

## Speaker Series - *Budgets Don't Work* with Melissa Browne

**Interviewer:** [00:00:01] Welcome to the NSW Library Speaker series. We'd like to start by acknowledging the Gadigal and Wangal people of the nation on which this podcast is produced today. We're joined by author, speaker, podcasters and self-confessed serial entrepreneur Melissa Brown. Melissa is the co-founder and CEO of the financial education business, The Money Bar. She also writes a regular column for the Sydney Morning Herald money section and is a contributor to several TV and radio media outlets. Melisa's here today to discuss her fourth book, the newly published *Budgets Don't Work (But This Does)*. Welcome, Melissa.

**Melissa Browne:** Thanks for having me.

**Interviewer:** Thank you for joining us. I know you've been very, very busy. I think I'll start by asking the first and most obvious question, why don't budgets work?

**Melissa Browne:** [00:00:45] I think for me it just makes sense that budgets work. If we look at food, I see so many analogies between food and money, and so many of us know that diets don't work. They're super restrictive. They work for really short period of time. And then what often happens is that people, they react against having to be so restrictive. And then you put on all that weight that you took off during the diet. Instead, it's about understanding how you are physiologically understanding about real food and great food habits rather than calorie counting and all those horrible things. And I think it's the same with money. It's not being super restrictive and just thinking in the manner of deprivation the whole time and instead figuring out how do I intrinsically behave, what's my money story, and then setting up a financial world that actually serves you for the long term rather than the feast and famine, bingeing and splurging, which is how many of us behave financially.

**Interviewer:** [00:01:48] Yes, sad, but true. So Australia has very low levels of financial literacy. I think that's one of the points that you make in your book, the figures that you cited, the results of the 2008 study of household dynamics in Australia. And it showed that more than 50 per cent of Australians are not able to answer five basic financial literacy questions. It was actually reported again last year in October that Australians

have the second highest levels of household debt globally, just behind Switzerland. I think it's hovering about 120 per cent of our GDP. What do you think has led us here.

**Melissa Browne:** [00:02:22] Yeah, that's a really interesting conundrum. And it's not just an Australian issue. This is a worldwide issue. If we look at the S&P poor, we have global declining literacy. And if we look at the UK, it's mirrored. If we look at the US, it's mirrored. And I think part of the issue is that we're just not talking about money. Yes, we want to educate ourselves. If we go back to food around food. Yes, we want to educate ourselves around how to minimise harm to our planet. We want to educate ourselves on bringing up our kids. But when it comes to money, I don't know if it's because people are feeling shame because they're not at the age and stage they think they should be. I don't know if it's just disinterest and apathy or where people think, you know, I was no good at math, so therefore I'm just going to opt out when it comes to money or if it's a combination of all of the above. But certainly, this increasing household debt and this low level of financial literacy is definitely a modern phenomenon. And what I'm a fan of is understanding not just how to deal with our finances because that financial knowledge is really important, but understanding how we behave and why we behave the way that we do and setting up great habits to get us towards the goals that we want to set in life. And I think part of the issue as well is I find it really curious that social media has been around for less than a decade. And I suspect if we go back and look and be really curious to do research around this, whether we've had an increasing level of debt at the same time, because there is this keeping up with the Joneses comparison culture that so many of us suffer from, where it's not just keeping up with the Joneses next door, but keeping up with the Joneses for people we haven't even met yet or potentially being given what they're posting on on social media. So, yeah, it's a really curious time.

**Interviewer:** [00:04:17] Another one of the studies that you cite in the book is that great study on the subject of keeping up with the Joneses of the lottery. I love that study. That is indicative more than anything of that concept.

**Melissa Browne:** [00:04:31] Absolutely. And so this study you're referring to is there where lotto winners, someone won over one hundred and fifty thousand dollars. There was a higher increase in bankruptcies and financial stress and not from the lotto winners, but for the people surrounding them in their neighbourhood because they were

trying to keep up with the consumption of the lotto winners, because, again, it's all about this money story. But I feel less then I don't feel like I'm enough. And we've kind of been taught that how we show that we're enough is from consumption and from what we have and yeah, that study for me is just indicative of our comparison culture and our consumption culture that we really want to dig into and into our money story and figure out why that is so that we can create new money stories and new ways to behave with our money.

**Interviewer:** [00:05:22] So, so interesting. Human beings are very interesting bunch.

**Melissa Browne:** Oh yeah. I absolutely agree.

**Interviewer:** *Budgets Don't Work* explores the role that both nature and nurture play in the development of our individual financial behaviours. And you identify in detail four different money types and explain how this, in combination with an individual's money story and money environment, will result in what you term as your unique financial phenotype. As I mentioned before, you referenced a wide range of research on this topic, citing various sources, everyone from several high-profile behavioural studies to Karl Jung - a lot of reading involved. Can you explain a little bit more about this concept and how a more individualized approach can improve our financial outcomes?

**Melissa Browne:** [00:06:07] So I've been an accountant for more than 20 years, a financial advisor for more than five, and writing about money for more than 10 years now. And what I continually saw is people just wanted to be told what to do. But what I also noticed was even when they were being told what to do, they just couldn't stick to it. And so it wasn't so much about what we know. It was about who we are.

[00:06:32] And I realized that a one size fits all approach just doesn't work, which most of us know anyway. And instead, it's about figuring out how an individual is set up and how an individual behaves. And then working with that and a call that your financial phenotype and a phenotype in nature is the interplay between nature and nurture. So I see those same interplay happening with money, our money stories that we grew up with, which might be the very Australian story that you're not really an adult to own your own home through to that story that so many of us carry around not being enough when it comes to money. I don't have enough. I don't feel like I am enough. What I encourage

people to do in the book is to unpack them and to ask the question, are they serving you or sabotaging you? Because if we look at the money story of owning your own property, you're not being an adult unless you own your own property. That might seem okay on the surface, but if I'm a young person and I want to be able to chase a job around the globe, then I might be sabotaging financially rather than looking at the root of why am I behaving that way? So it's digging out these money stories to ask the question, is that serving me or sabotaging me, which is the nurture side of it? The other part I saw was in the same way that I am an introvert and I can try to be extrovert and I can absolutely behave like an extrovert in small sprints.

[00:07:59] So if I'm up on stage presenting, if I'm at a dinner, someone will come up to me and say, Oh, it's no way you're an introvert. But I recharge by myself. You know, the pandemic. One of the things I've actually enjoyed is being on my own and having that time away from people and recharging. I can force myself to be an extrovert, but it's not natural to me. And if anything, it'll end up depleting me. So when it comes to our finances, it's actually figuring out how I naturally behave. And that's where I've created those four different money types based on my own research. And it's understanding whether I'm a creator. I relate a discernment or a worker. What are the strengths of that money type? What are the weaknesses? And then just as importantly, what habits can I put in place so that they pull me along not quite effortlessly, but almost to that financial place that I want to exist in, which will be different to the place that you want to exist in all the different places that your sister or your neighbour wants to exist in.

[00:08:59] And I think understanding that we have different money stories, that our money environment can impact us financially and that we have these unique money types can make us realize that I thought I was doing money wrong, but actually this is just how I naturally behave. So how about I set a system up where money can work for me or I thought my partner was doing money wrong, but they're not. It's been a source of tension because I've been so judgmental when really if we look at our individual money stories and our individual money types, I can then relate to them in a different way, in a deeper way, in a curious way, rather than a judgmental way, and then set up our finances so that we both feel safe and we both feel supported. If we get this right, it can create financial transformation rather than just doing something, because that's what I think I should be doing.

**Interviewer:** [00:09:52] It's so much more complicated than people realize, isn't it? But when you spell it out for us, it seems simple.

**Melissa Browne:** [00:10:00] I don't want people to calorie count their finances. I want them to understand how they financially behave. And as you say, it involves a little bit more at the outset. But if you do that work, then the end result, as I said, is going to be transformational.

**Interviewer:** [00:10:17] In the final chapter of the book, you were covering the negative impact that stress can have on an individual's financial behaviour. So obviously, covid-19 and all the associated financial and social effects have created a level of stress that I'm sure even you couldn't imagine when you started to write the book. So what can we do to look after ourselves financially in these difficult times?

**Melissa Browne:** [00:10:41] Stress is something that we- It's actually a made-up concept where the word stress was created to describe a whole lot of different symptoms that we now know as modern day stress and stress in and of itself isn't a bad thing. We a little bit of stress is okay, but it's when that stress can impact us negatively. That's what we want to look at. So whether that is how you behave, if it's a tricky customer at work or you've had a fight with your partner or a global pandemic, and that's the stress of not knowing what's going to happen and not knowing if my job's safe and then adding to that, not having that base level of financial literacy. That's where I can really see people start to come undone. And the positive I've seen as a result of COVID is people starting to talk about their finances. They realized back in March when it hit that potentially they only had a couple of weeks of runway of money. And the stress of that and the stress of needing to look after themselves financially meant suddenly for many people they really needed to dig in to how do they financially behave and how can they protect their finances. And certainly what I'm encouraging people to do to look after yourselves in this current environment is to make sure that you're not pretending like it's business as usual, that you're not putting your head in the sand going, oh, there's stimulus money and it'll be fine.

[00:12:10] You know, Victoria has proven that it's not necessarily going to be fine. And we know that come into September, though, it's going to be a cutting off point with stimulus or certainly a loosening of it. So things we can do are making sure we have a

buffer worth of three months' worth of savings. And I'm not suggesting that you have that by September but starting now to build that buffer. If your hours are cut down in your job, if you do lose income, you're not going to suffer that same level of stress because you have that buffer there going back through three months' worth of expenses and pausing, swapping or cancelling expenses. But I'm also a fan of keeping a stress log. Might be a month worth where you sit down and you write down those times where you financially behaved in a way that you're uncomfortable with or that is sabotaging and then work out what stressor happened because of that and then figure out how you could act instead. So if it's that I was bored or that it was just a gradual build up and on a Friday afternoons are fine after the stress of the week, I can hold it together. But Friday night, that's when I'm scrolling through social media and I'm clicking to buy more often. Or maybe I just can't make financial decisions.

[00:13:26] Then figure out how you can swap that financial behaviour. Maybe it's a social media detox. Maybe instead of spending one hundred dollars, you spend ten dollars on something. Maybe it's going for a run or meditating or picking up the phone to a great friend and having a conversation with them.

[00:13:44] Maybe it's jumping in the shower and just having a cry and releasing it. But it's figuring out what how you going to swap that behaviour with that stressful sabotaging financial behaviour. And certainly, what I'm saying is that we're moving away from cash to a digitized payment. So we're having both stressful behaviour where we're potentially financially sabotaging, but we're also moving away from cash. And what I know and what the brain research has taught us is that we spend more when we're not using cash. So my concern is we're financially sabotaging because we're stressed and then we're spending because we're using digitize payments. So it's figuring out why that is and how can I create almost a boundary around you, if you like, so that you can prevent doing yourself financial harm and doing things like having buffers. Reducing your ability to spend and swapping behaviour can really help to reduce our stress levels. Certainly for me during this time, it's been laying off chocolate and sugar, making sure I work out for thirty minutes every single day and having a bath once a week. And none of that is financial behaviour yet because it's reduced my stress levels, I'm not going to have those potentially stressor events as often, so therefore my finances are going to be at risk. So it's figuring out how you and why you behave and then putting other things

in place for that 10 percent of the time when you're going to undo all that beautiful financial work, you're putting a plan in place for that.

**Interviewer:** [00:15:22] Another thing that individual lives approach is probably best, isn't it?

**Melissa Browne:** [00:15:28] Absolutely, because my husband certainly has a very different way of handling stresses. And for him, that's been he's a worker money time. So for him, it's been getting out in the yard and doing stuff. I like to give him jobs where I don't have to have a handyman come in and fix it up after.

[00:15:44] It's like I have to funnel how he gets out his stress because otherwise it costs us a whole lot more money.

**Interviewer:** You've got to love helping. It's always good.

**Melissa Browne:** Oh, yes.

**Interviewer:** [00:15:55] So as this is a library podcast, we always like to finish by asking what you're reading. And obviously you did a huge amount of reading and research and prep for this book so you're probably in the mood for something just a little bit lighter. Do you have any reading recommendations for our listeners?

**Melissa Browne:** [00:16:11] Yeah, I'm a prolific reader. One of the things I'm really grateful to my parents for growing up is that I used to escape by reading, so I always have a few books on the go. So after writing this book, I just wanted a lot of bubble-gum and I call lighter books just that bubble-gum where I can just read it and not even think. I really enjoyed Jojo Moyes' *Giver of Stars*. I loved the history that she talked about.

[00:16:36] I didn't realize that library books by horseback in the US was a thing. So I found that fascinating. And I pass it to my mother in law who passed it on to all her friends. I know that was wildly read. Kevin Kwan. I've just finished his *Sex & Vanity*. I read that on the weekend and I quite enjoyed that. And *Untamed* by Glennon Doyle. That was a great read, even though I don't have kids and I'm purposefully childfree and

she talks a lot about parenting and I still receive so much in that Cheetah analogy she talked about. I just loved. It's just that from the first chapter she hooked me.

**Interviewer:** [00:17:12] Well, thank you so much for your time, Melissa, if you'd like to hear more from Melissa. *Budgets Don't Work (But This Does)* has recently been published by Alan Anwan and is available now at all good local bookstores. You can also continue the conversation with Melissa via Twitter via her handle @melbrowne\_, or by subscribing to the Uncensored Money podcast on your preferred podcast player platform.

[00:17:36] If you'd like to take advantage of some of Melissa's reading suggestions, you can find many of these titles available for reservation via our Online Library Catalogue. Thank you for listening and look out for more upcoming digital content through the Library Website, What's On and social media channels.