Jai Hobbs@170kbps.mp3

[00:00:00] Interviewer

Welcome to the Inner West Library Speaker series. Before we begin today, I would like to acknowledge the Gadigal and Wangal people of the Eora Nation on which this podcast is produced and pay my respects to Elders past, present and emerging from across all lands this podcast reaches. Marlies and Jai Hobbs are a wife and husband team, originally from Cairns and now based in Noosa. Marlies is an ex-property development lawyer with a passion for education and creative projects, and Jai is a mortgage broker with over 15 years' experience. They have two sons, Troy and Zac.

FLY: Financially Literate Youth is the perfect handbook for every young person who wants to be armed with the financial knowledge and confidence to set themselves up for success as they chart the course of their life. Whether they are contemplating leaving the nest or are already beginning to spread their wings, this convenient and credible resource will have them prepared for all of life's milestones, as well as those times when things get rocky or uncertain. And what an uncertain world they're flying into. But with the right guidance, they'll be prepared to overcome any obstacle and seize every opportunity. Welcome, Jai.

[00:01:17] Jai

Hi, Kathy. How you doing?

[00:01:18] Interviewer

All good, thank you. Ok, before we talk about being financially literate, can you talk about some of the downfalls being financially illiterate, and how this book can help with advice?

[00:01:48] Jai

Biggest thing there is a lack of education or lack of understanding and lack of understanding brings anxiety and angst that you don't really know what's coming. So being financially illiterate, it results in driving a car while spinning the wheels, you know, putting in all the hard effort at work or, or in your career or in your business. But then those aren't bringing results for you long term. So just a little bit of education, we believe, goes a long way and make sure that it's, not, it's not about in any financial expert will tell you it's not about the money that you earn. It's about what you do with the money that you earn. That's the most important. So a little bit of education there can go a hell of a long way to put, putting you in the right spot long term.

[00:02:32] Interviewer
Very good advice there. So would you say that savings should be instilled in us from a young age, a bit like looking at both sides of the road before crossing?

[00:02:41] Jai
Oh, definitely. Definitely. I think we, we believe earlier the better. So for us in our two young boys, around 5 or 6 years old, when we've started really instilling that in the kids about saving, because the number one financial tip any expert will give you, including Warren Buffett, who's considered to be the world's greatest investor ever, is spend less than you earn. Sounds so simple, yet so many people struggle to grasp that concept, be it children, adults or in any stage of their life. So instilling those basics at a young age gets us, gets us used to those habits and then will ensure, well won’t ensure, but obviously will put you in a hell of a lot better position to carry those habits through your life. So I think budgeting is a, is definitely something and savings certainly something that you should learn early on.

[00:03:34] Interviewer
Do you get any resistance from the kids or not?

[00:03:39] Jai
Of course, Of course. There's always the shiny new toy or the big load of ice cream or something that they want to buy. But that's, you know, we're all the same. We're the same as adults, the shiny new car or the big flash holiday or something is very tempting. But saving for, and sacrificing now, a little bit now to enjoy later, as we all find out the hard way sometimes is often the best way to go.

[00:04:06] Interviewer
And of course, the teenage years are the hardest, as well, so you're getting yourself prepared for when they become teenagers?

[00:04:13] Jai

Yeah. Yeah, definitely. Definitely. And I think every stage in life prepares for the next one, doesn't it? Yeah.

[00:04:19] Interviewer
Yeah, that's true.

[00:04:20] Jai
As we’re kids, we’re teenagers, as teenagers, we think, oh I'd love to save for my first car.

Interviewer
Yeah.

Jai
Some, some do, very little don't.

[00:04:29] Interviewer
I'm in that position at the moment with my youngest. He's trying to work out how to save to buy a new car. Well, not new. His first car.

[00:04:36] Jai
His first car. Exactly. Exactly. And just understanding, if you don't save, what's the ramifications of that? So in the eighth, I believe the eighth wonder of the world is compound interest. It can either be your best friend or your worst enemy. So if we don't save, that car you could have bought for 15,000 dollars, might cost you 22, 25,000 thousand dollars. So what can you do with that other ten, you know, it's, it's understanding that, the younger we understand that, and all of us have had an aha moment in our life where we've finally understood that compound interest equation and we think, why didn't we know this sooner why didn’t we understand this sooner, it could have worked for us instead of against us.

[00:05:14] Interviewer
True, very true. So why is financial literacy important for youth? What are the benefits?

[00:05:21] Jai

Setting yourself up for life, and like I said before, just make sure you're not driving a car with a handbrake on. So we all go through life and people work hard. And you find when you first go in the workforce, you're working so hard for sometimes what you believe is very little return or what you feel is very little return, but maximising the money that you do earn. And I'm not talking about being frugal and living on a bag of rice a week and not going out and not drinking any coffee out. You don't have to go to the extremes. If you want to, that's great. But the benefit about understanding your finances means that you've got peace of mind. You know what you're gonna come up against in life. These things happen. Renting a property happens. You know, saving for a home happens and having to buy, borrow money to buy a car is what happens to most people. So making sure your super, when you've got super and you do a good job, you change positions, ensuring that you only keep that one super fund. So you're not, not getting gobbled up by fees of multiple super funds doesn't seem like a massive difference at the time. You think, oh, it's only a couple hundred dollars a year, but a couple of hundred dollars a year compounded over the next 30 years. It's a huge difference.

[00:06:32] Interviewer

And some super funds are different from others as well, aren't they?

[00:06:36] Jai

They are indeed. Yeah, they are indeed. So just, just being aware, like, finance is often something that's considered very complex and well, it can be complex. The principles behind it are fairly simple and most people can understand it just if they take the time. It looks like Japanese or Hebrew or something to a lot of people where they just don't understand the language. But like English, when we all first speak it, it's pretty hard. But after a while, you do get to understand it, the principles are pretty simple. So if you take the time to educate yourself, unfortunately in today's world, there are a lot of sharks around, there are a lot of schemes around. So we believe the best, the best concept is to educate yourself, lift your own education, and you can be sure you're making the right decision.

[00:07:20] Interviewer

Very good. Very good. Would you say lack of financial education makes it easy for young people to pick up bad financial habits? And what is the worst habit that young people fall for?

[00:07:33]Jai

Oh, definitely lack of financial education because you don't know what you don't know. And unless you've been exposed to something and at the moment most of that comes through the household. So unless parents have taken the time and had the resources and had the knowledge themselves to share this with their kids, some youth don't get, don't get the opportunity to really understand what a good financial habit is and what a bad financial habit is. So we don't, we don't know until we, unfortunately, until we learn from someone or we make the mistakes and learn from our mistakes. So I think the earlier we can teach them what a good financial habit is, such as we mentioned before, savings, spending less than you earn. The earlier they can instil that habit in themselves and make sure that carries on throughout their life. And I think probably the worst habit that youth fall for is just the easy access to credit. 20, 30 years ago, it wasn't easy to access credit. If you wanted to borrow money, you had to front up in person. You had to go and see a Loans Officer, usually of a bank. Most people got dressed up and wanted to make a good first impression about trying to obtain that money. Credit cards weren't plentiful. They were really hard to get.

[00:08:42] Interviewer

Yes, I remember that, yeah.

[00:08:43] Jai

Yeah. So, these days, it's so easy, it’s a click of a button. You can hide behind a screen. Companies like the ‘big buy now pay later scheme’ or what everyone’s heard of Afterpay, Zip Co, Zippay, they’re, they’re so easy to get that Afterpay doesn't do any credit checks. So even if you've had bad credit in the past, you can still gain access to more credit. So I think it's just so easy for the youth these days to get that instant gratification and, and, rather than, the discipline in saving and then buying it they’re “I want it now. I've got it now. I'll pay it off later". And it's always dangerous living on today's lifestyle with tomorrow's money.

[00:09:26] Interviewer

We've sort of touched on the next question. And it was, you know, about the major cards that most people use, debit cards and credit cards. But why is it that financial institutions somehow seem, they make the cards look so glamorous and so tempting for young people and they are so attracted by them… It's… I just don't get it.

[00:09:50] Jai

It's good marketing. Kathy, it's great marketing and fair play to the marketing teams of the lending institutions. You've got to remember, they're a business, a bank or a lending institution, they exist just to make a return for shareholders, so and many of us own shares in these institutions, either directly or indirectly through our super funds. So in a sense, we're profiting from their actions on a daily basis. But it's youth and all of us need to understand the ramifications of that and what's the true cost. Afterpay is probably, it's the biggest thing that shook up the financial world definitely in the last five years. People look at it and go, well, it's not costing me anything, as the consumer. I'm not actually paying any interest and I'm not paying any fees, which is true. The fees are borne by the retailer. But you're still going into debt. You are still buying things that you can't afford right now. You're still using tomorrow's income to pay for today.

[00:10:47] Interviewer

See it's hard. I'm a mother of three sons and it's just hard because they think, "oh Mum, look it says this" and you think, no, you're not reading between the lines. "But Mom, look, it's wonderful" and it's… I found that struggle to, to teach them. I totally get it.

[00:11:04] Jai

Yeah, yeah, yeah. Definitely. It is, it is hard. And it's the lay-by that we know of old, all of us. We used to put something on lay-by and we'd rock up and make our payments.

[00:11:15] Interviewer

Yes now I get, "You're too old Mom. You don't know what you're talking about." I'm not that old buddy.

[00:11:21] Jai
But the difference is with the lay-by, we didn't get the goods until we did the work.

Interviewer
That's right yeah.

Jai
Until we paid it off. Now, instant gratification. You get the goods, then you pay it off. So the danger is how many times do you use this? Like, well, we've got a finance business or mortgage broking business, and the amount of clients that we see with multiple Afterpay accounts, with multiple Zippay accounts paying off numerous debts of such small amounts is crazy. They're living well beyond their means and if they're… if something silly happens and they lose their job tomorrow, they can't survive.

[00:11:59] Interviewer
And lay-by still exists in some places, too. You can still do the old-fashioned lay-by.

[00:12:04] Jai
Yeah, does it? I haven't seen it…

[00:12:04] Interviewer
Yeah, Target and Big W. Yeah they still have, they still have the good old fashioned lay-by, yeah.

[00:12:13] Jai
There you go bring it back.

[00:12:14] Interviewer
There you go. Now describe how important it is for youth to have a budget planner to refer to and how this can help with their finances. Would you recommend an app on a mobile phone or old-fashioned hard copy planner?

[00:12:29] Jai

Oh look, I think it's very dependent on the person. I think it's sitting down and doing a hard copy and physically writing it down is, is a very good place to start. I think there's a lot of human connection between thinking it, writing it down on a piece of paper and actually remembering as opposed to punching keys out on an app, on a phone most of the time or a computer. So I'm a big believer in hard copy initially. And also I would be cautious about how complex you make a budget. Most adults can't stick to a budget. So how can you expect a youth who is typically not as disciplined, not always, but not as disciplined as most adults and not as experienced as most adults. But they're not going to stick to a complex budget. So make it simple. We do something with our kids who are under ten at the moment, but what we do with them is whatever pocket money, kids or whatever you earn, 50 percent you save, 50 percent you can spend. So half you save, half you spend.

[00:13:27] Interviewer

It works?

[00:13:29] Jai

It works. It's simple. And then as we develop through life, there's another, and we mention it in the book. 50 percent of your income should go on your, on your needs, things that you need. And as you get older, that could be rent, that could be food, health, health bills, things that you need to survive. 30 percent go on your wants, entertainment, going out, Coffees in the morning, breakfast, etc. and 20 percent goes to savings and or investing.

[00:13:56] Interviewer

Funny that you should mention that Jai, because they need, young people need to understand the difference between need and want.

Jai

Yeah

Interviewer

that is two simple words, but they can just get so confused with those two words.

[00:14:09] Jai

Oh Kathy, I'm guilty as charged.

Interviewer

We all are.

Jai

We all are, but I need it.

[00:14:16] Interviewer

Yes, but I want it. I know. I know. OK, what's the most common question you get asked about HECS? What is the biggest misconception?

[00:14:27] Jai

When do I need to start paying it back.

Interviewer

Mm.

Jai

That's probably the biggest misunderstood part of it. So when and it's probably a two part question, when do I start paying it back and how do I start paying it back. So HECS, if the listeners aren’t sure what it is, it's, it's the loan that you get for going into education, which I'm sure the audience would probably know. But at the moment the minimum repayment threshold is $46,620 dollars per year. So until you earn $46,000 gross or before tax, there is no repayment requirement on HECS, or HELP, HECS or HELP debt. Now that increases as you start earning more, the government makes you start paying more back and that's a percentage of your gross earnings. It's not a percentage of your debt. It's a percentage of your gross earnings. And that usually comes out of your pay before tax. So it is, it is a pretty economical way to pay it off. Most people, most people don't really notice it coming out of their payslips because it comes out pre-tax. They just get what they get once they get paid. But understanding when you do finish your study and when you start, start working, having a look at what the HECS repayment table is or HELP repayment table is, you can easily get that online, a quick Google search will show you what it is, but at present, minimum is $46,000. They do change that every year to try and get that HELP repayment back in.

[00:15:51] Interviewer

Lucky I have not had to go through that, but I know a lot of young people will have to go through with HECS and when they start University studies and other studies as well.

[00:16:02] Jai

Yeah, and it's is something to take into account before they start. And I think if as long as youth understand it and a lot of the time going to University and furthering your education and getting a degree can really, can really assist any prospects of getting a job in a position or a career in a high paying one. So it's not a silly decision, but just understanding when those repayment thresholds come in and how that's going to affect your income.

[00:16:25] Interviewer

Jai can you, we touched on it briefly, but can you explain the difference between Afterpay and Zippay?

[00:16:31] Jai

Yeah. Very good question, and often misunderstood. So as we mentioned before, Afterpay, there's no, there's no credit checks with Afterpay and it's a new facility for each transaction. So basically, if you go and buy an item that's $400, it's split up over 4 payments, you pay 4 instalments of $100 dollars each. Whereas Zippay is a revolving limit. So you might have a limited… Zippay limit of $3,000. So you could go and put $1,000 on, much like a credit card, yeah? You can go and put $1,000 on the Zippay. You can go put $2,000 on the same account two days later. As long as you stay under your approved limit. So it's two different ways of essentially you keeping the transaction… keeping the facility open. So with Afterpay you can have multiple facilities as well so you can go out and buy $400 item now and a $600 item in a week's time, but you're going to have 2 separate repayments that end up two separate times. With Zippay, you've got the one facility much like credit card and you've got a limit. So if you put a thousand dollars on there, you pay that down to $500. You've got $2,500 dollars available and you can go and purchase another item for, say, $2,500 and then you’re at the limit, you can't do any more.

[00:17:46] Jai

Whereas Afterpay you can do multiple items. So there is a lot in the industry and the finance industry and government regulation at the moment about why doesn’t Afterpay do credit checks on clients, what happens if they have had problems in paying in the past. Afterpay's got their own algorithm that they believe is strong and is, is a good indication of people that will default, but that's yet to be known. They're so young. So it's, it's still really forging a new market there. And we've recently seen in the last few days, Commonwealth Bank release a buy now pay later scheme in competition with Afterpay. So it's definitely changed the landscape of credit where credit card balances have come down significantly, especially through COVID. Most people have sitting in a better position now because they probably they couldn't go overseas, they couldn't go out to dinner. Everything was closed. Unfortunately, a lot of us were locked up and we haven't been able to spend those discretionary living expenses that we normally would. So the combination of that and also the rise of this buy now pay later scheme has seen the, the credit limits, the credit balances, credit card balances in Australian banks nosedive.

[00:19:01] Interviewer

So it just goes back to what we were talking at the beginning of the interview. You really need to educate yourself. Full stop.

[00:19:07] Jai

Definitely. Yeah, definitely. And look, if it's, if it means people aren't paying interest and they can maintain those, those payments within their lifestyle and not live beyond their means, then great. But just making sure you know and understand your budget, you know and understand what you can and can't spend, and you're not going to get yourself into a hole that you can't get out of is so, so, so important.

[00:19:31] Interviewer

Jai, can you explain Bitcoin? It's been in the media a lot lately and these types of investments, are they recommended or something that young people should stay away from?

[00:19:43] Jai

Oh look, I think Bitcoin, to me, Bitcoin is a currency. It's a digital currency. So it's, it runs on what we call block chain technologies, which is just a validation of transaction through a ledger that sits online. So there's a heap of people that all validate every transaction, so they believe and I'm by no means an expert, but they believe that you can't dodge a transaction because there's so many people validating it. And there's one ledger that needs to be validated around the world. So that's the technology of block chain, which I think is amazing and will definitely be used in so many industries moving forward. But Bitcoin is just a digital currency. So instead of Australian dollars, people are buying things in Bitcoin and exchanging in Bitcoin or US dollars, it's Bitcoin. It's not controlled by governments or banks. So the, the value of Bitcoin is… there's no intrinsic value to it from where I can see it is supply and demand. So it's very hard from my point of view, it's very hard to value. So is it a good investment? I've got to put all the disclaimers in front of it, about do your own research, and I'm not here to give financial advice, but, I think if… youth need to fully understand what they're getting themselves into, there's been a lot of people that speculate. There's been some people that have made some, some huge money on it. But it is exactly that, it's speculation, in my opinion. So I personally, I don't invest in Bitcoin, I wouldn't because I can't see a value to it. I can't…, there's no defined value. It is typically all supply and demand, which is, as it's proven, very, very volatile.

[00:21:27] Interviewer

Very interesting. What path do you suggest a young person wanting to borrow something between $2,000 and $5,000 dollars? What should they do? Would you suggest a credit card loan, a personal loan or the bank of parents/grandparents?

[00:21:46] Jai

Well, I think it depends on how old the youth is, because if they're under 18, they don't have a choice. They can't get credit. But if they're over 18 and they're wanting to borrow between 2 and $5,000 dollars, the most cost effective option for them maybe is going to be the bank of parents, the bank of mum and dad or the bank of grandparents, depending on how much mum and dad and the grandparents want to charge them in interest. But I think if they are going to borrow the money from the parents or the grandparents, there needs to be a defined repayment schedule. They need to have to stick to, and I think this should be set up as a direct transfer, they need to stick to the repayment history because if they're going to go borrow the money from the bank, it'll be exactly the same thing. I think if they can, and it's an interest free loan from the parents or the grandparents, but then they can pay it back. It still instils that discipline of paying a debt back on time. If it's not possible for the parents or if the parents don't want to, then there's no, no bad thing for a youth to go and borrow the money on a, on a personal loan. Borrowing money on a credit card is expensive. It's what we call a cash advance. And while many credit cards are often interest rates of, some of them can be 12, 13, 14, 15 percent. Often cash advances attract a higher interest rate of up to around about 25 percent on a cash advance, and that's 25 percent per annum. So I would use a credit card as an absolute last resort, if it's an absolute emergency.

[00:23:14] Interviewer

And what's the lowest personal rates at the moment?

[00:23:18] Jai

Ah look personal loan rates, they differ between lenders and between whether it's what's known as a fixed interest or fixed term or a variable term where they can pay it out early. So we see them differing between about eight to nine percent, up to about 15 to 16 percent. It sounds high, but on 2 to $5,000 dollars, the number isn't huge. And I think it's not about this here. It's probably not so much about the money so much, as the experience and the discipline of paying that back. So, yeah, if they've got the luxury of the bank, the bank of mum and dad or the bank of the grandparents, I think that's definitely step one. But I would recommend an agreed repayment plan be put in place and a direct transfer set up so that they meet those commitments.

[00:24:02] Interviewer

I like your answer. I'm going to keep playing, play that back all the time, every time someone asks me for money, any of my boys.

Jai

Yeah. Repeat.

Interviewer
What would you suggest if a young person is in financial stress, what would you recommend as a first step to mitigate the situation?

[00:24:23] Jai
Seek help. So, you know, financial stress can lead, to lead to more if it's not nipped in the bud really soon. So seek help. I think the first, the first step for a youth is always family. Talk to mum and dad, talk to whoever you trust, grandparents, whoever you trust in the family about what it involves, where you're in and sitting down and just doing a budget, a realistic budget about where you're at and how long it's going to take to get out. From there, there’s many steps, there’s many steps about speaking to lenders, about speaking to creditors.

Interviewer
Yeah,

Jai
Possibly refinancing if it's going to save you money. But a word of caution about the refinancing part, and we see it every day in our mortgage business, people wanting to refinance and consolidate, sometimes, it makes perfect sense. Other times people are going to pay so much more interest by doing that. Yes, it will… it might reduce the minimum monthly commitment or weekly repayment or however they budget, but it might extend the loan term out, which means they pay significantly more interest in the long run. So it may not be the best approach.

[00:25:27] Jai
Just because it reduces your commitment doesn't mean that it's the best option. I definitely say seek help. Look to trusted family members first.

Interviewer
Yes.

Jai
If that's not the case, there is some fantastic businesses that do offer that. And it's not, usually it's not the lenders themselves, but making sure that you identify that early. And if you do think you're in a hole, put the shovel down, don’t keep digging.

Interviewer
Yeah.

Jai
Make sure you understand the situation you're in and, look for a way out and try and swallow your pride and do that sooner rather than later.

Interviewer
Oh, very good.

Jai
Because sometimes if you let it go too far and, and it's unfortunate that it goes into a default or bankruptcy stage on your credit file, that can affect you for the next five years.

Interviewer
Yeah.

Jai
So it can be a pretty, pretty big ramifications or rough ramifications for decisions that you make, but yeah, identify that and spot that. And if you think you are, then go and talk to your parents or talk to someone that you trust and run it past them and get a second opinion.

[00:26:29] Interviewer
Yeah, Uncles and Aunties, if they don't want to talk to mom and dad as well.
Yeah.

[00:26:33] Jai

Definitely. But yeah, I would say seek help, is the first step to get to get another opinion on, where you're at and what options are there for you.

[00:26:43] Interviewer

My last question before we go, your book cover, reminds me of a very familiar board game that I played in my youth. How much thought went into choosing this absolutely striking book cover?

[00:26:58] Jai

Yeah, we wanted to grab the attention of what was the target audience for the idea in the book of 16 to 24 year olds. So 16 to 24 year olds is the target audience for the book, not to say that other people can't get some huge advantage out of it, but something that was relevant to… a handbook and to stages through our life, so as we develop along through life or as we evolve through life, what are we going to need, and will this book aid us through each one of those stages? And there is a fair few different ideas getting thrown around, and we worked with a fantastic illustrator who sat down with us and came out with some ideas and threw this one around, and originally we all sort of looked at each other, and we went, “I wonder how that will work?” And then they came up with the idea and we all loved it, absolutely loved it. So, yeah, it was, it was a development over time. We had a few that we were considering and we didn't really know why they weren’t it, but we just agreed that they weren’t it. And when we saw this one, we knew it straight away.

[00:27:59] Interviewer

So one of the debates working in a library and being a Library professional is that never judge a book by its cover. But I must say, when you do see such a striking book cover, it does make you want to pick it up.

Jai

Yeah.

Interviewer

So that was a good choice there because it was just a striking cover that you think, oh, what's this about? And you do pick it up. So I do think book covers play an important role.

[00:28:21] Jai

Yeah, I hope so. I hope so. I've had a few people and a few friends messaged me and said, “I want a refund. It's not a board game, it's a book, I thought it was a board game”. Yeah. If it grabs the reader’s attention and picks up and if they get one valuable thing out of it for us, that's a win. That's a massive win.

[00:28:42] Interviewer

All the young people out there listening. Yeah, it looks pretty cool walking around, holding it. I must say so, check it out when you come to the library. OK, thank you Jai for your time and for a wonderful chat. We wish you all the best with your new book, *Financially Literate Youth* and with all future publications. Jai’s and Marlies’ book is available both physical and electronic formats at any of our Inner West Libraries ready for you to borrow or log on to our catalogue and place a reservation at any time. If you would like to purchase Jai’s and Marlies’ book, please visit your favourite independent bookstore online or in person. Bye everyone and thank you for listening and look out for upcoming digital content through the Inner West Library What’s on and social media channels.