



The Australian Finance Podcast Episode Transcript

Episode: Setting your financial goals for 2022

Release Date: 10/12/2021

Speakers: Kate Campbell & Owen Rask

Duration: 21:30

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Episode transcript:

Owen:

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Owen:

Kate Campbell, welcome to this episode of The Australian Finance Podcast.

Kate:

Good to be back for one of our final episodes of 2021.

Owen:

Wow. What a year it has been.

Kate:

It has been.

Owen:

Full of ups, more ups and further ups. It was a hell of a year. So Kate, today we're talking about setting your financial goals for the new year, being 2022. These are always a bit of fun. We get to, I guess, prognosticate, look out into the future and say, "What do we want to do?" But we also get a chance to reflect. So let's talk about the year that's been. Let's reflect on it. How's the year been for you?

Kate:

Yeah, I think it's been quite good in terms of financial goals. I've learned a lot. It has been a big year of personal development. I've managed to stick to most of the goals I set myself at the start of 2021. I had to do sort of a midyear adjustment, which is part of what I'll suggest to everyone today is actually scheduling that in to go through and go, "Hey, what's working? What's not working? What do I want to change?? I think it's a really important thing to do, setting goals, and you can do that at any time. You can just decide, "I'm going to start running tomorrow." We're trying to this year, but I think there's something quite cathartic about spending a few days near the end, in December, 2021, actually thinking, "What do I want to achieve my finances with my finances, my financial knowledge, with the way I invest? What do I want to do in 2022?"

Kate:

And actually dedicate some time to it because it can be quite a significant amount of money if you're thinking about changing your super or investing for the first time that you actually want to spend more than an hour or so on it.

Owen:

Okay. So you've got some prompts here for people and you'll be able to access all of this if you go into the show notes, just follow the links. So you've got some steps here that people can follow to kind of reflect and also to set, I guess, expectations for the future. So these are really interesting prompts, I would say. So we've got six sentences about my finances in 2021. "The wisest this decision I made ..." That's a really interesting one.

Kate:

Yeah. These aren't my question. I just changed the title, but they're from a company ... not even a company, it's just a group of people overseas called YearCompass that create this document on reflecting on your finances, not even your finances, your life, each year. So I'll link that in the show notes, but they're a great organisation and I just thought these reflection questions are really good if you need some sort of starting point and to think about how you managed your money this year and what you'd learnt. I know so many of our communities started investing for the first time this year. So even thinking about the wisest decision you made, it could have been setting your emergency

fund and saving up, or it could have been making your very first investment or paying off some debt, but just reflecting on these things is really important.

Owen:

So I'm going to ask you one of these questions. Rather than go through them all, I'll just ask you my favourite one. The biggest thing that you completed in 2021,

Kate:

I don't know. Another six units of my law course.

Owen:

Yeah. Right. Okay.

Kate:

That was a big challenge.

Owen:

Yeah. What about if we talk about for ... This would be a bit of fun. If I ask you the biggest risk you took with your finances.

Kate:

Oh. I invested in some pretty high risk, small caps that Owen had put in his programme. So some of them worked out really well.

Owen:

Yeah. Some of them did. Maybe some of them didn't. No, but for the most part, I hope they did.

Kate:

I mean, that's probably more high risk. I didn't make too many wholesale changes to the way I invest this year. I kind of continued a setup that I was pretty comfortable from last year. Obviously didn't really have to save for travel or anything. I didn't have any big savings goals, but what about you?

Owen:

The biggest risk I took with my money ...

Kate:

I mean, the house was last year, but you did sink a lot of money into it this year.

Owen:

Yeah. So we put a lot of money into it this year. There's another prompt here, which is actually in the next section, which is what was I not able to accomplish. I read that in the lead up to this show today and I think that's for both my partner and I. I think the big thing is that we weren't able to invest as much and the reason that we weren't able to invest as much is because we were putting it all into the house.

Kate:

You wanted a nice deck. You wanted to landscape. You needed to paint the rooms because they were multicoloured.

Owen:

Yeah. They were all different colours. This is not pastels. They're not nice colours, by the way. They were purple, bright blue, fluro yellow. It was all going on.

Kate:

It could have been a bit of fun as a party house.

Owen:

Yeah. Yeah. It's just you're a party in every room, basically. One for every occasion. Yeah, so that was probably my big reflection from this, is was not able to invest as much and we like to invest regularly. Right? It's just something that we do and every month you just put some money away, whether it's 500 bucks, whether it's \$1,000, \$2,000, whatever you can, put money away because the reality is Kate, you and I were involved in investing in finance generally, but I speak with the analyst team every day, we get to talk about all these interesting companies, and then if you don't invest in them, it's just that you like to test it out and you want to put your money behind it and you want to see what you've researched and the company that you think is going to hold great things for it in the ... or that it holds great potential and achieve great things in the future.

Owen:

You want to put money behind that because you want to see it play out. So yeah, that's a big thing I guess. What am I most grateful for, which is another question on this list. I would just say throughout lockdowns, all of us were able to keep working to try and keep connected through technology at Rask, but there are many people that weren't. So I think it's important to be grateful for those types of things. If you are listening to this right now, what are you grateful for from the year that's been? I think that's pretty powerful.

Kate:

Yeah. There's about 12 questions, so I'll put them in the show notes and I'd really encourage you to spend a couple hours, get a nice cup of coffee, curl up on the couch and just go through these questions. It's a really good way to reflect on your finances over the year and even doing this before you start setting your goals for next year I think is really important because if you don't reflect on where you've been in the last year, it's really hard to work out where you want to go next year and what changes you want to make and how you want to improve your decision-making process or things like that.

Kate:

Before we talk a bit more about setting goals, another thing I wanted to discuss is thinking about what you can control next year, because there's a lot of parts of finance and our lives over the last few years that we've worked out we can't actually control, we can't do anything about, and it becomes hard if your goals are anchored to any of those things you can't control. So I think it's important when you're setting your goals to make sure there are things that you can actually control yourself. You can control maybe saving \$200 a month, but you can't control getting a 10% return on your investments. So thinking about how can you set goals in a way that you can actually work towards them in a way that you can actually achieve, you might have to adjust them. Maybe you can't save as much this month, but you can really control how you work towards it rather than basing it on something that's really outside of your control.

Owen:

So a lot of people have net worth calculators and spreadsheets and that. You can't control that necessarily, at least not after a while, because eventually it becomes more about how much you are earning in returns than how much you're saving. So you can control how much you save, but you can't control how much you earn from your investments. So that's a really good point.

Kate:

I think net worth goals are definitely not the best way to do it. I'd rather go, "I want to invest \$1,000 every month over the year."

Owen:

I agree because it creates great habits for you too. The shorter those feedback loops, the more, I guess, instilled in your kind of routine they're going to be. So have you sorted out your safety net/emergency fund for 2022? I think that's a good thing to ask.

Kate:

Even if you are thinking about setting your financial goals now, if you are thinking about what they could be, an important one is getting your emergency funds sorted. If you

haven't already, that three to six months of basic living expenses put aside in a dedicated savings account to help you whenever something comes up and as we've seen in the last two years, things can happen and change at any moment, borders can close. So having that, if for some reason you need to get out of a bad situation, you lose your job, you have to fly to see a sick family member, having that money set aside is a really important move in your financial journey

Owen:

For sure. It's the cushion, right? So we've seen that with COVID. We've seen that with basically everything that kind of happens to people. The safety net is a bit of money. That means that if someone's sick, if you get sick, that's not something that's on your mind and it just helps you live a more fulfilled and present life, I guess. So the safety net can ... yeah, we've talked about a heaps times, but it's got to be a priority if you don't have that there. Speaking of, though, Kate, there are a lot of things that people would be doing right about now and one of those things is sitting down and thinking, "What do I want to achieve next year? What do I want to achieve the year after?" and so on and so forth? Where am I at with my longer term goals? How would you go about breaking that up?

Kate:

Yeah. So I like to gather my financial goals and life goals really into three separate categories, which would be that short term, things happening in the next 12 months. So maybe in the middle of next year, you want to attempt to leave Australia and go to Thailand for a vacay.

Owen:

Wouldn't that'd be nice?

Kate:

I've seen them advertising, so I don't know if you can even book, but by possibly.

Owen:

Just do it.

Kate:

So something that's happening in the next 12 months. So that's going to be a lot more short term. You're not going to be investing. You're going to be creating a savings plan and maybe a special account to work towards that goal. Then I would group things into that middle, intermediate, maybe up to five years, depending on how you view intermediate, depending on how you view the future, and then long term would be more

that 10 year plus, even long term might be that house deposit or building your superannuation for retirement or your financial independence goals. I put investing usually into that long term bucket.

Owen:

So in the short term, you might have saving up for a short holiday or short trip. In the medium term, it might be getting a new car or I don't know, doing a modest renovation if you have a house or whatever. Longer term, it might be buying a house, it might be travelling extensively overseas, it might be topping up super, investment property, something like that.

Kate:

Yeah. So actually go through, when you have some time, write down all the things you could possibly want to work towards that involve your finances in some aspect. I'd really encourage you to put some learning financial education kind of goals in there, whether it's understand how to invest in shares or get to know my super more. Write all of this down, do a massive brainstorming session and then try and categorise them into these three areas. Then if you can, maybe order them in priority of what's most important to you, because I sometimes see the challenge with you're trying to save up for 10 different things at once, you end up really making no progress towards any of them. So it is good to figure out in each of these short, medium, long term categories, what is the priority right now?

Kate:

Is the holiday more important than the car right now? Is the superannuation more important than the house? Depending on where you are in life and it's going to be really different for everybody, and that's why you actually need to spend some time thinking about this yourself or with your partner or whoever you are planning your finances with to actually go through, work out your priorities and what you really want to focus on over the next 12 months.

Owen:

Cool. So you'd be writing these things down, you'd be keeping a record of them.

Kate:

If you're techy, maybe use a Google Doc. I like to do a big sort of old school brainstorm on a big piece of A3 paper or a whiteboard and then really start to work out. I would be doing this process over a couple of weeks and slowly ... because you don't think of everything you want to do at once. So slowly sort of working out this and then you go on using this once you've worked out what your priorities are actually starting to create your

goals and an action plan. Because if you don't have any plan to achieve them, they're not going to happen.

Owen:

Yeah, and that's the thing, right? Well, I think people that go to the effort that spend time doing it over a couple weeks would actually put it in place, but having things that keep you on track is really important too. I know you've got in the notes here that automate, automate, automate is super important, but once you set that plan ... I'm the type of person that if ... religiously, I'd have a calendar reminder set every month and have a list of instructions for that goal to be achieved. So every day on the first day of every month, I'd get this notification say, "Transfer ..." at the time I was transferring \$2,000 into a separate account. Then it was saying like, "How are you going with this goal? How are you going with this goal?"

Owen:

It didn't always work in terms of grabbing my attention, but for the most part it did and actually this is like five or seven years on and it's still sending the reminder to me. I've failed to turn it off, but that's an example of how you can use technology to help you kind of push you in the right direction to achieving your goals.

Kate:

Yeah. Even at the start of this year when I worked out what my short term goals were, I wanted to save up some money for Christmas. I wanted to put money in my effective giving account each month, I wanted to save up for a family member's 60th and a few other things like this. I was able to go into my Up Bank account, not sponsored, but just they're great, and I was able to create all of these separate savings accounts. They let you use emojis, which is always nice, and then actually set exactly how much, when my paycheck hits each month, how much we'll go into each of these accounts. So these goals were all achieved over a 12 month period without me having to think about them.

Kate:

So when it came to starting to buy Christmas presents, the money I wanted saved up for Christmas presents 12 months ago is just magically in that account. So you might have to adjust that if like your work arrangements change, but these are ways you can automate the goals so you don't even have to think about them and they happen in the backend.

Owen:

How do you keep yourself accountable then?

Kate:

Well, it just happened.

Owen:

Yeah?

Kate:

I made sure it fit within my overall budget and then the money just automatically transferred into these savings accounts each month. Another thing that worked really well, if you're a bit old school and want a piece of paper, I got an A4 piece of paper and I kind of wrote out all of the things that I was transferring money to on a monthly basis and putting money into my investments on a quarterly basis. I wrote little squares into each one and so each month or each quarter when the money moved automatically or I moved it manually, I'd colour in one of the squares. So I've got that in my office and it was a good ... even just yesterday, I was shading off a few ones for November. So it was quite good to see that happen over the year and one or two didn't happen and that's okay.

Kate:

Life happens and you've got to be adaptable to changing goals, and over the 12 months you might change the way you want to invest or allocate your money or what you want to save for. But I think it's good having something visual, whether it's printing them out and putting them on the back of the toilet door or sticking them up in your study, some reminder every day. Because maybe to reach your goals, you have to actually cut back a little bit on your spending in your budget to actually afford that trip in 12 months time. So having that reminder every day, some people even like having the vision boards of pictures of Thailand or something like that, but reminding you-

Owen:

On the back of the toilet door?

Kate:

Yeah. You can do that.

Owen:

You could do it. Yeah? Okay. I like it.

Kate:

I don't personally do that, but if you want to spend some time in there, you can.

Owen:

Or you can visualise.

Kate:

Yeah, but it's just that reminder every day of what you're working towards and why you aren't buying X, Y, Z, because you've got this end goal in mind.

Owen:

Yeah. I like it. So this is the perfect time of year to do these types of things. You're going to have some time maybe after Christmas or during Christmas, you're going to have some time to do these things. While we know that there's all the research that some goals don't work, what Kate's talking about here is trying to forge good habits. The only reason that you now can look back on your year and say I achieved all my goals is because you set them in the first place and you made it clear about what you're trying to do. So if we look forward to the new year, how can you in 12 months time look back on the year that's been and say to yourself that worked, that didn't, I'm going to get better at this and that. So we've talked about reflecting on the year that's been, Kate's got some fantastic prompts here to get you started.

Owen:

What can you keep in your control? We've talked about how maybe being X percent richer is probably not the right approach. Maybe saving a certain amount is a good way to go. If you're starting out, get your emergency fund sorted, dividing your priorities up into different categories, having short, intermediate, and longer term goals. Creating that action plan and actually having something to put in place, automating it as much as possible, even if that's reminders or, as Kate said, using something like Up or a bank account that automatically does it all for you. That is so good. From the beginning of the podcast many years ago, we talked about automating investing, talked about automating finances.

Kate:

Yeah, and there's more tools ... since we spoke about it in the start of 2019, there's even more tools available now to help you do that.

Owen:

Wow. 2019. That's seems like such a long time ago.

Kate:

Yeah. It's been three years of the podcast. We're nearly up to our anniversary.

Owen:

Wow. What are we going to do for it? We have to have a big party. Maybe we'll have an event. Would that be fun?

Kate:

Hopefully next year.

Owen:

Would you come? Would you come to the event? I'm sure you will.

Kate:

I might come.

Owen:

Yeah? Okay. Hopefully we can get more than just us two there.

Kate:

Yeah, that might be a bit sad.

Owen:

Yeah, but still fun. But still fun.

Kate:

The final one I wanted to mention before we wrapped up today's episode was getting accountable for your success.

Owen:

Oh, yes. Of course.

Kate:

Whether that's finding someone in your life that you can talk with about your goals. If it's not your partner or your parents or your siblings, maybe it's a colleague or a friend that wants to go on a similar journey with you and share progress. Talk about those stupid questions that you're coming up with in your brain together. Just a place where you're comfortable to share when you've reached your financial goals or when they haven't gone so well and get you back on track and think about other strategies to get to them. So I recommend having someone in your life, even if it's someone online to talk to about this. It makes it so much easier, especially if you are having to sacrifice something, someone reminding you why you're doing it and why it's worth it. Also, putting a calendar reminder in, as you do, Owen, on a monthly basis to just have a little half an

hour check in. Am I on track with my goals? Do I need to reduce them? Or am I smashing them and I could actually increase them?

Owen:

When you have your life admin day, put it on that day.

Kate:

I think it's good for everyone to have a life admin day or at least a half morning and also half morning to your professional development and learning each month. As we've said before, if you want to learn about investing in shares and ETFs and all sorts of things, you really need to put time aside for it in your calendar. If you don't block it out, it won't happen.

Owen:

It's easier than ever now, so that's a great point. Get accountable for success and also own your success. When you do it, give yourself a fist pump, celebrate.

Kate:

Share it in our Facebook community as well. We'd love to hear from you about what you've achieved. Even if you've got some reflections to share over what you've achieved during 2021, there's always things that people can learn from other people's goals and everyone would like to cheer you on. So definitely share them in the group as well.

Owen:

For sure. Great. Kate, this is a wonderful episode. Thanks for joining me.

Kate:

Wonderful. Looking forward to hearing about everyone's financial goals for 2022.

Kate:

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Owen:

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