

# Keeping in Touch

February 2019

## Smart ways to financially get ahead in your 40s

In your 40s and still not financially secure? Don't fret. You can still catch up.

Being in your 40s often involves balancing different priorities. For example, you may need to care for your ageing parents, grow your career or business, and if you're a parent, support your children.

With all these responsibilities, it's easy to neglect your own financial wellbeing, including building your long-term savings. But it's not too late to try secure your future. Here are some tips to help you financially make the most of your 40s.

### **Make a plan**

If you don't have a financial plan, it's time to get one. A financial plan may help you stay on track by identifying your long-term goals and the steps you could take to reach them. Ensure that it's based on your specific needs and priorities – and is realistic. By working with a professional adviser, you may be able to tailor a plan that optimises your ability to invest and save for the important things.

### **Grow your savings**

Your 40s can be your peak earning years. Data from the Australian Bureau of Statistics shows that in 2016, employees aged 45 to 54 earned \$1,479.90 in average weekly total cash earnings, the highest of all age groups.<sup>1</sup>

This may be a good decade then to ramp up your savings and funnel some of your income into your superannuation through salary sacrifice, for instance. But be sure to do your homework and speak with a financial adviser to find out what your options are.

### **Give your super a health check**

Speaking of super, do you know how your account is doing?

A quick super health check may help you increase your retirement savings. For example, by choosing a different investment option or type of risk, you may be able to earn better returns on your super. If you have multiple super funds, consolidating your accounts may mean you could save on fees.

Super can be a difficult subject to get your head around. So it is recommended you consult a professional financial adviser about how you could bolster your super.

### **Avoid lifestyle creep**

People generally have a tendency to inflate their standard of living as they earn more and can afford more things like a better house or car, or more holidays.

While it's only natural to want the finer things in life, it's wise not to get caught in a cycle of upgrading your lifestyle. You'll likely end up with little to no financial gain if your spending rises as quickly as your income. Stick to the plan you've developed with your financial adviser and stay focused on your financial goals.

### **Consider investing more**

Your 40s may be a good time to invest more – or diversify your existing investments – to help you grow your long-term savings and try stay ahead of inflation. Although leaving your money in a fixed-income vehicle may reduce your risk of losing money, inflation might erode the value of your capital.

If you decide to invest more, or more aggressively, keep in mind that it's important to choose instruments that suit your risk appetite and time horizon. Developing a strategy with your financial adviser might make it easier to achieve the return required to reach your financial goals.

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Your 40s can be a juggling act of different priorities, but they could also be a great opportunity to set up new, healthy financial habits. By putting these into practice, balancing your financial responsibilities may be that little less difficult.

## **Seek advice**

Getting professional financial advice may help you optimise your windfall. Your adviser can review your finances and work with you on a financial plan based on your needs and priorities, to help you achieve your goals.

<sup>1</sup> Australian Bureau of Statistics, May 2016, 'Employee Earnings and Hours'. Accessible at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6306.0>.

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