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MAKING MONEY

ECONOMY | Opportunities sprout from tough times

Gen X on the mark

ANTHONY KEANE
MONEY EDITOR

GENERATION X members are poised to benefit most from Australia's economic slowdown in 2009 – so long as they can hold on to their jobs.

As the generation with the biggest mortgage, transport and living costs, they have the most to gain from falling interest rates and petrol prices.

Generation X is roughly defined as people born between the mid 1960s and the late 1970s, and financial experts say this year they have a chance to make a big difference to their future wealth.

Economists are divided on whether Australia will be in technical recession – two quarters of negative economic growth – this year, but all agree an economic downturn is under way.

"The only risk in a recession is if you lose your job," Marinis Financial Group financial strategist Theo Marinis said.

"If you have a job a recession or economic downturn is a good time because everything is less costly than it was previously," he said.

"There's an economists' joke which says: 'It's a recession when my next-door neighbour loses his job, and it's a depression when I lose my job'."

Mr Marinis said petrol prices had dropped by a third in the past six months, and home loan interest rates were falling sharply.

Author and financial planner Bruce Brammall said the savings from interest rate cuts alone on a $320,000 variable home loan were about $600 month, which could be used to reduce "dumb" debt such as credit cards, car loans and holiday loans. Many generation X parents also shared in the Federal Government's economic stimulus payments of $1000 per eligible child last month.

Mr Brammall said those who had not yet spent the $1000 per child windfall should continue to resist the temptation. "Most financial indicators and almost every financial expert believes 2009 will be a tough year for the economy as a whole, so having a savings safety cushion is crucial," he said.

"Another good option would be to build yourself a buffer by paying down some dumb debt."

Ord Minnett private client adviser James Scott-Young said generation X members should see themselves more as accumulators and less as consumers.

"We need to leave the consumption to the baby boomers," he said. "I am a gen Xer, and as a group I believe we have worked really hard to get our careers established, but we need to temper our expectations of how and when we should enjoy the rewards."

Continued Page 28

From Page 27

"The reality is that we should accept this economic and market downturn as a timely stage in the cycle and get back to building wealth rather than believing that it is our right to be enjoying it at this stage in our life. We should be willing to make a few sacrifices now, be prepared to think and plan for the long term, and make a shift away from the instant gratification mentality that has permeated our generation over the past decade."

Smartline Blackwood mortgage adviser Cathy Anderson said many generation X members were caught in the trap of "keeping up with the Joneses".

"I see many people who are on incomes of, say, $70,000 or $80,000 but unfortunately build a lifestyle where they spend that amount, not having allowed for the taxes and expenses they incur and fully understanding what it really is that they have in their pocket," she said.

"When I sit down with people and sort through their personal finances, it's not unusual to discover they've been living beyond their means."

Ms Anderson said many people had been able to get away with these bad habits because rising property prices enabled them to regularly refinance and use the equity in their home to fund their lifestyle.

Financial Strategies (SA) Pty Ltd trading as Marinis Financial Group
67 Kensington Road, Norwood SA 5067 T 08 8130 5130 F 08 8331 9161 E admin@marinisgroup.com.au
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