

Financial IQ

Building your future wealth is a two-pronged affair. It's about being financially literate and taking action to change bad spending habits.

Older generations, it seems, grew up appreciating the value of money. That's possibly because there wasn't much of it around when they were younger. And there wasn't much to spend it on if you had it.

If you have some degree of financial security today it's more than likely you worked hard and saved hard. Having saved the money, you've gone on to use some sound investment strategies to help you get there.

Easy money

Money has arguably come easier to Generations X and Y than any other generation before them. The common perception of these younger generations is that they characteristically have a 'spend now, worry about it later' attitude. Many may be lucky enough to get financial support from their parents when they need it.

As a result, many 'youngsters' may not have learnt how to manage money or the importance of setting a goal and saving for it.

To make matters worse, living in constant debt has, for some people, become the norm. You can apply for credit online and then shop to your heart's content. You can even pay a taxi fare, buy a can of drink or a get a movie ticket using your mobile phone.

But spending without considering how much it's going to cost to pay it back could set you up for a lifetime of debt instead of looking forward to a comfortable retirement.

It's important to start early

For some members of the younger generations, before they can consider investing for the future, they may need to get back to basics and learn how to better manage money.

Developing financial understanding at an early age is vital. Setting goals and then budgeting and investing to help reach those goals is the most important lesson you can learn in terms of building your wealth and enjoying a certain degree of financial success. And it's never too late to start!

Get serious about saving

Take action! Take a good hard look at your spending habits. Are you buying the things that you need or are you an impulsive buyer? Is your wardrobe full of clothes you never wear or your room full of gadgets that you've grown tired of?

Try spending money on only the things you really need for a couple of months and look at the difference it makes.

Read all about it

The Australian Government Financial Literacy Foundation report entitled *Australians Understanding Money* makes for fascinating reading. It summarises the findings of a survey on how Australians manage their money, what they think about money, and attitudes and behaviour towards money.

The research shows that a lot of people think money is 'boring' or isn't important to be happy in life. It also shows people put off doing something about it because they think it's just too hard.

The research gives a good idea about what you could consider doing to manage your money better, and what might be stopping you from taking the few simple steps that can make such a big difference.

Read the full report and get other tips on how to better manage your money at www.understandingmoney.gov.au.

Get advice from a professional

If you're really serious about building your financial security for the future, advice from a professional is always best. So talk to your financial adviser.