THE NEWDAILY

Essential money tips for 40-somethings

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In part three of a series about money during each decade of our lives, we look at how people in their 40s can skip the mid-life crisis, at least when it comes to their bank balances.

With all your extra responsibilities in your 40s, don't forget your wallet. *Photo: Shutterstock*

Paying off the mortgage and keeping a closer eye on retirement funds are the main goals for many people in their 40s.

Like any age group, those in their 40s face an array of spending temptations and dilemmas. Should they buy an investment property or the mid-life crisis vintage car, save for school fees or pay off the mortgage as quickly as possible?

While we can't always get what we want, there are ways to reach important financial goals.

Getting priorities right

Write a list of your goals and set your sights on achieving these in order of importance, says financial planner Chris Browne from Rising Tide Financial Services.

"When you have a young family there is heaps on your plate," he says.

"So we often find ourselves helping clients in this age range make smarter choices concerning their financial priorities, which often means they need to adjust their expectations or compromise on other stuff like the Foxtel subscription."

Save for retirement now

It's time to check the superannuation savings and work out how much more you need to save to retire comfortably. This may require bumping up superannuation contributions or adjusting your expectations of retirement.

The earlier you get started, the better, says Mr Browne.

"Leaving retirement planning too late is a common mistake because as they say, the early bird gets the worm," he says.

"So it is critical that Australians take advantage of compound interest and the favourable tax treatment of super early."

Pay off debt

The cost of living, raising a family and paying off a mortgage is a financial burden for many Australians in this age group, says Brad Callaughan, director of accountants and business advisors Callaughan Partners.

“Everyone in this age group is looking at paying off their mortgage in line with retirement,” he says.

If accelerating the mortgage payments is a priority, take a fresh look at the household budget and work out where you can make some savings.

Invest

Those in the fortunate position of having spare cash to invest can start to research where best to put their hard-earned.

“People at this age are looking at investment ideas and considering they have settled into a career path and have a good job, they start to focus on how to make their money work harder for them,” says Mr Callaughan.

But it comes with a word of warning – resist jumping at the first investment fund that catches your eye, says Mr Callaughan. Ensure you have done your homework and explored many different investment vehicles to make sure you find the one that suits you.

“Creating wealth is all about having the right structure in place from the beginning to achieve your goals,” he says.

Ask a professional

Don’t make the mistake of thinking you know it all. Ignorance can cost even the most astute savers when it comes to finding the right investment and retirement solutions.

Know your goals, educate yourself and seek advice from a professional, Mr Callaughan says.

“Everyone should take the time to do their own research,” he says.

‘You should take advice from a professional, but you need to understand what they are discussing and how they are trying to achieve this for you.”

Those who put off getting professional help are likely to be in a worse position in years to come, says Mr Browne.

“The smart Australians who are leaving the peers behind on the financial scoreboard are getting help early so they don’t need to make dangerous catch-up risks later in their lives,” he says.