



CHAPTER 1

IS THIS YOU?

Do you remember thinking that money grew on trees when you were a kid? If you wanted some lollies, a toy or to go to a movie with your friends, all you had to do was ask your parents to give you some money and you could usually have it. There was no real connection that money was the result of hard work; rather we simply picked fruit from this magical tree whenever we got the urge. It wasn't until we got our first job – and actually had to trade our own time for money – that we fully realised, as we had to with Santa Claus and the tooth fairy, that the money tree didn't really exist after all – it was just a fairy tale.

If we're totally honest with ourselves, we think we'd admit that the moment we realised money didn't grow on trees we lost the feeling of financial peace and the innocence that comes with believing this myth. It's unsettling to know that for us to survive and thrive we not only need to know how to acquire money for ourselves in the first place, but we also need to know how to keep it!

We all essentially yearn to get our financial peace back; some fear they will never get control over their money but for the majority of us it is possible to get it back!

We do in fact have access to a money tree of sorts, but it's one that we plant ourselves by working nine to five, being self-employed, setting up a business or investing in assets like property or shares. But unlike the mythical tree in our parents' back yard, there are good *and* bad apples. If left unchecked, the bad apples will steal our money and ultimately our financial peace because for far too many of us, the bad apples outnumber the good ones!

We're all at different stages in our money story. Some of you have picked this book up because you're 'okay' money managers; you seem to be making ends meet but deep down you want to know there is a better way to manage your money. Others may find yourselves in a place that resembles anything BUT financial peace. You may be spending more than you earn, have mounting credit card debt, personal loans and/or other consumer product related debt that you can't get on top of and you're in a spiral that you can't control. Of course, there are some of you who consider yourself elite money managers who just want to see if there are any new tricks you haven't thought of.

Whichever scenario describes you best, you've picked up the right book because the process you're going to read about will provide you with a roadmap to financial peace – irrespective of where you are right now. This lack of discrimination about what starting block you're on is what makes our system unique.

Take the test

Okay, any change starts with an awareness of where you're at right now. So, with that in mind, do any of the following behaviours or attitudes sound like you?

- I have no idea what a good money management system looks like.
- I find money management stressful.
- I have too much month left at the end of the money.

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- I'm not on top of my debts.
- I don't have my money working as hard as I would like.
- I have no idea where all my money goes.
- I easily fall into bad habits.
- I have no confidence in my ability to manage my money.
- Every budget I have started has gone out the window.
- Every time I think I'm getting ahead, some unplanned event makes me take two steps back.
- My current system is complex and time-consuming.
- I lack self-control with my money.
- I want to go from being a money novice to money expert.

If you ticked one (or more) of the boxes, then the good news is that once you've read this book you'll realise that instead of feeling as if you need to scale a massive mountain to conquer your money management, you're actually sitting at the top of the mountain! All you need to do is release the handbrake, embrace the momentum and get out of your own way, because once you set up the system, *money will become simple again.*



Back in the good old days

Money was much simpler B.C. – *Before Credit Cards!* The introduction of credit cards in the mid-1970s was initially thought of as a great convenience. Typically, people only paid for items with their credit card if they already had the money to buy them. However, today this is definitely not the case. ASIC recently reported we now have \$45 billion worth of outstanding credit card debt in Australia and for some getting out of this debt cycle is almost impossible as they cannot seem to stop spending more than they earn. For many it has become alarmingly normal to have an outstanding credit card bill at the end of the month.

Add to the big black credit card hole of debt, the HECS debt that many of us have racked up from our tertiary studies, and the huge mortgages we have had to take out to afford our first homes.

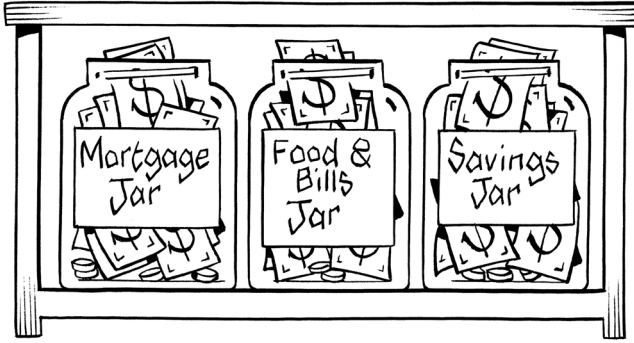
In our grandparents' day, tertiary education was free and most families could manage on one wage and still pay off their mortgage.

So, admittedly, things are different now to 'back in the day'. But we can still learn from the good old days.

Our grandparents didn't have to worry about saying 'No' to the apples of temptation because they had a rules-based system for managing money. Effectively, it was the 'flour jars' system. Back in those days, many homes had a number of money jars – often recycled from their primary use as holders of flour and sugar – and when the Dad (back then there was generally only one income per household and the husband went out to work) would get paid, a portion of the pay packet would be placed in the jar for the mortgage, another portion would be in the jar for food and bills, and whatever was left over would end up in the savings jar.

(It's hard to imagine, but it's a fairly recent phenomenon that our wages arrive like clockwork into our bank account on a regular basis. Even back in our own early days of work, we can both recall receiving our pay in notes and coins in a paper envelope. We'd go

about spending it first and on the off chance there was any money left over, it might find its way into a bank. Yes we're showing our ages!)



The flour jars system was a very rudimentary system, but on the whole it worked because once the jars were empty there was no more money. You couldn't just rack up expenses on a credit card because (a) they weren't available back then and (b) it was unimaginable to spend money that was not your own! Plus, that savings jar was strictly off-limits to pay for anything except for the goal for which the money in the jar was intended. The kids would have to get past their mum, and the husband past his wife, to get their paws on it. Good luck with that!

But progress is a good thing – right?

Fast-forward 50 years and most people would argue that we have evolved well past the need for the flour jars system and the way that we transact in the 21st century is convenient, practical and more in keeping with the pace of our modern world. Online banking and plastic money now mean that we no longer have to rush off to the bank before it closes to pay our bills, or transfer physical cash in a transaction and we don't have to worry about losing our note-filled wallets as it is all taken care of electronically. We have evolved past the needs of the previous generations, haven't we?

Or have we?

We would argue that this supposed progress hides a much darker side. Think of it this way. The Bosphorus Strait is a narrow, natural and an internationally significant waterway located in north-western Turkey. This body of water separates the part of Turkey that is in Asia from the European section of Turkey. On the surface of the Bosphorus, the current usually flows from the Black Sea towards the Mediterranean Sea. However, at a certain depth, the current flows in the exact opposite direction back towards the Black Sea. The direction you head in will depend upon how deep you are. Get in too deep and you may find yourself heading in the wrong direction.

That's exactly how we describe credit card usage. If used correctly, they're a wonderful tool to help you manage your money optimally. But at a certain depth – i.e. when you start spending money you don't have – their value quickly reverses; you may have thought you were heading out to the beautiful Mediterranean Sea, when in reality you're heading to the Black Sea as you enter a debt spiral that can take years to recover from.

You should never forget that credit cards make a *terrific servant* but a *dreadful master*!



Bryce's tip

Can you relate to any of this? At first, I'm sure you enjoyed the convenience offered by your credit card of buying now and paying later. It was essentially an upgrade from the previous 'lay-by' system for purchasing what you wanted. You would incur the expense, pay the balance on the due date and wouldn't be charged any interest.

You initially set out to get a credit card to pay the bills and take advantage of the interest-free period, but the banks were preparing to play the long game here. They were the wolf dressed up in sheep's clothing.

But then you received a letter from the bank that said that you have been one of the 'chosen few' who, because of your great track record of paying your outstanding balance by the due date, has 'qualified' for an extension of credit! All you needed to do was sign the letter, return it to the bank and within a day of receipt you would miraculously have access to extra money. There was no loan application, no forwarding of pay slips, no further action required. So you took up their kind offer. You initially told yourself that you'd only use these extra funds in an emergency.

However, over time, your defences came down, you became immune to the discomfort of having access to money that wasn't yours and at some point you eventually shifted from seeing it as the bank's money to now being your money. This mental shift is gradual in the way it creeps up on you, but it can be devastating to your financial peace if you let it happen. The banks know how to play the game. If they were to offer you an extra \$10,000 in one hit then you would flat out reject it. But if they offer \$2,000 this month, another \$2,000 two months later and eventually over time offer you the \$10,000 in smaller increments, then you'd probably take them up on it. The banks have been conditioning us and enjoying the best of economic times for the last 25 years!

So, did you eventually succumb and accept the credit limit increase? Did you spontaneously buy the latest consumer items because – let's be honest – if you didn't you would feel like you're being left behind! And it wasn't just the banks playing the game, it was the retailers too! 'Buy now and pay in 24 months' time' – so you did just that. You bought up big and racked up huge credit card and store card debts as a result. And with interest rates so high, it is very difficult to recover from this.

Why are we focusing so much on the credit card? Well, credit card use is usually the start of people losing control of their money management. Embracing their use marks the point where we abandon the well-worn path our grandparents trod and enter a new more challenging era of money management. The flour jars were so simple, you never lost control. Unfortunately, the modern money system means that being out of control is now the norm.

Of course, credit cards are not always the whole problem, but they usually play a part in the problem, because they offer you access to money that you don't have. That's right, it's not your money. One day you have to pay it back – and with interest!

You could argue that your money problems started with a certain event, maybe when your relationship broke up and you found yourself paying for two households and child support. Admittedly, the event may have caused the financial cracks, but you probably didn't stop to address the additional financial pressure you were under and reached for the credit card to pay the extra bills instead.

You can rewrite this story in any number of ways: you lost your job, you (or a loved one) got sick and you were faced with additional medical bills, your car broke down and you had to buy a new one to get to work. Or the worst story of all, you had no excuse, you just like buying things! In any or all of these situations, did you fall for extra credit as in Bryce's earlier tip? Is this you? Or does this sound like someone you know?

So many people are in the exact same boat – but you would never know from the surface. Over the years, we've helped a lot of people who have been ashamed and felt guilty as they revealed how much credit card debt they'd actually got into. But most of their friends and family wouldn't know. They probably think they are doing well as they always seem to have the latest TVs, clothes and cars and give the appearance that everything is going great.

If any of this is sounding familiar, congratulations on recognising either someone you know or even yourself in this first chapter. All of us need to face up to the fact that we need to take responsibility for our debts and we certainly need money to be made simple again. Keep reading and we'll show you how this can happen.



**In the next chapter,
we will cover how we got
so far off track.**