Guarantee contributions, lost superannuation accounts (SuperSeeker) and self-managed superannuation funds.

Phone:
Personal tax 13 28 61
Business 13 28 66
Superannuation 13 10 20
SuperSeeker 13 28 65
Visit www.ato.gov.au

Centrelink

Provides various government payments and services, including for students, the unemployed and retirees.

Phone:
Employment services 13 28 50
Youth and student services 13 24 90
Retirement services 13 23 00
Financial Information Service seminar bookings 13 63 57
Visit www.centrelink.gov.au

Family Assistance Office (FAO)

Provides a range of government payments to help support families, including Family Tax Benefit, Childcare Benefit and Maternity Payment.

Phone 13 61 50
Visit www.familyassist.gov.au

Child Support Agency

Helps separated parents take responsibility for the financial support of their children.

Phone 13 12 72
Visit www.csa.gov.au

Financial counselling

The following contacts provide a financial counselling tips service, or can refer you to an appropriate service in your State or Territory. These services are free and confidential.

Australian Capital Territory

Care Financial Counselling Service 02 6257 1788

New South Wales

Credit and Debt Hotline 1800 808 488

Northern Territory

Anglicare (Darwin) 08 8985 0000
Anglicare (Katherine) 08 8972 1571
Anglicare (Alice Springs) 08 8952 0377

Queensland

Financial Counselling Association of Queensland 07 3321 3192

South Australia

UnitingCare Wesley Adelaide Inc. 08 8202 5180

Tasmania

Anglicare Financial Counselling Service 1800 243 232

Victoria

Financial and Consumer Rights Council 03 9663 2000
or toll-free for rural Victoria 1800 134 139

Western Australia

Financial Counsellors Resource Project 08 9221 9411

Superannuation and retirement

National Information Centre on Retirement Investments (NICRI)

Provides free and independent information about investments for people planning for retirement or facing redundancy.

Phone 1800 020 110
Visit www.nicri.org.au

Government websites

ATO – visit www.ato.gov.au/super
ASIC – visit www.fido.gov.au

Super Choice

Provides information about government initiatives to increase employees' choice of superannuation fund.

Phone 13 28 64
Visit www.superchoice.gov.au

Superannuation Complaints Tribunal

Deals with complaints about superannuation funds, insurers, annuities and retirement savings accounts.

Phone 1300 780 808
Visit www.sct.gov.au

Financial products and services

Financial Planning Association (FPA)

The FPA can help you find a planner in your area. The FPA offers a range of brochures and *Dollarsmart* - a financial toolkit for young Australians on CD-Rom.

Phone 1800 626 343
Visit www.fpa.asn.au

Australian Stock Exchange (ASX)

Provides share market information and investor education. The ASX website has free online classes and games for students and adults to help you learn about share trading.

Phone 1300 300 279
Visit www.asx.com.au

Organisations such as those below provide a range of tools to help consumers compare products such as savings accounts, credit cards and home loans.

InfoChoice

Phone 02 9247 6788
Visit www.infochoice.com.au

Cannex

Phone 07 3837 4100
Visit www.cannex.com.au

Consumer affairs and fair trading

These agencies offer a range of services to protect consumers. For example, you can report a scam or find out about motor vehicle checks if you're buying a used car.

National

Australian Competition and Consumer Commission (ACCC)

Phone 1300 302 502
Visit www.accc.gov.au

Australian Capital Territory

Office of Fair Trading

Phone 1300 658 030
Visit www.fairtrading.act.gov.au

New South Wales

Office of Fair Trading

Phone 13 32 20
Visit www.fairtrading.nsw.gov.au

Northern Territory

Consumer and Business Affairs

Phone 1800 019 319
Visit www.caba.nt.gov.au

Queensland

Office of Fair Trading

Phone 13 13 04
Visit www.fairtrading.qld.gov.au

South Australia

Office of Consumer and Business Affairs

Phone 08 8204 9777
or for country callers 13 18 82
Visit www.ocba.sa.gov.au

Tasmania

Consumer Affairs and Fair Trading

Phone 1300 654 499
Visit www.consumer.tas.gov.au

Victoria

Consumer Affairs Victoria

Phone 1300 558 181
Visit www.consumer.vic.gov.au

Western Australia

Department of Consumer and Employment Protection

Phone 1300 304 054
Visit www.docep.wa.gov.au

ScamWatch

For information about scams, or to report a scam.

Phone 1300 302 502
Visit www.scamwatch.gov.au

Banking and Financial Services Ombudsman

Provides a dispute resolution service between individuals or small businesses and their financial service providers.

Phone 1300 780 808
Visit www.bfso.org.au

Financial Industry Complaints Service

Provides a dispute resolution service between individuals and their financial service providers.

Phone 1300 780 808
Visit www.fics.asn.au

Useful terms

Comparison rate. A rate that lets you compare the cost of loans, including interest rates and most fees and charges.

Compound interest. Interest calculated on the amount invested or borrowed, as well as the interest already earned or owing on that amount.

Credit rating. A rating based on a person's credit history. Financial institutions refer to credit ratings when they consider applications for loans and credit cards.

Debit card. A transaction card that draws electronically on your money to buy things. Debit cards can be a good alternative to a credit card.

Debt. The amount of money you owe – including mortgages, personal loans and credit card balances.

Diversification. Investing in a range of different types of assets. A good way of reducing risk in investing.

Equity. The value of an asset after deducting any money owing on it.

Fixed interest. A type of interest rate that stays the same through the term of the loan.

Honeymoon rate. A low interest rate offered at the start of a loan. It generally lasts for a small period of time and then changes to a higher rate.

Interest. Money paid in return for the use of money. If you have money in a savings account, your financial institution pays you interest. If you have a loan, you pay interest for using that money.

Investing. Using your money to make it grow, for example, by buying property or shares.

Policy document. A document provided by an insurer or broker as proof of an insurance contract.

Preservation age. The minimum age for you to be able to access your superannuation benefits.

Product disclosure statement. A document that your financial services provider must give you when they recommend or offer to sell you a financial product. It may be provided in a short-form version and must include information about key features, costs, the risks and benefits, and complaints-handling procedures.

Return. The amount of money your investment earns.

Risk. The possibility that your investment may fall in value or earn less than expected.

Superannuation. Money that you and your employers put aside during your working life to use when you retire.

Variable interest. An interest rate that changes over the course of a loan.

Will. A legal document that sets out how a person wishes their belongings to be distributed when they die.

Contact us

The Financial Literacy Foundation has been established to help Australians improve their financial knowledge and better manage their money. The Foundation is guided by an Advisory Board, chaired by Mr Paul Clitheroe.

For more information about the Financial Literacy Foundation:

Email: financial.literacy@treasury.gov.au
Website: www.australia.gov.au/understandingmoney
Mail: Financial Literacy Foundation, The Treasury,
Langton Crescent, PARKES ACT 2600

To order more copies of this handbook, call the Publications Phone Line on **1800 236 235**.

Copies of the handbook are also available in languages other than English. If you do not speak English well and would like to order a copy of the handbook, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

This handbook has been produced by the Department of the Treasury (the Department) to assist you in understanding money. While all reasonable care has been taken in preparing this handbook, it is provided for general information only and should not be treated as constituting advice in the circumstances of any particular case. You should obtain independent advice on any specific issue concerning you.

The Department provides no warranties and makes no representations that the information contained in this handbook is correct, complete or reliable. The Department expressly disclaims liability for any loss howsoever caused whether due to negligence or otherwise arising from the use of or reliance on the information provided in this handbook.

© Commonwealth of Australia 2006
ISBN 0 642 74338

This work is copyright. Apart from any use as permitted under the Copyright Act 1968, no part may be reproduced by any process without prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Attorney General's Department, Robert Garran Offices, National Circuit, Barton ACT 2600 or posted at: <http://www.ag.gov.au/cca>

Your financial health check

Do you ever find yourself saying:

- Where does all my money go?
- How can I get my credit card under control?
- What's the best way to build up some savings?
- How much superannuation will I need to retire?
- How much money do I need to start investing?

If you've said 'yes' to any of these, then you're like many other Australians. This handbook will help you with your money and give you some simple tips on how to make your money work harder for you.



Australian Government

Authorised by the Australian Government, Capital Hill, Canberra, ACT.

Written by The Hon Gary Nairn MP, Special Minister of State.

Printed by CanPrint Communications Pty Ltd, 16 Nyrang Street, Fyshwick ACT 2609.