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money makeover



The **secret** to
budgeting, saving
and **investing** for
financial success

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Nina Dubecki

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introduction

It's not you, it's me ... or is it?

Let's not beat around the bush: finance can be dull. Not mildly dull, but eye-glazingly, sleep-inducingly dull. If you're looking in from the outside, the world of finance is an intimidating planet inhabited by grey-suited men; the finance segment of the news is spoken like it's in another language; and the investment pages of the paper seem to hold little more relevance to the modern woman than tomorrow's weather report for Vladivostok.

It's easy to feel overwhelmed — stupid, even. But the simple fact is that not many people do understand all the intricacies of financial investment — even those who work in the field (though they'd never admit it — hello, GFC). You're not dumb; it's just that you're not being communicated to in a way that's relevant to you.

It's also easy to avoid thinking about your own financial future. There's nothing appealing about trying to picture yourself 30 years from now. It's bad enough thinking about what you'll

look like (yikes), let alone thinking about being poor as well. It's so much easier to live for now and spend what you want, when you want, leaving the rest to worry about later.

But what if—just what if—you had the chance to change your life *Sliding Doors* style? What if doing a bit of work now meant you could ultimately live the life of your choice, whatever that meant to you? You might have dreams of travelling the world, becoming a property or sharemarket mogul, giving all your money away to worthy causes, or even spending your days wearing a sequinned miniskirt and splashing your cash on the Gold Coast. (Hey, we won't judge you.) It's all about having the freedom to choose.

The truth is that it's not actually that hard to get smart with money and to learn how to invest—you just have to know where to start and have a desire to learn.

I say tomayto, you say tomatto

You might be asking yourself why we'd write a book just for women. Well, as women, we face distinct challenges and tend to approach money and investment quite differently to men. This is in part because the financial independence of women is a relatively recent phenomenon, and it's brought about a gamut of issues that could earn a shrink a fortune.

Etched into the female psyche are centuries of not needing to earn an income for ourselves. Even if we don't like to admit it, sometimes we wait before taking control of our finances: we wait until we meet our soul mate before we think about buying a house; or we cross our fingers that our future partner will earn a mint. Sometimes when we're partnered up we find it easier to leave investing to our other half. We might not want to appear to be interfering in financial matters or we may feel stupid asking too many questions. And sometimes, quite frankly, we're just not all that interested. Our lives are so busy that it's easier to leave investing our money to someone else.

However, there are some very sobering statistics that show just why it's so important that women get smart with their

money — preferably earlier rather than later. On average, women live longer than men. Women earn less than their male counterparts, and are more likely to take time out of the workplace. All this adds up to a future where as a woman you're likely to have far less money up your sleeve than men — yet it's meant to stretch far longer.

Since we started our website <www.moneygirl.com.au>, we've been surprised to discover that most of the emails we receive are not from young women wanting to know where to start. They're primarily from 45- to 55-year-old women who, for various reasons, have very little money put away and aren't sure what to do. So it was no real surprise when we started researching for this book to discover that in 2009, women aged between 55 and 64 only had average savings of \$60 700 to support themselves for the rest of their lives. Now that's a scary statistic.

Without starting to burn our bras, we do want to stress how important it is for women to take control of their own financial futures. If Prince Charming turns up, that's fantastic. But if he doesn't (or if he turns out to be slightly less charming than anticipated) then at least you'll have given yourself the best chance of getting set up on your own.

Anything you can do, I can do better

After all this talk of doom and gloom, it's time for some good news: women are biologically geared to be much better investors than men. We may never beat a man in the 100 metre sprint, but give us the stock exchange as a playing field and we can more than give him a run for his money.

There have been many studies over the past 20 years that concur in their findings that women are the fairer sex when it comes to returns on the sharemarket. In 2004, a British study of 100 000 share portfolios found that on average, women's portfolios grew by more than 10 per cent that year, while men's only grew by 6 per cent over the same time frame.

Another ground-breaking study, carried out by Merrill Lynch Investment Management in 2005, examined the investment

mistakes of 1000 American investors and the attitudes and beliefs related to those mistakes. They found conclusively that women make fewer investment mistakes than men, and make them less often. Reasons cited for these results related to our natural psychological make-up: women tend to be less confident than men when it comes to investing, and so are more likely to research, to ask questions and to seek expert advice. We are also more likely than men to stick to a plan, and are less likely to try to ‘time the market’ or trade too often.

So it seems that women are well equipped with all the right tools for financial success—it’s just a question of having the know-how and confidence to use them.

Money makeover

So, how should you go about attaining the money smarts and confidence you need to become financially independent? Well, if we may have a moment of cheeky self-promotion, by reading this book, you’re already off to a mighty good start. But let’s start with what this book will *not* do:

- § It won’t speak to you as if you’re obsessed with shoes, shopping or sales.
- § It won’t tell you how to get rich overnight— although we will show you how to build your fortune in a slower, surer way.
- § It won’t man-bash. Quite frankly, we think men are pretty neat. We just want you to give them a red-hot run for their money in the investment stakes.

Instead, this book is designed to be practical. We’ve read mountains of finance books and found that all too often we finish these books feeling inspired, but with no idea where to begin or how to apply the information to our own situations. So when we wrote this book, we wanted to make sure that every topic was covered in a logical order. This way, you’ll be able to work your way through the book and sort out your finances step

by step. Plus, we've always tried to show you exactly *how* to go about implementing any investments you are keen on — such as buying shares or property.

We've also written the book with you in mind. We don't expect you to have a degree in economics or to earn megabucks. We've done our darnedest to make the content interesting and relevant, breaking down financial lingo and using as many real-life examples as possible. The book is jam-packed with stories of how real women have invested their money and what they've learned along the way. We've even included a little limerick at the start of each chapter — now, what other finance book out there has *ditties*, we ask you?

Finally, we wanted our book to be comprehensive. This isn't just a book on budgeting; it covers everything from saving to investing to all of those extra things you need to know about, such as insurance and even how to deal with money when you're in a relationship.

In order to walk you step by step through your money makeover, we've divided the book up into four sections:

- § *Part I* is all about getting yourself sorted out before you become an investor — understanding your goals, working your way out of debt, learning great saving strategies and getting a grip on the basic concepts and terminology you'll need to understand as you move forward. You can't be a successful investor and achieve financial success until you have the basics down pat.
- § *Part II* is where we ramp things up a notch and cover the four major types of investment: shares, managed funds, superannuation and property. While you might not think every type of investment is your cup of tea, we urge you to read about them all anyway. You never know which one is going to tickle your fancy, and it'll help you to make an educated decision about what's best for you.
- § *Part III* deals with all the extra things you need to consider as a part of your financial plan. We'll show you how you can invest without feeling like you're selling your soul,

how to insure yourself properly and how you can factor in life's little curve balls (like heading overseas to work, shacking up with your significant other or having a little bambino).

§ *Part IV* reveals the secret to financial success. You'll find out what sets apart those people who become financially independent and those who get lost along the way. We've read, researched and pondered this deeply over a vino or two, and we're pretty sure we know the secret to financial success and how you can make it work for you.

We're well aware that in finance land, some topics are way, *way* less exciting than others — reading about insurance, for example, is unlikely to ever set your pulse racing in eager anticipation. But we can't stress enough how important it is not to skip past these less-enticing sections. Think of it like eating All-Bran: it's dry, but you know a small dose will help you avoid a — er — tight bind later.

We hope that by the time you reach the end of this book you'll be set on a path to financial freedom that will liberate you in the most fabulous way.

And so begins your money makeover.

Our story

Like Thelma and Louise, but without the cliff-top ending (or, sadly, Brad Pitt), our story begins with a road trip: two colleagues en route to a funeral in rural Victoria. Sitting in a car together dressed in black, we nattered away for hours — until somehow the conversation turned to investing, and the lack of interesting information out there for women like us. So we made a decision then and there to start a money club, where we'd meet up with our female friends once a month to talk finance. We figured a good gasbag and drink at a bar would be as good an incentive as any to learn more about investing, and so MALICE (Most Ace Ladies' Investment Club of Excellence) was born. Before we

knew it, it was a year later and we had all made significant steps forward—properties were purchased, super was sorted, shares were bought. In one way or another, the club changed all of our lives.

During this time we were madly in pursuit of learning. We read anything financial we could get our mitts on, from websites to books and magazines, even delving into the scary depths of talkback radio. What we discovered was jargon-filled, overwhelming and desperately dull. We realised there was a real need for female-friendly finance information, so we decided to take the money club idea one step further and create a website where women could go online to share their experiences and learn more. Although we were both working full-time, we met every Sunday for two years to work on the website. We coerced talented friends into helping us with our website and spent a good chunk of our lives tracking down the best financial resources we could. Finally, in July 2009, <www.moneygirl.com.au> went live—and the response has been fantastic.

We are not financial advisers. In fact, neither of us have financial backgrounds at all. But we have something we think is far more valuable: an understanding of what it's like to be a woman earning an average wage and who is a successful investor on the road to financial independence. This book is the culmination of everything we have learnt along the way.

Nina and Vanessa

Become a Moneygirl

Moneygirl.com.au is our online home. It's a website with links to all the best bits of other finance sites. It features regularly updated finance news plus forums where you can talk to like-minded women. You'll also find one-click links to all of the websites mentioned in this book.

A decorative graphic consisting of several stylized dollar bills falling from the top left towards the bottom right of the page. The bills are dark grey with white dollar signs and are scattered across the left side of the page.

part I

getting it together

So here's where your money makeover starts.

Before you do anything else, you'll need to get your current financial situation sorted out—you can't become a successful investor until you have a true picture of where you stand financially and a good understanding of where you want to go.

In part I, we'll cover everything you'll need to know in order to put yourself in the best position possible to start investing. And while things like setting goals and putting together a savings plan can sound all too much like hard work, you should never underestimate how important they are in swinging financial fortune in your favour.

Money Makeover

In the next four chapters you will:

- § work out what money means to you
- § learn about good and bad debt (and how to get rid of the bad)
- § pick up some budgeting tips
- § uncover a couple of nifty techniques to help you save more than you ever thought possible
- § learn the fundamentals of becoming an investor.

Go forth and conquer!



chapter 1

setting your goals

*There once was a girl called Sheree
Who dreamt of sailing the sea
She wrote a great plan
Worked hard as one can
And now sails her yacht off Fiji.*

Ah, money. We have such a complex relationship with it. On the one hand we've grown up being taught that 'money makes the world go round'; and yet on the other hand, we're taught that 'money isn't everything'. Confused, anyone?

Before you can jump on the path to financial success, you need to look at the way you think about money and get rid of any preconceived ideas and bad money habits that might be holding you back. Like it or not, money affects every aspect of your life from where you live to how you live, so it's vital that you're the one calling the shots in your relationship, not the other way around.



You also need to stop for a moment and decide on your financial goals. Life whizzes by so fast that if you don't pause to give serious thought as to what you want to achieve financially (and why), future decisions may get made on the run without taking into account what's really important to you.

Then, as with any good makeover, you need to commit yourself to taking action. As they say, there's no time like the present — so giddy-up! In this chapter we'll cover:

- § your relationship with money: taking a look at yourself in the mirror
- § money myths: 10 thoughts to banish forever
- § setting goals: working out what you want to achieve
- § taking ownership: committing to making it happen.

Your relationship with money: taking a look at yourself in the mirror

As trusty old Dr Phil will tell you, you can't move forward until you have addressed the past. The same goes for your relationship with money. Over the years you've probably collected baggage that you might not even know you have.

Often the way people behave with money is not built on reason, but on emotion. For example, splashing out on an expensive dress can be more about getting swept up in the adrenaline of a shopper's high (or perhaps caught in the grips of a very persuasive salesperson) than anything else. How you think about money can also be related to what you've been taught (or not been taught) growing up. Your family's attitude towards money can have a huge influence on the way you behave. If you grew up hearing that the only chance you'll ever have of becoming wealthy is by making it as a high-flying lawyer or a doctor, why would you think otherwise?

Nina's story (age 39)

It was completely by accident that I became interested in investing. In fact, until my mid-20s I'd thought my only chance of becoming wealthy would be to marry someone rich or to win Tattsлото. These were notions my parents had unconsciously instilled in me, but not through any fault of their own—it's just that no-one had ever taught them about money, either.

About 12 years ago, I was in the city one Saturday afternoon when it started to rain, so I ran into a bookshop to escape. Walking down the aisles a book called *The Wealthy Barber* caught my eye and I picked it up and started to flick through. I'd never read a book about money before, but this one sounded interesting and seemed accessible so I paid for it and left. Reading it later that night was a revelation. For the first time in my life, I realised that I wouldn't ever have to worry about money again if I took a few simple steps. I understood that my financial future was firmly in my hands.

Luckily, I didn't have any credit card debt—that was one thing my parents had taught me about money: to always pay my credit card balance off in full every month. So the first thing I did was to open a managed fund with \$2000, after which I committed to monthly direct debits of \$200 straight out of my bank account. In the space of three years, the balance had grown to around \$20000. I'd also saved enough for a deposit on a little apartment in the inner city. It was the start of my life as an investor.

It's time to air your dirty laundry

Do you have any long-held notions about money that aren't doing you any favours? Have a good think about your attitude towards money. For example, do you think you're just not one of 'the lucky ones' and that you'll never be well off? Or are you waiting for that big pay rise or Tattsлото windfall to head your way before you start investing? Consider the way you behave with money and look at your habits closely—try to be as honest

as you can. By understanding your attitude towards money and committing to changing those beliefs and behaviours you're taking your first step towards financial success.

Examples of bad habits

Just like biting your nails, there are plenty of bad money habits that hold women back when it comes to taking control of their finances. Do any of these sound a little too familiar?

- § *Pay Cheque Patty* lives from pay cheque to pay cheque, finding herself with no savings and no cash left over at the end of each month.
- § *Spenny Sasha* finds it hard to resist a sale and easily gets caught up in buying frenzies, purchasing things she doesn't really need, only to regret it later.
- § *Generous Georgie* shouts dinner and drinks for her partner, friends and family way too frequently. She spends too much on gifts, and often finds that she doesn't have enough money to pay for essential living costs and bills for herself later. Generous Georgie has been spotted 'loaning' money to family members and friends who she knows are unlikely to pay it back.
- § *No-Responsibility Nicki* knows she's bad with money, but takes little action to change. Nicki knows that she can call on her friends, family and partner for a loan whenever she needs help — so she does.
- § *Credit-Happy Chrissie* views the money she has on her credit card as her own, and is all too happy to whip out the plastic to buy things she knows deep down she can't afford. Chrissie usually finds herself unable to pay off her credit card balance each month.

- § *Bad-Deal Belinda* doesn't shop around for a good deal on anything — bank interest rates, mobile phone deals, a new fridge, you name it. She never asks for a pay rise or promotion although she knows she deserves it.



Try this

Confession time

Grab yourself a notebook. At the top of the first page write: 'Money habits I want to change'. Think of at least three things you recognise as bad money habits you want to change and jot them in your book. Writing things down can really help as it makes them 'real' and will give you a reference point to come back to later on.



Money myths: 10 thoughts to banish forever

We're a nation of list lovers — rich lists, best (and worst) dressed lists, the Triple J Hottest 100 list, we love them all. So we thought we'd join the ranks of list builders and come up with our very own. Without further ado we present the 'Top 10 myths about money that you must banish from your mind' list:

- 1 *Money is dirty.* While accumulating riches for the sake of it or aspiring to have three sports cars sitting in your garage could be considered questionable pursuits, having money can give you the power to do good by supporting the causes you believe in. It also gives you personal freedom. There are many ways to invest your money ethically and in line with your personal beliefs. We'll talk about this in chapter 9.

- 2 *You can only become rich if you marry someone wealthy or win Tattsлото.* Apart from the fact that your chances of winning the lottery are pretty small, you're actually very capable of becoming independently wealthy over the long term if you acquire the right knowledge and exercise discipline. By using your money smarts you can create a comfortable future for yourself on your own terms, rather than leaving it to chance.
- 3 *I don't earn enough to be an investor.* Becoming a financial guru has very little to do with how much you earn. There are many examples of people on über-high salaries who squander their earnings away, and of people on average incomes who've learnt to invest wisely and become wealthy and financially free. Of course, it's easier if you're bringing home the big bucks, but it's absolutely not a prerequisite for financial success and happiness. You have to start somewhere, and as little as a few thousand dollars is enough to get you on your way.
- 4 *I work hard for my money and deserve to spend it on whatever I want.* Sure, you can spend your hard-earned cash on three lattes, lunch and rounds of drinks after work each day if that's what you really want. But is it really what you want to spend your money on? Or is it just habit? If you saved some of that money and invested it wisely, in a few years it could mean the difference between having enough for a deposit on your own apartment and living with your parents or renting indefinitely.
- 5 *Finance talk is boring and doesn't interest me enough to get my finances in order.* There's no denying that the finance news can be as effective a sleep aid as a warm glass of milk. But the truth is that you don't need to know how the All Ordinaries are performing every day in order to be successful with money. Financial success is all about knowing where to source the best, most relevant information, and getting the basics right. There are plenty

of low-maintenance investments out there, so you won't have to spend every waking hour keeping an eye on your money.

- 6 *I'd prefer to leave the task of managing my finances to my father/partner/accountant.* You should always be involved in any decisions made about your own finances — never hand over responsibility for your investments to someone else. While they may genuinely have your best interests at heart, you don't know how much they really know. Even if you see a financial adviser or accountant, you should always understand exactly what investments they are recommending, and know where your money is going.
- 7 *I'm too old now to do anything about my finances.* While getting your act into gear when you're young will certainly give you a fantastic head start, there's no such thing as being too old to get your finances sorted out. In fact, the longer you stall, the harder you'll make it for yourself in the long run.
- 8 *Investing is risky, so I prefer to leave my money safe and sound in a bank account.* All investment carries an element of risk, but with knowledge and research you'll learn which investment style suits you best and how you can minimise the risks. The problem with keeping money in your bank account is that it becomes victim to that nasty thing called inflation. By leaving money in a bank earning low interest over a long period of time, you'll find that your savings won't keep pace with the rising costs of living. Ironically, it can actually be one of the least-safe options over the long term. You'll read more about this in chapter 4.
- 9 *I'm not smart enough to invest on my own.* While finance-speak is pretty high up in the gobbledegook stakes, you don't need to have a PhD to sort out your finances. The fundamental principles of investing are actually simple, even if finance jargon is overwhelming at first. The truth is that anyone can learn to invest smartly.

Plus, super-intelligent people don't necessarily make great investors — research conducted by the US Bureau of Labor Statistics that studied 7400 people over a 30-year time span has found that there is no relationship between a person's IQ and the amount of wealth they have.

- 10 *I've got too much on my plate now to worry about it — I'll think about it later.* It's easy to freeze into inactivity because the idea of sorting out your finances is all too overwhelming, and it's so hard to figure out where to begin. But we can't stress how much better off you'll be if you start now. It's amazing what a difference time can make to your investments — you'll read more in chapter 3 about exactly how much better off you'll be by starting early.

If you found any of our 10 myths hitting a bit too close to home, it's time to take some positive action and banish them from your mind forever! Recognising any negative thought patterns you might have is the first step to moving forward. For example, if you're putting off making big financial decisions because you think you don't have the time, then you need to acknowledge that this is holding you back. Bite the bullet, put aside a few hours one weekend and start sorting yourself out. You'll be surprised at how quickly you can start to make proactive changes.

Setting goals: working out what you want to achieve

Once you've cast aside any barriers that might have been preventing you from getting your finances in order, it's time to work out what financial success means to you.

Money means different things to different people. Does having money mean security to you? Or is it about choice, and having the freedom to do the things you enjoy most? Whatever it is, it will be highly personal and it will probably take a little

bit of consideration before you get to the bottom of it. But we urge you to take the time to think about what financial success would ultimately give you. Once you work that out, you'll have a powerful motivator to get your finances on track.

Setting your goals

Once you understand why money is important to you, you should break it down a little further. Think more specifically about what you want to achieve over different time frames. This is important, not only because it gives you objectives to aim for, but also because it will determine what sort of investment choices you make a bit later on. Importantly, aim high! Write down anything you really want, even if you have no idea yet how you might get it. The sky's the limit. Use the following time frames to work out your goals:

- § short-term (now to three years)
- § medium-term (three to five years)
- § long-term (over five years)
- § super-long-term (light years away, when you're heading out to pasture).

Try this

Write down your goals

Open up a new page in your book, write the heading 'Goals' and underneath write the sub-headings 'Short-term', 'Medium-term', 'Long-term' and 'Super-long-term'. Beneath each of these write any specific goals that come to mind. Your goals will change over time, but this will be a great point to start from.

Here's an example of what your goals might look like:

Short-term (now to three years)

- Pay off credit cards and personal loans.
- Start a savings plan.
- Take an overseas holiday.

Medium-term (three to five years)

- Buy a car.

Long-term (five years onward)

- Buy a house or apartment.
- Be financially set up to start a family.

Super-long-term (light years away)

- Retire with an annual income of \$39 000 (in today's dollars).



Your goals may seem a bit airy-fairy at the moment, and you're probably wondering how on earth you're going to achieve them. Don't worry about that for the time being. As you read through this book you'll learn about different investment options and money-making techniques, and in the final chapter we'll show you how to apply what you've read in the book to real life in order to help you to make your goals become reality.

Taking ownership: committing to making it happen

Women earn more money now than at any time in the past, yet studies have shown that we aren't a very confident bunch when it comes to investing. By committing yourself to learning and taking action now, you'll ensure your financial security in years to come. Here are three ways to make it happen:

- 1 *Make financial security a priority.* Make your money makeover a priority over the next 12 months. Work out

- what financial success would ultimately mean to you and write down your goals. Make sure you keep your goals somewhere visible, and keep your money notebook close at hand so you can write things down when you need to.
- 2 *Open your eyes to the world of investment.* Start by reading the money supplement in your local paper each week. Don't worry if you don't understand everything to begin with; just like learning a foreign language, you'll start to pick things up before you know it. Listen to money programs on the radio, sign up to any good financial e-newsletters online and check out some of the investor magazines that come out monthly—a good one for beginners is *Money* magazine, published by ACP Magazines.
 - 3 *Join your sisters.* Talk to any women you know to be canny investors. Even better, form a money club (which is how we got started). Just like a book club, you could arrange to meet up with friends once a month at a bar and have one member present on a finance-related topic. It's a fun way to learn, and it's amazing how motivating support from your friends can be when you're starting down the road to becoming an investor. If you really get into it, you could even start an investment group where you pool your money and buy shares together.

Investment groups on the Australian Securities Exchange website

The ASX website <www.asx.com.au> has useful information on how to start an investment group (the type where members pool money to buy shares). It also recommends various rules and regulations.

