

LESSONS LEARNED

Finance expert Helen Baker discusses how the COVID pandemic has changed our relationship with money

Everyone's experience of the COVID-19 crisis will be different. Some have lost jobs or had hours cut, while others have never been busier. Most of us have spent more time at home than ever before.

But there are some money lessons that have been thrust into the spotlight as a result of the pandemic that apply to us all. It provides a great opportunity for us to teach our kids the do's and don'ts of managing money, and how to cope financially in times of hardship.

1 PLAN FOR A RAINY DAY

Who could have foreseen that airlines would be grounded, businesses shuttered, borders closed and all of us confined to our homes?

Although we may not know what form it may take, things can and do change. That could be from a global pandemic, personal health issues, redundancy, business collapse, family breakdown or any number of other possibilities. And we need to have a plan B.

COVID presents a great opportunity to teach kids the value of putting money aside for a rainy day and making it a regular habit.

It can be a lifesaver should disaster strike. Even if you're lucky enough to never need it, you'll still find comfort in knowing it's there.



2 DON'T SPEND MORE THAN YOU EARN, OR BORROW MORE THAN YOU CAN AFFORD

Many of the businesses who have been worst hit financially by COVID had overspent and overborrowed, leaving them burdened with huge debts they couldn't pay off when their incomes dried up. Just look at Virgin Australia as a prime example.

But many Aussie families are in a similar predicament. Household debt is at record levels, with families paying off hefty mortgages, car loans, credit cards, HELP (student loan) debts, store cards and so on. Losing income due to COVID leaves them equally at risk of not being able to pay and forced into bankruptcy.

Financial discipline and budgeting is something we should all be doing all of the time – in good times and in bad. It's living within our means, and adapting our spending habits as our incomes change.

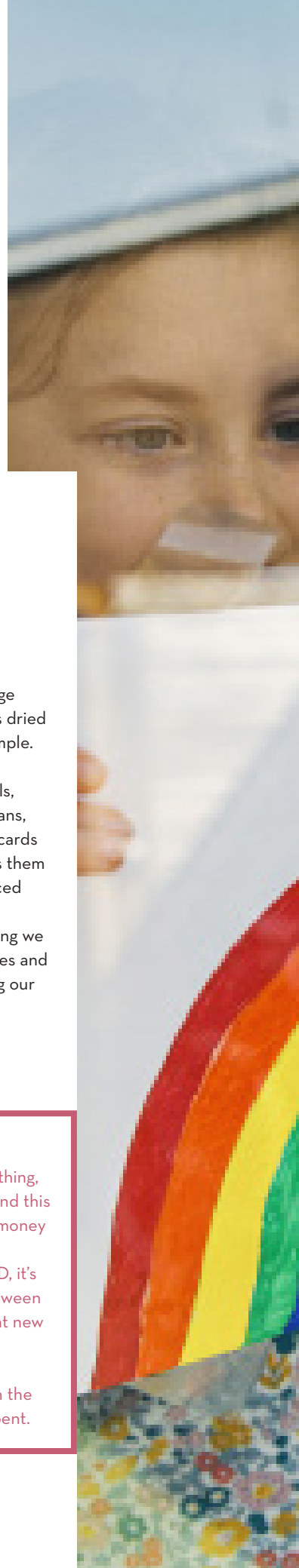
Teaching kids from an early age that money doesn't grow on trees can help them better appreciate its value into adulthood.

3 CASH IS KING

Just because you CAN afford something, doesn't mean you HAVE to buy it. And this is something kids can really struggle with – money tends to burn a hole in their pocket.

Given the uncertainty surrounding COVID, it's a good time to show kids the difference between wants and needs. Sure, you could afford that new TV now, but will you still have a job if we experience waves two, three and four?

Just like a bird in the hand is worth two in the bush, cash can be more valuable if left unspent.



4 BE ADAPTABLE

Increasingly, people are ending their working lives in a different profession than when they started. Things can change quickly and you may end up having more jobs than you expect.

COVID has made this so much more visible: airline staff were temporarily redeployed into call centres and mines; hospitality and tourism workers began packing supermarket shelves; businesses pivoted their operations to make medical supplies and sanitisers instead of what they typically manufacture.

This adaptability is a great thing to demonstrate to kids: that you don't have to do only one thing for the rest of your life. That you can earn money doing different things, and putting your skills to use in different ways. That you can adapt to change, rather than give up and go broke.

5 MONEY ISN'T EVERYTHING

If there's a silver lining from the COVID crisis, it's that we have reconnected with what is most important to us: each other.

Many people have been able to work from home and hence spend much more time with their family. We've found ways to have fun together without leaving the house. We've been more proactive in reaching out to friends and colleagues who are isolated than we otherwise would have.

Spending time with loved ones is more important than earning big money. After all, we work to live, not live to work.

Sadly, it's taken a global pandemic for some of us to realise this. But hopefully it's a lesson that young and old alike take on board for good! ■

Helen Baker is a licensed Australian financial adviser and author of On Your Own Two Feet – Steady Steps to Women's Financial Independence.

NOTE This is general advice only and you should seek advice specific to your circumstances.