Six steps to building wealth in your 30s

FINANCIAL PLANNING

Lucy Dean

Your 20s and even 30s can feel like they rush by in a blur of study, travel and good times. But at some point that devil-may-care attitude towards finances must give way to a plan for the future.

For Ashley Bishop, crunch time arrived in 2012. He'd spent much of his 20s shepherding other young people around Europe as a Topdeck tour guide, earning next to nothing.

He knew it was time to move on when he saw a photo of himself and realised: "I look unwell." It wasn't just his health that was suffering.

"The problem with tourism is that it sounds amazing, but the money's not particularly good," Bishop says. "I got to 30, and I was just, like, I need to do something that actually earns me money."

Bishop returned home in 2012 with $10,000 and a determination to build financial stability. "I was back in New Zealand, staying with mum and dad. I was depressed, had no money and the jobs I was qualified for paid poorly. It was time to find a career and rebuild myself."

Today, at 42, he owns a home, runs a financial advice business in Melbourne called *What If* and describes his financial position as "solid".

While Bishop's was a decade-long dalliance with travel, other Millennials may have been consumed by university study and or training, meaning they started out with student debt.

And then there's the classic case of the high earner who has succumbed to lifestyle creep. These are the doctors and lawyers and other professionals on good incomes but live pay-to-pay because they haven't learnt how to budget, save and invest, says Ben Hancock, a senior adviser with Stonehouse Financial Partners.

So, having reached their 30s or 40s, is it too late for Millennials? "Definitely not," says Fox & Hare financial adviser Christine Dang. "These people are potentially in their prime income earning years, which means they have a greater ability to save and invest."

Plus, they are likely to have the maturity to set goals and stay consistent. "They still have a good 30 years of saving and investing ahead of them," Dang says.

We spoke to these and other financial advisers to devise a road map for late-bloomers who want to sort out their finances.

Prioritise savings

Andrew Donni, 34, spent much of his 20s studying and then working in worthy yet low-paid jobs. With a master's degree in international relations, he started out with an internship at the European Union Chamber of Commerce in Myanmar, where he was paid a €200 ($357) monthly stipend, before landing a paid role comparable to the minimum wage in Australia.

When he came home in March 2020 at the age of 29, he wanted to level up. He'd landed a job with the German Chamber of Commerce and was earning $70,000 and his goal was to buy a house.

"I was actually quite excited because it was more than I had ever earned in my life," Donni says.

Even so, he knew he'd have to budget hard to get there.

Today, he has $130,000 in savings and is on track to purchase a property next year.

He attributes this to a focus on budgeting and a penchant for spreadsheets verging on obsession: he tracks his income and outgoings, projected wealth and net worth in great detail. "I have adopted the mantra that any of life's problems can be solved with a spreadsheet."

Rising Tide senior financial planner Matt Hale says keeping track of your money is essential.

"People need to know where they are at," he says. "It can be as simple as getting your transaction history for the last 90 days across your credit cards and debit cards and putting them into ChatGPT, and letting that categorise it."

Consider assigning money to different buckets aligned with different goals, such as saving $100,000 for a deposit and $5000 for a holiday. Groceries and bills should get their own buckets.

Then, set up an automatic transfer into each of these accounts every pay cycle. Crucially, create a separate bucket for "fun" to help you keep a lid on indulgences.

"Wealth is built through having those short, medium and long-term goals, and understanding the sacrifices to get there," Hale says.

Travel gave Ashley Bishop much joy but he realised he needed a career and financial plan, too. Below: "I have adopted the mantra that any of life's problems can be solved with a spreadsheet," says Andrew Donni. PHOTOS: EAMON GALLAGHER, LOUIE DOUVIS

Before aiming for big goals like a holiday or house, aim for a smaller, more achievable emergency fund. Donni's first goal was to save an emergency fund of about six months worth of expenses. After that, he wanted to save $100,000 as quickly as possible.

Importantly, Donni made sure that as his salary grew, his lifestyle didn't grow with it.

"I made a really conscious effort to try and suppress that lifestyle inflation as best as I could, while still allowing myself to have some benefit."

Focus on boosting your income

When Bishop returned from London, he wanted to a salary of $100,000 ASAP. He'd studied history and anthropology before picking up a degree in teaching.

But his father, a financial adviser, told him that if he wanted to make decent money, he should consider getting into financial advice. The salaries weren't great in New Zealand, so Bishop moved to Australia.

His starting salary was $55,000, but it grew quickly after a few years. He doubts he could have reached today's level of financial security without focusing on increasing his earning capacity.

"If I was giving someone advice, the one thing I would say is to decide what you want to do and make sure you study and upskill," Bishop says. "Because all the investing I've done has done well, but I've earned far more money by studying and getting new jobs and moving up the salary ladder than investing alone would have done."

Pay down bad debt

Debt is a big consideration for people building wealth, Bishop says.

He uses the example of a hypothetical client with $40,000 in Higher Education Loan Program debt, $10,000 in credit card debt and a $15,000 personal loan. They're in their 30s, and they want to buy a house. Bishop says the priority should be establishing an emergency fund, even if somebody has debt.

Ideally, aim to have about $10,000 in your bank account for emergencies.

"Most advisers will recommend three to six months' expenses as an emergency fund, but if you have significant bad debt this probably isn't practical," he says.

Then, pay off the debt that has the highest interest rate first. This will usually be the credit card. Then, move on to the debt with the next highest interest rate and so on.

Unless it's really impeding your home ownership goals – and this is a highly individual question – HELP debt will usually be the lowest priority, Bishop says.

"This is because you're already paying this off through the compulsory salary thresholds," he says. "The indexation of repayments is the lowest of the inflation rate, or the wage price index. In 2025, this is 3.2 per cent and inflation is forecast to remain below 3 per cent in 2026."

So, if your cash savings account offers a rate above 3.2 per cent, saving may get you closer to a house deposit than paying off debt.

If you want to buy a home, start planning now

Buying a house is one goal where your age does make a difference.

"Banks provide 30-year mortgages, and they want to know that there's a way for that debt to be extinguished," Hale says. "So if you're buying at 40, you're signing up to either have an exit plan that you work until 70, or you rely on superannuation to get rid of that debt."

Invest – but keep it simple

For people in their 30s and 40s, investment is a must rather than a choice, Dang says. She says this is especially true as interest rates fall, which means money kept in the bank is falling behind inflation.

Another benefit of investing – and Dang's preferred mode is low-cost index funds, like exchange-traded funds – is that the money is less accessible than if it is in a bank account. That means you'll be less tempted to withdraw and spend it.

Dang says the priority at this age should be given to building up assets outside of super because they can be accessed for things like buying a home or starting a family.

Hancock agrees. While super is an important focus, it's probably not the priority for someone really only getting started in their 30s or 40s, he says. He encourages clients to consider two options.

One option is to direct savings towards an investment portfolio. "That might be putting a certain amount each month into a portfolio that includes exposure to growth assets like shares," Hancock says. "It's also worth looking at listed ETFs or unlisted units trusts that invest in property."

A second option is to do the same thing, but add some leverage. For example, through a leveraged ETF or investment loan.

"The longer your time frame for investment, the more appropriate using leverage is. The shorter, the less appropriate."

Get ahead on superannuation

Having said all that, there will come a time to pay greater attention to super.

"If you have a substantial amount of surplus cash flow or holdings, I would encourage you to utilise their previous five years worth of unused concessional contributions, which is available to anyone with a balance of less than $500,000 in super," Hancock says.

Every year there is a maximum amount people can contribute to super and have it taxed at the concessional rate of 15 per cent. The annual limit at present is $30,000 and includes compulsory super payments employers make. So if your company pays you $10,000 in super contributions in one year, you have another $20,000 you can contribute.

Hancock gives the example of a 40-year-old who gets a salary bump from $130,000 to $180,000.

In the five years before her promotion, she'd received $15,600 in concessional contributions each year. This meant that over the previous five years, she had accumulated some $67,900 in unused concessional contributions potential.

"With her salary increasing from $130,000 to $180,000 her take-home pay would increase by $30,850 per annum," Hancock says.

"However, she could alternatively salary-sacrifice her full gross income increase of $50,000 in 2025-2026, saving $19,150 in income tax. She would then be eligible to utilise the remaining carried forward shortfall of $17,900 next financial year, together with that year's projected shortfall of $8400 before fully exhausting this benefit." SI