INSIGHTS

SUMMER 2018

FINANCIAL ISSUES AFFECTING YOUR LIFESTYLE

HOW TO AVOID A FINANCIAL BINGE AND STARVE

Here are our five tips for breaking bad financial habits this holiday season... and keeping your finances on track all year round.

Like the old tune says, 'it's the most wonderful time of year' – but for many of us, it's also the most expensive. Over one-third of Australians reach for their credit card around Christmas time, racking up an average debt of $1,666.[1] So how can you avoid a financial hangover when the New Year rolls around?

The best way to break the pattern of a financial binge and starve is to form good spending and saving habits throughout the year. So if you're already worried about the strain on your wallet this silly season, here are five ways to get your finances in shape for 2019.

1 Plan for the year ahead

While it may seem daunting to think about your next 12 months' worth of spending, it can help you get a clearer picture of when the most expensive periods will be. That way, you can start preparing for them in advance.

You may already have a weekly or monthly budget in place to keep track of your day-to-day cash flow. But if you look at your expenses for the next year, you can start planning for one-off costs like your car registration, insurance premiums or education fees.

2 Save first, spend second

Once you have a big-picture view of your upcoming expenses, you can set up a regular savings plan. Many of us are in the habit of putting aside whatever is left from each pay cheque *after* we spend, which means we often end up with very little in our savings account.

The trick is to reverse this mindset and put aside some savings *before* you start spending. The easiest way is to set up a regular direct debit from your everyday bank account, scheduled for each payday. With a fixed amount automatically transferred to your savings account, you'll be able to grow your balance without even having to think about it.

3 Budget for major purchases

If you've set your sights on a big-ticket item like a car or an overseas trip, it's important to be realistic about how much it will set you back. It's always a good idea to overestimate the cost, so you don't get caught short. At best, you'll end up with a little cash left over to add to your savings. And of course, make sure you shop around before buying so you can get the best deal.

By figuring out the cost well ahead of your purchase date, you can then work backwards to calculate how much you need to save until then. You could even open up a separate account for your one-off goal so you can keep track of your progress and avoid the temptation to dip into those savings.

4 Be careful with your credit card

If you don't keep a close eye on your spending, the *urge to splurge* on your credit card can kick in. Before you know it, you could end up in a debt cycle where you're repaying interest upon interest.

In fact, almost one in five Aussie consumers are behind in their credit card payments, so it's best to avoid becoming a statistic.[2] Instead of splashing out on each purchase that takes your fancy, it makes financial sense to wait until you've saved enough cash to pay for it outright.

If that's not possible, you might look into alternative payment options. For instance, some retailers may let you pay in instalments or enter a rent-to-own agreement.

1 ASIC MoneySmart, *Australia's Christmas spending*, November 2017.
2 ASIC, *Credit card lending in Australia*, July 2018.

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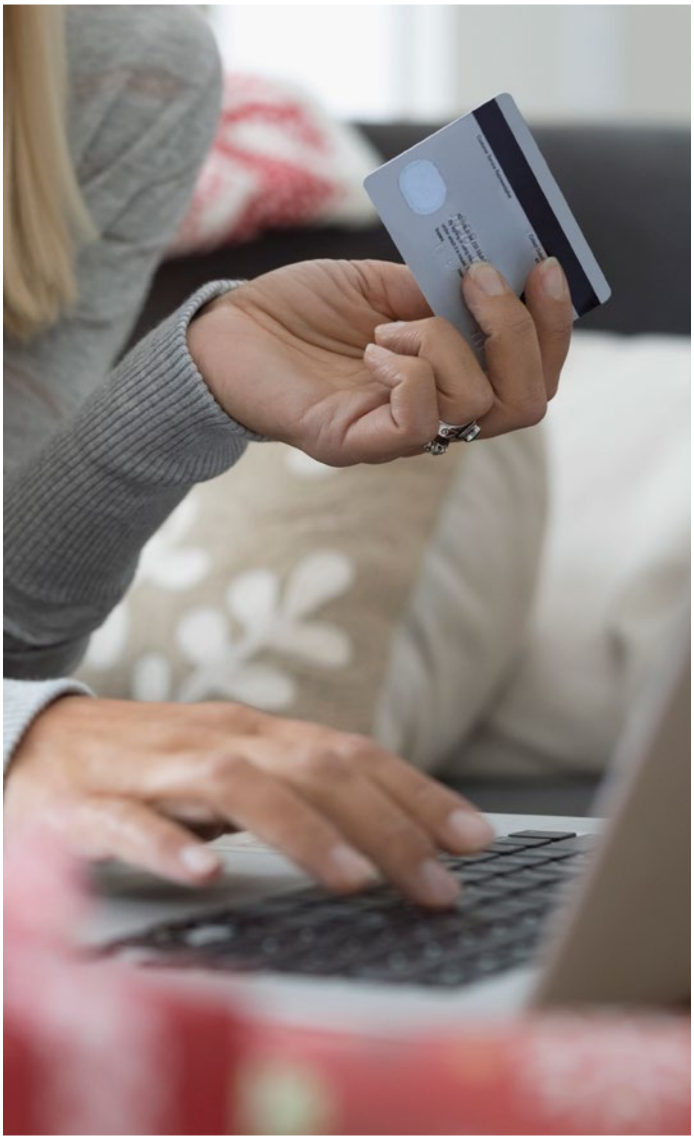
5 Find ways to cut back

The key to keeping your finances on track is to prioritise your spending. This is especially important during the expensive periods like Christmas – and if you're a generous gift-giver, you'll need to tighten your belt in other areas so you don't blow your budget.

Take a look at your regular spending and think about how you can trim it. For example, if you put your daily coffee habit on hold for the month of December, you could end up with around $100 more in your pocket to spend on presents. Or, perhaps there's an upcoming expense that can wait until January, like the pricey haircut you've been planning.

And remember, when it comes to getting your finances under control, your financial adviser can help you create a budget and savings plan that works for you all year round.



ONLINE TOOLS TO SIMPLIFY YOUR FINANCIAL LIFE

Technology makes our lives easier in so many ways, so why not use it to improve your financial wellbeing?

There's no doubt that the internet has revolutionised the way we live, work and play –with many of us now also doing our shopping, banking and even our socialising online. The web is also a rich source of financial information, and plenty of sites offer clever apps and tools that can make it easier to manage your finances.

Here are some of our top picks.

Retirement planning

Wondering how much money you'll need to enjoy a comfortable retirement? ASIC's MoneySmart website has you covered, with their online **Retirement Planner** and **Superannuation Calculator.**

In the Retirement Planner, you can set a retirement age then work out what your retirement income will be from super and the Age Pension, based on your current super balance and contributions. You can even see how your retirement savings will be impacted if you decide to take a career break.

Using the Superannuation Calculator, you can then estimate how much further your super could grow if you top it up through salary sacrificing or by making after-tax contributions.

There are also a variety of retirement planning apps that you can download to your smartphone or tablet. One example is **RetirePlan**, which allows you to get a complete picture of your future retirement income. You can also compare different scenarios to see how your nest egg will be impacted if, for instance, you or your partner retire earlier or give your super an extra boost.

Budgeting and saving

If you need help drawing up a household budget, the MoneySmart website offers a handy **Budget Planner**.

With this easy-to-use tool, you can break down your family's expenses into different categories like utilities, groceries, entertainment and transport. You can then compare your spending against your income to see if you're on track or if you need to make some cuts. When you're ready, you can print out your budget summary and maybe stick it on your fridge, so you can check your progress throughout the year.

To keep an eye on your spending while you're out and about, you could try out popular apps like **You Need A Budget**. This app allow you to synchronise all your bank account and credit card balances with your bills and other expenses so you can see exactly where your money's going.

MoneySmart also has two great apps – **TrackMySpend** and **TrackMyGoals** – that can help you prioritise your expenses, set spending limits and create realistic savings goals.

Property

Whether you're looking to buy, rent or invest, searching for the perfect property has never been easier. From the convenience of your desktop, phone or tablet, you can now get real-time property market data from sites like **realestate.com.au** and **Domain**.

With industry listings and insights at your fingertips, you can find houses and apartments in your preferred suburb or region. You can even filter your search results by price, property features, the number of bedrooms and bathrooms, and nearby amenities such as schools or parks. They also have tools to help you work out how much you can borrow, calculate your upfront costs and estimate a repayment plan for your home loan.

Tax

Hate tax time? The Australian Taxation Office has introduced an app to take the headache out of EOFY. With **myDeductions** you can keep track of your income records and tax deductions as an employee or sole trader, as well as storing photos of all your invoices and receipts.

If you're a business owner, apps like **Expensify** and **Squirrel Street** can help you stay on top of your business expenses – from scanning and archiving receipts to generating expense reports. There are also plenty of apps like **Mileage Logbook by Driversnote** and **Travel Logs** that make it easy to log and track your work-related vehicle use and mileage.

Investing

Online share-trading platforms have been around for a while, but many of them now have their own apps.

SelfWealth users can buy and sell shares directly from their smartphone or tablet, while **Stocklight** and **Simply Wall St** allow you to find, research and monitor investment opportunities in just a few clicks.

Raiz is an innovative micro-investing app that automatically rounds up your credit card purchases to the nearest dollar and deposits the difference into your investment account. And with the rise of bitcoin, new apps like **CoinBase** and **CoinJar** enable crypto-investors to create a digital currency portfolio and trade bitcoin online, with added security to ensure your investment is safe from hackers.

Get the right advice

While online tools and apps are great, remember that your financial adviser is the best resource available to you. Your adviser understands your unique circumstances and can tailor your financial plan to make sure you stay on track towards achieving your lifestyle goals.

To find out more, visit ***moneysmart.gov.au*** *or* ***ato.gov.au****. Other apps discussed in this article are currently available at the time of publishing through the App Store or Google Play. They do not take account of your individual objectives, financial situation or needs. You will need to review the content and relevance of these apps to ensure they are appropriate for you and your circumstances.*

Q&As

Answers to some common questions we have recently been asked.

Q: I've read that I can't put any more money into my super once my balance reaches $1.6 million. Does this include the part of my balance that I've already used to start an account based pension?

A: While you can still make pre-tax contributions (for example, salary sacrifice), you can no longer make any after tax contributions to your superannuation during a financial year if your 'total superannuation balance' just before the start of the financial year is $1.6 million or more.

Your total superannuation balance is measured every 30 June and is the combined value of all of your superannuation accounts, including superannuation accounts in growth / accumulation phase and superannuation income streams (pensions or annuities).

The 30 June account balance of any account based income stream is included in your total superannuation balance (this will be different from the amount used to start your account based income stream).

The amounts of other types of superannuation income streams that do not have an account balance (e.g. annuities and defined benefits), that are included in your total superannuation balance, are determined in different ways. Your financial adviser can assist you in calculating your total superannuation balance.

Note: Additional rules must be met to make contributions to super. To make most voluntary contributions to super you must also be:

- under age 65, or
- aged 65 to 74 and meet a work test.

In addition, spouse contributions can no longer be made on your behalf once you reach age 70, regardless of your work status.

Q: I am 45 years old and have a super balance of $150,000. I've recently left work to care for my ill mother, and while I'll receive some income from Centrelink, I'm concerned about missing out on super contributions during this time. I've read about a recent change allowing me to catch up on contributions when I return to work – can you explain this new rule?

A: A 'concessional contributions cap' of $25,000 applies each financial year to pre-tax contributions (which include an employer's compulsory Super Guarantee, salary sacrifice, or personal tax-deductible contributions).

Recognising that people in situations like yours effectively miss out on a number of years' worth of concessional contributions, the Government recently changed the rules to allow eligible people to carry forward unused concessional contributions cap amounts and use them in a future financial year. Access to these unused cap amounts can apply from 1 July 2019 and will be limited to those individuals with a total superannuation balance of less than $500,000 and to unused amounts from the previous five financial years (starting from 1 July 2018).

For you, this change means that when you return to work in the future, you may be able to then make use of any unused cap amounts accrued from 1 July 2018. By making pre-tax contributions that exceed the $25,000 cap by the amount of your unused cap amounts, in one or more years after you have returned to work, you can boost your retirement savings. For example, if you had no superannuation contributions between 1 July 2018 and 30 June 2019, you could make an additional $25,000 of concessional contributions (on top of your usual limits) any time from 1 July 2019 to 30 June 2024.

SPEAK TO US FOR MORE INFORMATION

We are always available to discuss any questions or concerns you may have.

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