LIFE Strategies TODAY

December 2014

Getting more pounds, euros, greenbacks, yen or whatever for your Aussie Dollar

If you have any tips or traps from your own travels to share, please email yourfinancialcoach@lifestrategies.net.au

You've booked your overseas trip and you need some local currency to take with you. Depending on the method you choose for accessing your pounds, euros, greenbacks, yen, yuan or whatever they spend wherever you're going, you might end-up short-changing yourself. Have a look through our outline guide to the pros and cons of the four main methods of spending money overseas – and maximise your buying power.

<u>Foreign Exchange – cash</u>

Simply exchange your Australian dollars for the equivalent amount in the currency of your destination country. Exchanges to and from the foreign currency can be completed at any bank or foreign exchange outlets, e.g. Travelex.

Pros

Most major currencies are automatically available, but it may be necessary to place an order for less popular currencies or if specific note denominations are required.

Exchanging your cash is quick and convenient, and many institutions offer low or nil fees. It is also quite useful to hold cash in the local currency before arriving in a foreign country.

Cons

Some institutions do not offer competitive exchange rates and can charge high or even hidden fees. Depending where you are travelling, it may be more beneficial exchanging your cash in the foreign country. Also, carrying large amounts of cash – in any currency – may not be the safest thing to do; most travel insurance policies will only cover up to $250 of stolen cash.

<u>Travel Money Cards</u>

Travel money cards are increasing in popularity and in many cases are replacing travellers' cheques, although these are still available.

Travel Money cards can be in the form of a 'cash passport' or pre-paid travel cards. These cards allow you to load your Australian dollars onto a pre-paid card and convert your money into a currency of your choice. Most cards even allow you to load multiple – up to 13 – major currencies, which can be very convenient if you are travelling to more than one country. Some airline frequent flyer programs are now offering an optional combined frequent flyer/travel money card.

Pros

Having your money on a travel money card provides the security of having your funds in an account which you can monitor online and transact by PIN (or signature) when making purchases or withdrawing cash from an ATM. Most institutions also provide a secondary card (usually at no extra fee) in case you misplace or lose the primary card. They also offer 24/7 customer service if you have any issues with your card whilst overseas.

Loading your card when the exchange rate is favourable and that rate is locked-in; you'll know exactly what the exchange rate is each time you use the card and won't be subject to fluctuations.

Cons

Conversely, loading your card when the exchange rate is not so favourable means locking-in at a rate that may not be so appealing when you actually want to spend the money.

Be careful to read the fine print before purchasing a travel money card to avoid paying unnecessary fees other institutions may not charge, including:

- Load or issue fee
- Reload fee
- Currency conversion fee
- Monthly inactivity fee
- Closure of account fee
- ATM withdrawal fee (you may be charged a fee in the foreign country in addition to the fee charged by the card issuer

This type of card cannot be used as, and is not a substitute for, a *Credit* card, i.e. you cannot overdraw on your account. For example, you may not be able to use this card when booking a hotel or hiring a car. Also, although becoming rarer, some retailers may, at their discretion, not accept

Australian Credit or Debit cards

Check with your bank to see whether your debit card can be used to withdraw cash at overseas ATMs and determine what, if any, fees are applicable, including currency conversion costs.

Your bank may have a reciprocal arrangement with specific banks in the countries you are visiting to waive ATM fees, e.g. Westpac/St George are part of Global Alliance Partners – http://www.westpac.com.au/travel-centre/access-money-overseas/global-atm-alliance/

Pros

Reciprocal arrangements can avoid ATM fees. Using your existing credit and debit cards avoids the need for, and costs associated with setting-up travel money cards.

Cons

Purchase costs and withdrawals are converted at whatever the exchange rate is on the day – this can fluctuate.

Travel Credit Cards

Travel credit cards work like every other credit card, but generally offer more competitive fees and rates for international purchases and are, unlike travel money cards, accepted everywhere a regular credit card would be.

Pros

Travel credit cards can offer excellent currency conversion rates, are universally accepted and may provide other rewards such as bonus frequent flyer points.

Cons

Some institutions charge an exorbitant annual fee for accessing these international benefits, but shop around and you'll find some institutions that are not currently charging any annual fees, e.g. 28 Degrees (owned by GE Money). As with regular credit cards, purchase costs and withdrawals are converted at whatever the exchange rate is on the day – this can fluctuate.

Summary

There is no 'one-size-fits-all' answer to how you should carry your money when travelling overseas. Having at least a small amount of local currency, in cash, on you when you land seems sensible. Combine that with one of the other options for the bulk of your money and you're all set for an enjoyable travel adventure. Before committing to one method or another, access some more information, including a handy guide to choosing the right travel credit card, at:

http://mozo.com.au/travel-money

Bon voyage!

Are you claiming the correct deduction for your motor vehicle?

Life Strategies Accounting Services (LSAS) recently celebrated its 6th birthday and the team, managed by Jo Ampherlaw, is enthusiastically assisting clients with a range of services including bookkeeping, accounting, SMSF's, tax & ASIC support.
http://lifestrategies.net.au/our-services/accounting-tax

We are available for any queries you may have - large or small - and referrals are always welcome.

We've been receiving a few queries on Motor Vehicle deductions for the employed and for the self-employed so here is a bit of a refresher. The information is general in nature so any detailed questions for your circumstances please give us a call for professional guidance.

First, some good news - there has been a 'per kilometre' rate increase for the first time in 5 years:

Small Car (to 1600cc)	65 cents (was 63 cents)
Medium Car (1600-2600cc)	76 cents (was 74 cents)
Large Car (over 2600cc)	77 cents (was 75 cents)

Now how do you receive a tax deduction? Where you drive from work to another work place then you can receive a tax deduction but note you cannot claim the cost of travelling between your home and your place of business, except in certain limited situations. Where your home is your place of business then you can claim the cost of trips you make between your home and other places, provided you made the trip for business purposes.

Which method can you use? You can use the method that will give you the best result so here at LSAS we always check that for you. You can even use different methods for different cars and change from year to year (provided of course appropriate records are kept).

Methods available: First question, do you travel less than 5,000 kilometres then the following 2 are available:

	Advantages	Disadvantages / Other
Method 1—Cents per kilometre		
Calculate your kilometres travelled in the year	• Limited record keeping—just need to know how you arrived at the estimated kms (a reasonable estimate) • Useful where a vehicle is older so ownership costs, depreciation and interest are quite low. • There is a per car claim so if you changed vehicle during the year potentially a claim up to 5000km per car can be made.	• Limited to 5000kms
Method 2—Log Book		
Use a logbook to work out your business kms. Must be kept for 12 continuous weeks as well as total kms you drove so a business % can be calculated	• Each logbook you keep is valid for 5 years, but you may start a new logbook at any time. • Expenses include interest costs, depreciation as well, so works well with a new car.	• You must have written evidence of fuel, oil, odometer, car washes and all other expenses (credit card receipt with notation or BPay on a bank statement can be used).

If you travel more than 5000 kilometres in the year there are an additional 2 methods you can select from:

	Advantages	Disadvantages / Other
Method 3—12% of original value		
Claim 12% of original value (cost or market value on lease date if leased)	• You don't need substantiation of kms travelled (no logbook) but you need to be able to show how you worked them out	• Car limit is set each year and currently is $57,466 (TD 2014/17)
Method 4—1/3 of actual expenses		
Claim 1/3 of total costs including odometer readings, car info (capacity ect) similar to written evidence for Method 2	• Can claim depreciation or lease payments in this method as well and don't need a logbook either.	• Need to keep receipts for claims but reasonable estimates for fuel and oil expenses can be based on odometer records.

Microfinance – where your family can really make a difference!

Kiva.org *- http://www.kiva.org/about*

For the uninitiated, Kiva.org enables you and your family to make microloans (starting from as little as $25) directly to some of the world's poorest entrepreneurs. They in turn use your loan to start or grow a business, providing goods and services within their communities and in the process often pulling themselves and their families out of poverty.

Think of Kiva as the eBay for microloans. Kiva works with local microfinance institutions to collect repayments from entrepreneurs and present lenders (that's you!) with updates on how the entrepreneurs are progressing – and an impressive 98.77 per cent of all loans are repaid in full.

Really, where else can you spend $25 and get such a bang for your buck these days?

Imagine - you'll be directly responsible, for example, for a goat farmer in sub-Saharan Africa building up their business and putting goat on the family table. Eventually they'll finish repaying the loan, at which time you'll be able to re-lend your money out to another worthy third-world entrepreneur.

How good a 'teachable moment' is that for your kids? They get to see finance in action and how, individually, they can make a difference; the kind of small sum easily blown on an after-school pizza, being used to help willing entrepreneurs – real people - transform the lives of their entire family. Maybe that should be transforming two families!

Why should you aim to pay more off your mortgage?

Got a mortgage? Then the RBA's recent resolution to maintain the exceptionally low cash rate of 2.5% presents you with an unprecedented opportunity to make enormous savings.

Current interest rate levels represent enormous savings to borrowers.

For example, at 5%, a $300,000 mortgage will cost $72,114 in interest over the first five years. At 7% the interest would amount to $102,149 (and 7% is the approximate average variable home loan interest rate over the last 15 years). **That 2% discount, from 7% to 5%, represents a saving of $30,000 over 5 years.** Are you using this saving wisely?

Mortgage holders need to be aware that this is the best time in the last 20 years to make extra repayments on your mortgage.

Continuing with our example $300,000 mortgage – the standard weekly repayment, based on a 30 year term at 5%, would be $372. But what happens if you choose to pay an extra $100 per week ($472 instead of $372)?

1. You pay your home loan off fully 11 years earlier
2. You save an enormous $115,000 in interest while doing so.

19 years instead of 30? $115,000 to spend on something else? Who wouldn't be interested in that?

There can be no doubt that now is the ideal time to pay down debt more aggressively – whilst low interest rates absorb less of your repayments.

These historically low interest rates ensure more of your repayment is allocated to actively reducing your debt and not merely to servicing it.

While the example above is for demonstration only, we are always happy to walk through the specifics of your personal numbers.

If you would like to review if your mortgage is competitive in today's environment, send in a copy of your latest mortgage statement or talk to one of our Advisers.

Changed circumstances? Reassess your situation and plan accordingly – as Kathy did.

In March 2010 – one of our clients, let's call her Kathy - took out an Income Protection and Total & Permanent Disability (TPD) policy following advice from her professional adviser. Unfortunately, she was recently diagnosed with a condition called Postural Orthostatic Tachycardia Syndrome (POTS) which causes her to have dizzy spells and faint up to 35 times a day. Kathy won't be able to work again, here's her story...

When circumstances meant I ended up being our family's sole income earner, my husband and I thought it best to get income protection and TPD insurance. It was really a no-brainer, giving me peace of mind knowing that if something were to happen, I wouldn't have to worry about how my husband and two children would cope financially.

I took out insurance in March 2010 through my adviser, who was the first person I went to when it became clear I needed to make a claim. I'd actually been at work when I experienced my first blackouts, seeing black spots in front of my face and fainting a number of times that first day.

Being diagnosed with POTS was, as you might imagine, absolutely devastating. Even more shocking was learning that neither surgery nor medication could help me. That's when I made my Income Protection claim because I couldn't go to work anymore.

My adviser helped me through the whole claims process and was just brilliant. My husband says he made his life so much easier and couldn't speak more highly of him. I was pleasantly surprised how quickly I was paid too.

I hadn't wanted to give up on potentially getting back to work as I missed socialising and interacting with friends and colleagues, but six months or so after initial diagnosis my doctor confirmed that I would never return to work. That was when I made a claim under my Total and Permanent Disablement policy. Money received from my TPD payout has allowed us to pay off our mortgage and modify our house – removing stairs, installing softer surfaces - making it a safer environment for me in case I faint when doing day-to-day activities.

Looking back, not having the appropriate insurance cover just doesn't bear thinking about. We would have lost our home, turning our family's world upside down. As far as I'm concerned, getting life insurance should be made a law.

Source: AIA.com.au

Recent Professional Development Training Attended

At Life Strategies we believe continuing Professional Development is key to the ongoing provision of quality services and advice for our clients. Recent training includes:

Sharni
- Portfolio Construction Forum Conference: three days reconnecting the 'three Rs' – Risk & Return (& Relating)
- Farrelly's Workshop—Dynamic Asset Allocation
- Ibbotson Webinar—Market Correction
- Financial Planning Services Australia Professional Development Day
- Netwealth Webinar—Strategies for a lasting client relationship

Alison
- Financial Planning Australia Sydney Chapter—The Social Adviser

Michael
- Risk Researcher Webinar
- Financial Planning Services Australia Professional Development Day
- Netwealth Webinar—Strategies for a lasting client relationship

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

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

Christmas Break

Life Strategies will be closed for the Christmas holidays from Friday, 19th December 2014 to Monday, 12th January 2015.

Please note that if you need to contact any of the staff during this time we will continue to monitor our main email yourfinancialcoach@lifestrategies.net.au and phone messages and will respond as soon as we can.

Life Strategies wishes you a happy and safe festive season and we look forward to working with you in the New Year.

Life Strategies P: 02 9487 8200 F: 02 9487 8201 E: yourfinancialcoach@lifestrategies.net.au W: www.lifestrategies.net.au