Allianz

pre
pare
#01

Future Workout
Deep Dive
#01 Starting Blocks

Intro

Future workout is as much about how confident you feel about your financial situation as how your financial situation looks on paper.

By starting with financial basics, we’ll give you the confidence to manage both the planned and the unplanned. So even if something unexpected turns up, you’ll have the financial know-how to deal with it. And maybe even turn it into a positive.

Why your future workout matters

Whether you like it or not, managing your finances is a day-to-day reality. But – whisper it quietly – once you master the basics, it can really open up your possibilities in life. Perhaps:

- **Short-term dreams** – starting a business, becoming an athlete or becoming debt-free
- **Long-term goals** – saving for a house, education, retirement
- **Looking after others** – family, friends, those in need
- **Staying safe** from financial fraud

Preparing a plan helps you set expectations and stay accountable so that you stay on course to achieve the seemingly impossible. Start small and go big. So whether it’s getting a better handle on your spending, a lifetime goal, or planning for retirement, after taking this course you should be in a better place to secure your financial future.
Let’s start at the beginning.

Prioritize

We'll each have different goals we're trying to achieve. These will change throughout our lives. So your priorities should include future you, as well as what you need today. It is a balancing act between feeling financially safe and supported in the present and financially free in the future.

Must
The things you have to spend eg bills, rent/ mortgage, contracts

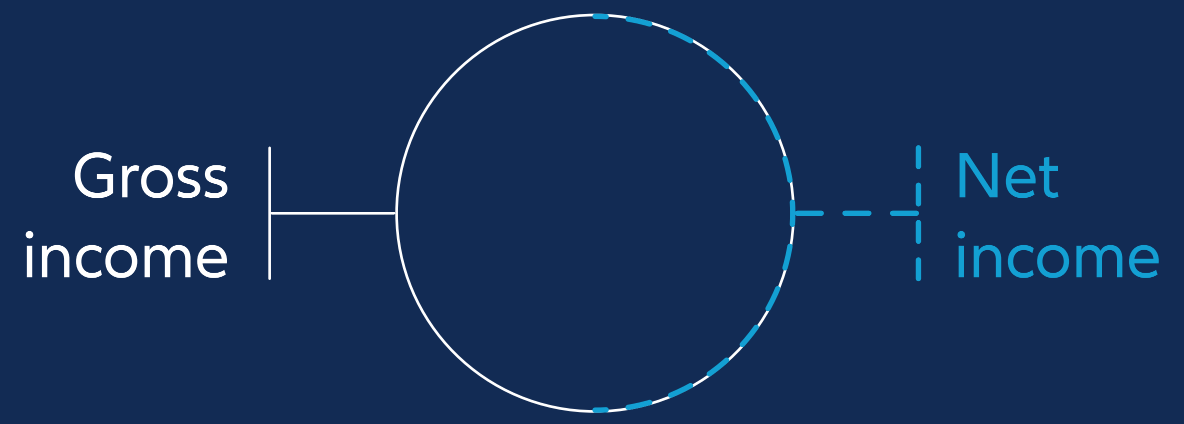
Living
Your day-to-day spending e.g. lunch, socializing, takeaways

Nice to have
The things you want to save for eg a rainy day, car, house, phone, new clothes

Once you've identified your priorities, it's time to get down to numbers.

Budgeting

Start by getting a clear picture of how much you earn – both before and after tax. Any good budget should give you a clear picture of your gross income (before tax) and net income (after tax).



Tips and tricks

- Do it monthly – either in Excel or use a handy mobile app
- Review your bank statement to check what you spend
- Keep receipts, where possible
- Pay bills through direct debits – meaning you don't need to worry about forgetting to pay bills.

Trying to save?

- Have a clear goal in mind. What do you want to save for, how much and by when?
- As you would with any sporting goal, break it down into chunks. Weekly, monthly. See how much you'd need to save and how long it will take.

Help yourself avoid spending too much by setting up a separate (sub) account with a standing order for the date you get paid. This will help you get a clearer idea of what's left each month.

Here are some other important things when it comes to managing your money...

Limit/ Reduce Debt

Sounds simple. Don't spend more than you earn. But most people have to borrow from time to time – and sometimes it's even helpful, for example a mortgage for a house.

Mortgage

Leasing

Minimizing repayments

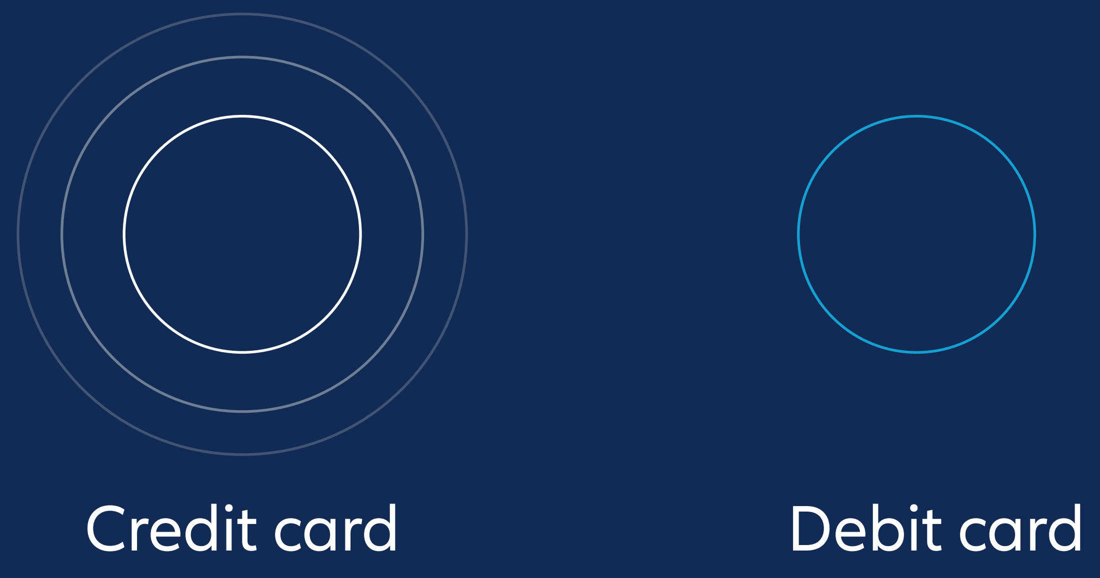
Check other financing options: Leasing (paying in instalments) can also be more economical, for example for a car, a subscription or a house. Also consider refinancing debt as this can free-up income to invest elsewhere.

Only borrow if you can repay

Credit cards can be a blessing and a curse. They can help you get a credit rating (showing lenders you can repay your debts). This can make it easier to get a mortgage for a house, for example.

They may also be needed for emergencies, with the caveat that this may lead to spending beyond your means – buy now, pay later. Sometimes with interest on top, too. Think if you really need a credit card – and if you do, try to pay off your balance each month.

Using your debit card is a sure-fire way to make sure you're only spending what you actually have.



Start a “ready” fund

Getting ready for the best also means being prepared when things don’t quite go to plan. So setting aside some emergency money each month, can leave you feeling much more confident if a medical emergency, car crisis, or anything else crops up. This change of mindset from optional to regular monthly expense, can really give you a safety net – or a new adventure fund. The ideal is three to 12 months of living expenses. So then the question is – where to put it?

Standard account – secure and ready when you need it. Downside – little or no interest, so your money will decrease in real terms over time.

Savings or short-term deposit account – better interest, just check you can take it out in an emergency without any penalty.

Use budgeting or your banking app – it’s a great way to separate out money for different needs. While there’s no magic number for saving, financial experts recommend around **20% each month.**

Prepare for retirement... **today!**

Preparing for retirement in your 20s may seem a drag. But once you know the secret of compound interest, get ready for a whole new outlook on your pension.

Think of it as a piggy bank. But instead of the piggy bank just keeping the money you put in, instead, it gets bigger and bigger over time. Let's look at an example.

Would you rather have one dollar now, or one cent doubled every day for a month?

Prepare for retirement... **today!**

If you had taken the one cent you would have 5,368,709.12 euros!

While clearly this is not realistic when it comes to compound interest, it does show how you can get to a point when the money starts doing the work for you.

A cent doubled every day for 30 days

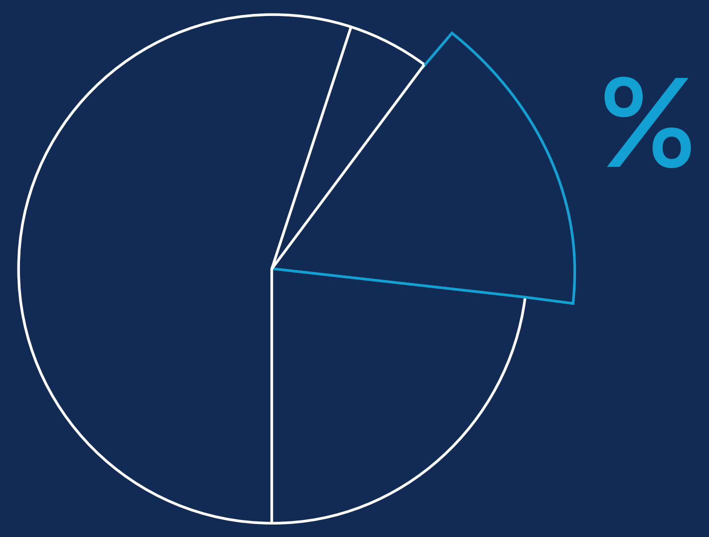
Day	Value				
1	€0,01	11	€10,24	21	€10.485,76
2	€0,02	12	€20,48	22	€20.971,52
3	€0,04	13	€40,96	23	€41.971,04
4	€0,08	14	€81,92	24	€83.886,08
5	€0,16	15	€163,84	25	€167.772,16
6	€0,32	16	€327,68	26	€335.544,32
7	€0,64	17	€655,36	27	€671.088,64
8	€1,28	18	€1.310,72	28	€1.342.177,28
9	€2,56	19	€2.621,44	29	€2.684.354,56
10	€5,12	20	€5.242,88	30	€5.368.709,12

Tackle your taxes

While tax varies depending where you're joining us from, it's important to understand the effect this has on your income.

So always check out online tax calculators to check that whatever contract you agree – whether with a company or through sponsorship – leaves you enough to pay the bills.

If you're self employed, there are also various useful tax calculators online to help.



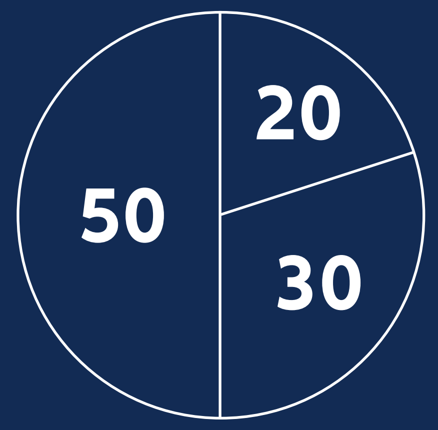
Take care of your assets

While we'll cover more on this in the insurance session, there are some simple steps you can take to take care of what you love. Whether it's contents insurance to protect things in your home or sick cover in case things take a turn for the worse, it can all give you peace of mind.

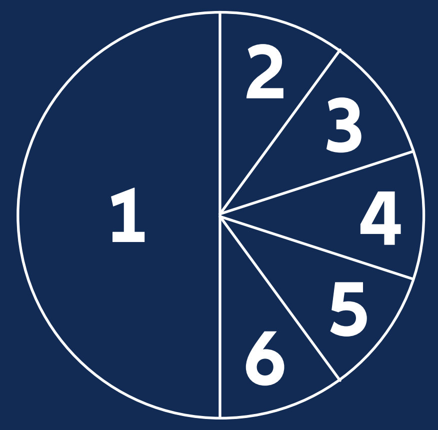
Track your spending

Now you know some of the watch-outs, it's time to get some theory behind the numbers. It can actually be really motivating to have a good plan in place, as well as reviewing what you're spending on. You may be surprised! Here are two good methods to help you track your spending:

The 50/30/20



The six accounts



50/30/20

- **50% - living.** This includes things like bills, rent, food and transport.
- **30% - discretionary expenses.** Perhaps you fancy a meal out or a new pair of shoes. This is the bucket for that. Oh – and you can also give to charity from this one too.
- **20% - the future.** Whether paying debt, saving for retirement or emergencies.

For all of the above, this is after net income (after taxes).

But it's also important to remember that we all start at different points in the financial race. Your rent might be a higher or lower percentage of your income, depending on where you live or your stage in life. So don't be discouraged and try to be as consistent as you can!

Six-account model

To make medium and long-term financial goals more achievable, start by setting up five instant access savings accounts in additional to your regular account.

Starting from a net amount (income after taxes), split it up as follows:

- **Account 1:** for your everyday needs. This is your most-used account and covers rent, clothing, groceries and insurance. Namely, your planned expenses. Aim for 55% of your income.
- **Account 2:** long-term (never-touch) reserves. The foundation of your retirement fund. Only accessible after a certain time, build a foundation so that you can live from your savings for two-three months, worst case. Aim for 10%.
- **Account 3:** education. It's 10% again, this time for workshops, training courses and more. Education normally pays off in the long-term.
- **Account 4:** entertainment. Bringing the fun back, this is for more spontaneous expenses like meals out or short trips. Again, 10%.
- **Account 5**: future investments. Another 10% but this time for medium-term savings, like a holiday.
- **Account 6:** donations. The final 5-10% is to help others. This should be a worry-free expense, which is also tax-deductible, and should give you confidence that you can make a difference with your money.

Summary

That's a wrap. Wherever you're at in life, it's never too late to get in shape with your future workout. Here's a reminder of some of the key points.

- The sooner the better – whether planning, saving or investing
- Start a ready fund – just in case...
- Learn to budget
- The more you know, the more you can get out of life – and not just financially.

And also that everyone's situation is different, so be mindful with all of the above.

- While saving 10-20% a month is good practice, if you're just starting out then it may not always be the best choice. For example, you might have bigger immediate expenses like a new house or car.
- If you have credit card/loan debt, again, saving for retirement is not the priority.
- Don't get so obsessed with saving that you forget to live – enjoy those adventures while you're young too!

PS – it's important to remember that everyone's situation is different.

Top 3 takeaways

- Learn the basics – taking the time to learn a few basic financial rules can help you build a healthy financial future
- Set a goal and plan
- Start early

Next step:

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practice #02

Future Workout Deep Dive

#02 Investment 101