

September 2013

## Learn from your mistakes - 'Your life choices' June 2012

*This is an excerpt from an article released by NICRI (National Information Centre on Retirement Investments) <http://www.nicri.org.au/>*

We all at some point in our life have made a mistake or even a number of mistakes. It is also likely that some of our mistakes relate to our finances. While we cannot always avoid this, the least we can try and do is learn from those mistakes as well as those made by other people. Unfortunately some are more common than others so we thought it would be a good idea to list some of them for you and your family to help secure a better retirement.

If possible avoid getting into debt when purchasing assets that do not offer growth or income returns. This means items such as cars, holidays, and electrical equipment. This cannot always be avoided as there may be valid reasons such as needing a car to get to work or to buy essential items for the family home. But the effect of this is that you end up paying interest on top of the purchase price and by the time the loan is paid out then you end up with an asset that has depreciated in value. Consider if it is possible to save for these items if you don't need them straight away.

I've mentioned in a number of previous articles about the importance of budgeting as this can give a true picture of your ability to make ends meet. It can also highlight potential savings that can accumulate to meet future goals and/or repay

debt faster. It shows a true reflection of your cash flow which allows you to manage your money in months of high and low expenditure. By keeping expenditure low in months where expenses are low allows more funds to cover 'high expense' months in future.

Keep credit card balances to a minimum. You may have different reasons for keeping credit cards such as convenience when travelling, a back up in case of emergencies or to pay all your expenses. Interest rates on credit cards are comparatively high so the trick here is to repay the credit card as soon as possible to reduce the interest charged. The second tip is to keep your credit limit to a minimum therefore reducing the risk of you purchasing goods without saving for them. This also means not accepting those 'easy' offers from the financial institution to increase your card limit.

Pick investments according to your desired time frame and keep cash reserves so that you can use them in times of need. This will help avoid the need to sell off assets at a reduced value, (see next point). Diversifying and sticking with time frames means that if markets are volatile you can draw on cash while giving your growth assets time to recover and hopefully give a good average return by the time you do require the funds. It is essential that you set yourself goals for both the long and short term as without them the choice of investment may be inappropriate.

Try to avoid selling 'growth' style assets when the market values are down. It can be unsettling knowing that an investment such as shares or property may be going through a bad patch but selling them means crystallising your losses. Consider why you invested in these types of assets originally and determine if they are still appropriate to meet your future needs and objectives. Remember, 'growth' assets are longer term investments so it pays to have a cash reserve in a safe short term investment to cover unexpected costs and emergencies. For more information on investment risk and time frames refer to NICRI's 'Risk Meter' leaflet.

Save regularly – this where budgeting comes in handy. Identifying savings and investing those funds, even if you don't have any specific goals, can increase your wealth which can improve the quality of life down the track. This includes saving for retirement. Putting small amounts away in superannuation early in life can make a big difference to the size of the nest egg you or your children will be able to rely on in retirement. A potential advantage of saving regularly is the effect of 'dollar cost averaging'. Dollar cost averaging generally applies to investment funds that are 'unitised' such as managed funds. If the value of the fund has reduced due to factors such as a dip in the share market, then those continued contributions would simply buy more units in the fund. This means when the unit price (hopefully) recovers you will be left with more units to sell at a higher price. It is like buying shares at a low price, you would be able to buy more for the same amount of money.

Consider life insurance and income protection (if applicable) not only for yourself but encourage your children to consider it as well especially if they have children themselves. If something were to happen to your child you may be put in a position where you may need to look after or raise your grandchildren. This can be extremely draining both emotionally and financially. It may mean that all those plans you had for retirement are put on hold or even cancelled and it is likely you won't enjoy the standard of living you had worked hard for all your working life.

If you don't have the expertise in making financial decisions then seek advice. It is often cheaper to pay for professional advice than deal with a mistake that wasn't properly considered. Making rash or unconsidered financial decisions could mean that you overlook potential tax savings, miss investment opportunities or simply invest money in inappropriate investments.

Avoid Scams and dodgy deals if you can. Of course this is easy to say but in reality they can be hard to pick as they are designed to deceive. Scams come in many different forms from bogus emails wanting personal information, bank account details and/or passwords to requests to send money overseas in return for cash payments. Other common scams include computer hacking, bogus charities, 'guaranteed' gambling systems promising success and financial scams such as pyramid schemes. Whatever the scam the main objective for scammers is to make money and there is often little or no recourse if you are a victim.

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## **Implications of the Coalition's win on investors**

*This article is an excerpt from some information recently provided by Plato Investment Management.*

Please note that whilst these are the Coalition's policies, they need to pass both the House of Representatives and the Senate. Whilst the Coalition will control the House of Representatives, passing through the Senate may prove much more difficult.

The Coalition have now been confirmed winners of the 2013 election. The major changes the Coalition intend to implement which may impact on company earnings and investor returns/dividends are:

1. Cutting the company tax by 1.5% to 28.5% from July 1 2015. However, for companies earning more than \$5m, (approximately 3000 companies), a 1.5% levy on profits will be applied to pay for the Coalition's parental leave scheme.
2. Abolishing the carbon tax and not implementing an emissions trading scheme. If enacted, this will reduce costs for companies, although for some companies these benefits may be offset against any reduction in compensation they currently receive.
3. Abolishing the mining resource rent tax. Whilst the tax receipts from this mining tax have been disappointing, there will be reductions in tax for some iron ore and potentially coal miners.
4. Delaying by two years the phase in of Labor's superannuation guarantee increases.

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## Mortgages and Lending

*(Provided by One10 Mortgage broking services)*

### FIXED RATES ARE STILL GOING DOWN

We didn't think fixed rates would go any lower, but a number of lenders have announced fresh rate cuts and it seems to be aimed at the 2-Year category. In fact in one case, the 3-Year fixed rate went up, so make of this what you will, but we may have hit bottom and fixing rates should be considered an option for your overall lending arrangement.

Here is a list of the current best 2-Year fixed rates:

AMP = 4.69%

CBA = 4.79%

STG = 4.79%

And to make it easier for clients to make a decision and switch, two of the above 3 lenders are offering refinance rebates\*:

STG = \$1,000

CBA = \$700

\*Basic conditions apply

### A VERY SPECIAL OFFER FOR MEDICAL, LEGAL, ACCOUNTING AND MINING PROFESSIONALS

90%-LVR loans without the requirement for mortgage insurance or genuine savings, for the following professionals:

### Medical Professionals

Medical Specialists (including GP's and hospital doctors)

Dentists

Veterinary Practitioners

Optometrists

Pharmacists

### Other Industries

Accounting (includes accountants, auditors and actuaries)

Legal (includes lawyers, solicitors and barristers)

Mining (includes engineers, surveyors and geologists)

Depending on profession, the maximum loan amounts available are between \$2M - \$4M.

The benefits of this package are enormous, both from a practical and financial perspective.

Genuine savings, which is the requirement to have at least 5% of the value of the property saved over a period of time, often holds back even the best of clients. By waiving this requirement, professionals who have enough capital, regardless of origination, can immediately purchase a property of their choice without having to wait and miss out.

Regarding mortgage insurance, on loans above \$1M mortgage insurance premiums start to take off. In fact you could pay well over 2% on your loan amount, and it doesn't even cover you! This means on a loan of \$2M, mortgage insurance can be over \$40,000, that's a huge saving.

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## **Movember—Current Prostate Cancer Research**

Thanks to Movember funding, Professor Daniel Galvão of Edith Cowan University in Western Australia has made significant developments in prostate cancer research and patient support.

Working directly with patients in a clinical trial, Professor Galvão and his team have linked the impact of muscle loss and the benefits of exercise for prostate cancer patients.

Road-testing an exercise program design to build muscle, the trial has found that patients who maintain or build muscle with regular exercise during and post treatment, are shown to suffer fewer side effects such as reduced mobility, mental wellbeing and sexual function.

“Our work has important implications in terms of helping patients cope with toxicities and adverse effects from [prostate cancer] therapy,” said Professor Galvão.

Unfortunately, hands-on research of this kind typically goes under-resourced due to limited commercial application following trial completion.

Movember is therefore proud to fund critical research like Professor Galvão’s trial, which is paving the way for improved quality of life for men living with and beyond cancer.

Encouraged by the results seen to date, Professor Galvão commented, “I’d like to see in the future,

all men in Australia and internationally having access to an exercise program to facilitate their

recovery and improve their long-term quality of life and longevity”.

This program was funded by Movember as part of Prostate Cancer Foundation of Australia’s Young Investigators Grant program.

## Recent Training attended

Sharni attended –

- Australian Equities Reporting Season
- Risk Store webinar on Looking after the Kids—Managing assets in a modern family
- Risk Store webinar on being a brilliant facilitator
- MLC– Unlock the Benefits of MLC MySuper
- FOFA and Business Valuations

Michael -

- Continuing with CFP studies
- Risk Store webinar on The Complexities of Estate Planning in a Modern Family
- Risk Store webinar on Looking after the Kids—Managing assets in a modern family
- Risk Store webinar on being a brilliant facilitator
- MLC– Unlock the Benefits of MLC MySuper

## Team Update



Sharni is a member of the "Clientelle" team taking part in this 2-day sponsored walk around Sydney on the weekend of 9 & 10 November. They hope to walk 60 kms, starting and finishing at Darling Harbour.

Creating Australia's largest integrated cancer care facility, the Chris O'Brien Lifehouse at RPA will combine all facets of clinical care; surgery, medical and radiation oncology, research wellness and support services on an out-patient basis.

If you would like to find out more about Chris O'Brien Lifehouse, women's cancers or if you would like to make a donation to Sharni, please visit:

[http://sy13.endcancer.org.au/site/TR/Events/Sydney2013?px=1016594&pg=personal&fr\\_id=1060](http://sy13.endcancer.org.au/site/TR/Events/Sydney2013?px=1016594&pg=personal&fr_id=1060)



*Download the QR code application on your smartphone then scan this code and it will take you directly to our website!*

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## Would your family or friends benefit from reading our newsletter?

*Please feel free to forward our newsletter to them if there are items you think would be relevant and could benefit them.*

*If you require extra copies please do not hesitate to contact our office.*

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