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The benefits of practising money mindfulness

Mindfulness isn't often a word associated with money, but being mindful is a skill and practice that holds many benefits when it comes to managing your finances in a more clear, intentional and purposeful way.

The benefits of practising money mindfulness

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A mindful money practice requires you to pay full attention to your money on a moment-by-moment basis. In other words, it's about being present and aware of what you are thinking, feeling and doing with your money.

The mindfulness process begins with observing your inner experience with money: your thoughts and feelings about it.

What you're thinking

Creating a vision for your money and setting goals for the future is an important part of money management.

Mindfulness encourages you to stay present and focused on your actions towards these bigger visions, keep on track towards your goals, and make necessary adjustments along the way.

It also requires you to become clear on what your money beliefs are, the expectations you have of yourself and others with money, how you define success and ultimately what wealth means to you personally. It helps you to:

- Clarify what you are aiming for, and what it's going to take for you to get there.
- Define how much is enough and what are you grateful for.

Being aware of all of these things helps you to better understand the role of money in your life and how you can begin to use it in ways that best support you.

What you're feeling

Your emotions are influential when it comes to money. Fear, greed, shame, anxiety, jealousy, loneliness, excitement are all emotions that can influence your money decisions and drive good and bad habits when it comes to your finances.

To practise mindfulness with your money requires you to take notice of these emotions, sensations and urges as they are occurring. It's as simple as stopping to reflect each time you receive, spend or use money and checking to see how you are feeling.

It's in this pause that you can often discover just how much these feelings and emotions are impacting your decisions and behaviour, and ultimately your wealth!

What you're doing

Your habits, actions and behaviours with money will predict your experience and reality with it. If you spend without thinking, leave bills unopened, ignore your bank or credit card statements, delay saving, or procrastinate managing your finances then your money is more likely to control you and cause stress.

Adopting a mindfulness practice is about bringing awareness to these habits and behaviours and choosing to continue those actions that support (rather than detract) from your future wealth.

Aligning thoughts, feelings and actions

One of the simplest ways to introduce mindfulness and awareness to your money practice is to focus on your breath. This simple act of taking a moment to pause can have a dramatic impact on your money!

How? It creates a moment of pause and awareness – and, a chance for your emotional brain to catch up with your thinking brain or logic. It's in this pause that you have the power to respond (rather than react) with more control and awareness.

Over time, as you practise mindfulness, it becomes second nature. Bringing your attention to the way you earn money, spend money and use money in your day to day life is one of the simplest ways to start creating a more conscious and healthy relationship with it.

Ageing and health status in retirement: The three chapters

Australians, and people around the globe, are living longer than ever before due to an increased awareness and understanding of the factors that influence our life span, such as genetics, health care, workplace health and wellness, hygiene, diet and nutrition, exercise, and lifestyle.

According to the latest statistics available from the Australian Bureau of Statistics*, a 65 year old Australian could on average expect to live until age 84.6 (male) or age 87.3 (female). In a retirement context, that's an expected 19.6 years (male) and/or 22.3 years (female) that needs to be appropriately planned for as a single or couple.

However, it's important to note that there are many factors, such as the ones listed above and how they relate specifically to an individual, which could see someone live above (or below) these quoted average life expectancies.

Retirement chapters

For many of us, we often imagine retirement as that chapter in our life when we can finally kick back and enjoy the fruits of our labours, which we worked so hard to accumulate. For example, we plan to make the most of the time and resources that we now have at our disposal by doing and seeing the things that may not have been possible earlier in life for one reason or another (e.g. due to personal and/or work-related constraints).

Importantly, this image of retirement is really only half (or in fact a third) of the overall picture of the retirement 'lifecycle'. When it comes to ageing and health status in retirement, retirees will often experience three chapters as they progress through their retirement years:

- The early (active) chapter,
- The middle (passive/sedentary) chapter, and
- The late (frail/support) chapter.

These three chapters follow on from two preceding 'life' chapters, accumulation and transition to retirement (where applicable). Please see the following table for a summary of the three retirement chapters.

Ageing and health status in retirement: The three chapters CONTINUED

Ageing and health status in retirement: The three chapters[#^]

Chapter	Early (active)	Middle (passive/sedentary)	Late (frail/support)
Age	60-75	65-85	75+
Time	Continuation of pre-retirement lifestyle, but work is substituted with more time for leisure activities, travel, and family	A shift towards more passive activities and travel becomes increasingly more localised i.e. closer to home	As restricted mobility starts to become an increasingly limiting factor, leisure activities and travel are further reduced
Work	May undertake some form of part-time work	May undertake some form of unpaid volunteer/charity work	Reduced ability to work in either a part-time or volunteer/charity capacity
Finances	Increased expenditure on leisure activities and travel, but majority still save money	Increased expenditure on health and potentially a shift towards a more frugal lifestyle	Increased expenditure on health and aged care
Housing	Comfortable living in standard dwelling. Consequently, will often stay in existing home (may undertake renovations) or upgrade	Increasingly difficult to maintain existing home and growing need for age-appropriate layout and facilities. As such, a need for 'right-sizing' may emerge, which may result in downsizing or home modifications	Growing need for more complex medical facilities, which may result in movement into a residential aged care facility (retirement village or nursing home)
Care	Self-sufficiency in daily living and care needs	Mind and body begin to slow down. As such, a growing need for assistance with daily living, which may result in low to moderate levels of home care	Mind and body have declined significantly. As such, a growing need for specialised care, which may result in moderate-high levels of home care or movement into a residential aged care facility

As you can see from the table above, these three chapters do overlap in terms of the age ranges.

This is cognisant of the fact that whilst increased age is often a determining factor with regards to a decline in physical and/or mental health, the point in which it does start to occur, and progress, can vary from one person to the next.

Importantly, despite this overlapping, what each chapter does serve to highlight is that:

- There is a distinction between 'life expectancy' and 'healthy life expectancy'. For example, according to the Australian Institute of Health and Welfare[*#], on average, at age 65,
  - Males could expect to live 8.7 years without disability and another 10.4 years with some form of disability, including 3.7 years with severe or profound core activity limitation.
  - Females could expect to live 9.5 years without disability and another 12.5 years with some form of disability, including 5.8 years with severe or profound core activity limitation.
- As a retiree's health does decline, there are implications on a variety of areas, such as time, work, finances, as well as their housing and care needs. This point is briefly highlighted in our article, "Retirement living: How much is enough? (It depends)".

Moving forward

Whilst retirement is something to look forward to (and be enjoyed), it's important to understand that there will come a time in your retirement years when your age will start to get the better of your mental and/or physical health, which will have a range of implications as seen above.

By understanding this, you will have a more informed expectation of what retirement may actually entail for you and be able to appropriately plan for it, especially in several relevant areas of your personal finances. For example:

- **Retirement savings considerations**, such as income and expenditure (e.g. changes in spending habits and retirement lifestyle, as well as senior concessions available) and the risks facing retirees (e.g. longevity and expenditure risk).
- **Aged care considerations**, such as the type, level and cost of aged care services required (e.g. Commonwealth Home Support Programme, Home Care Package and Residential Aged Care) and what to do with the family home (e.g. sell it or keep it and rent it out/not rent it out).
- **Estate planning considerations**, such as a will, powers of attorney, guardianship, advanced care directives, as well as wealth transfer.

Importantly, if you have any questions about what we have discussed in this article, please contact us.

[*]Australian Government, Australian Bureau of Statistics. Life Tables, States, Territories and Australia, 2014-2016. ^Australian Government, Productivity Commission. (2015). Housing Decisions of Older Australians. #Rice Warner. (2014). Investing for different phases of retirement. [*]#Australian Government, Australian Institute of Health and Welfare. (2014). Healthy life expectancy in Australia: patterns and trends 1998 to 2012.

Jargon buster: Share investing edition

Language is an important conduit for the transmission of information from one person to another.

Notably, when we are the receiver, the words that are used, and our understanding of them, can help us to not only derive meaning from what is being said, but also evaluate its relevance to our own personal circumstances and subsequently make appropriate decisions where applicable moving forward.

With this in mind, many industries utilise jargon ('technical words') when disseminating information. The finance industry is no exception in this regard.

For example, you may come across finance-related jargon in the finance section of the news, share market summaries and investor reports. Importantly, we are conscious of this fact, which is why we have put together an article to help you understand some of the commonly used finance-related jargon in the share investing environment.

Share investing jargon busters

Alpha. A measure of the performance of a share against its benchmark, such as a market index (e.g. the All Ordinaries or the S&P/ASX 200). For example, a share with an alpha of 4 means that it performed 4% better than the market index.

Basis point. A unit of measure to describe percentage change, for example, in the value of a share or market index. One basis point is equivalent to 1% of 1% (0.01%).

Bear market. The share market is currently experiencing a downtrend, which is commonly associated with a fall in share prices.

Beta. A measure of the relationship between the price of a share and the movement of the market index. For example, a share with a beta of 2 means that it will move 2 points for every 1 point that the market index moves and vice versa.

Bid. The price at which someone is prepared to buy shares. The opposite to offer.

Blue chip. Large, industry-leading companies with an extensive history of profitability and stability.

Broker. A person that executes buy and sell orders of shares on someone's behalf in exchange for a 'brokerage' fee.

Bull market. The share market is currently experiencing an uptrend, which is commonly associated with a rise in share prices.

Buy back. When a company repurchases existing shares to reduce the number of shares on issue.

Call option. A contract that gives someone the right to buy a share at a particular price within a specific time.

Debt to equity ratio. The extent to which a company is financed by debt, calculated by dividing total debt by shareholder equity, times 100.

Discount. When a share is trading at a price less than its fair value. The opposite to premium.

Jargon buster: Share investing edition

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Dividend. The share of company profits paid to shareholders. Dividend income is typically taxable income to the shareholders.

Dividend reinvestment plan (DRP). An arrangement offered by a company that allows shareholders to reinvest their dividends in additional shares in lieu of receiving the dividends in cash.

Dividend yield. The dividend return from an investment, calculated by dividing the dividend per share by the current share price. This is also referred to as the annual yield.

Earnings yield. The company earnings per share divided by the share price.

Ethical rating. A rating placed upon a company by a research house after their assessment of that company's alignment to things such as environment, social and governance considerations.

Exchange. A market in which different investments, such as shares are able to be issued and traded. For example, the Australian Stock Exchange (ASX).

Fair value. An estimate of the price a share should sell at in an efficient market.

Franked dividend. The amount of dividend paid by a company out of profits on which the company has already paid tax. The shareholder is entitled to an imputation credit, or reduction in the amount of income tax that must be paid, up to the amount of tax already paid by the company.

Initial public offering (IPO). A process whereby a private company raises capital through the sale or offering of its shares for the first time to the public via an exchange, such as the ASX. Following an IPO, a company is 'listed' on the exchange, and its shares can be traded.

Investment market cycle. Often used to explain the trends and patterns that emerge with regards to assets and their movements over time. An investment market cycle consists of four cyclical phases. When overlayed with the share market, these phases can generally be illustrated as follows:

- Recovery/bull run (rising share price).
- Boom/peak (highest share price).
- Downturn/bear run (falling share price).
- Slump/trough (lowest share price).

Liquidity. The ability to quickly and easily convert an asset to cash. Australian shares are a relatively liquid investment, for example, an investor can typically expect to sell shares and receive the proceeds within a number of days.

Margin lending. A gearing arrangement that can be used to borrow to invest into shares.

Market capitalisation. The market value of a company's outstanding shares, calculated by multiplying a company's shares outstanding by the current market price of one share.

Market index. A measure of the movement in value of the market or various sectors of the market. For example:

- The All Ordinaries is a market index containing the top 500 listed companies on the ASX. This market index is considered a total market barometer for the Australian share market.
- The S&P/ASX 200 is a market index containing the top 200 listed companies on the ASX. This market index covers roughly 80% of the total Australian share market capitalisation.

Moving average. A share's average price-per-share during a specific period of time. This is often used to gauge the direction of the current trend of a share's price.

Offer. The price at which someone is prepared to sell shares. The opposite to bid.

Premium. When a share is trading at a price more than its fair value. The opposite to discount.

Price to earnings ratio (P/E ratio). The P/E ratio represents the number of years it will take to recover the price you've paid for the share based on current variables remaining stable, calculated by the price of the share divided by the earnings per share.

Put option. A contract that gives someone the right to sell a share at a particular price within a specific time.

Returns. Shares can provide two forms of return for shareholders, namely, shares can pay income in the form of dividends and/or the price of the share can change in value (capital gain/loss).

Sector. A group of shares that are in the same industry. Shares within the ASX are typically classified according to 11 sectors. For example, consumer discretionary, consumer staples, energy, financials, health care, industrials, information technology, materials, real estate, telecommunication services and utilities. However, others can include, for example, A-REIT and Financial Ex-A-REIT.

Share (or 'equity'). Part-ownership in a company.

Spread. The difference between the bid and offer price of a share.

Takeover. The acquisition of a controlling interest in a company through the purchase of shares.

Trading volume. The number of shares traded during a particular time period.

Volatility. A measure of the amount of fluctuation in price. This can be in relation to the price movements of a share or the share market in general.

If you have any questions regarding this article, please contact us.