

**Welcome to the November edition of Complete Financial Planning's monthly newsletter.**

**SAVE THE DATE: Client Christmas Party Thursday 17<sup>th</sup> December 2009**

## **Time to reflect**

Many people use the Christmas/New Year period to reflect on the year that has just passed, often in a blur, and begin thinking about the future and how to achieve their hopes and dreams. Similarly, the new financial year is a good opportunity to reconsider financial strategies and goals.

Below is an easy-to-follow guide to getting your finances tidied up for the year ahead.

### **1. Have your key financial goals changed?**

Many clients find that their goals change slightly from year to year. Also, major life events such as serious illness, the birth of a child, inheritance, marriage and the death of a parent or spouse can all result in significant changes to an individual's wealth management goals.

### **2. Prioritise your goals.**

Not all goals are equal, and to ensure you aren't overwhelmed with the task ahead of you, it is important to rank and prioritise your goals and to decide what timeframe you want to achieve them in. Being realistic about your timeframe is essential to ensuring that your goals will be achieved.

### **3. Be clear about timeframes.**

Most industry experts agree that a short-term goal is one that can be achieved within a year or so. Medium-term goals typically require two to five years, and long-term goals usually take longer than five years.

For example, reducing credit card debt is likely to be a short-term goal, whereas saving for a home deposit would often be a medium-term goal. Providing for retirement is a very common long-term goal.

### **4. If your financial goals have changed, how will this affect your financial strategy?**

This is where the advice of a financial planner is critical. They have the tools and knowledge to create projections that take into account changes to your goals, and changes to your timeframes for achieving them. These projections will help you to see where your plans for savings, investment contributions, or assets, may need updating.

### **5. Be investment savvy.**

Make sure that your investments support your level of risk and your goals. Your financial planner can develop a tailored analysis that best suits your individual risk preferences and goals. They can also provide you with a review of your portfolio and advise on any sell-downs or top-ups that would benefit you. Your adviser can also work with your accountant to ensure changes are implemented in a tax-effective manner.

Reflecting and thinking about your financial position and setting a clear path is critical in making sure you reach your goals. Your adviser can help guide you and make sure you are always on track.

## **THE FIVE CYCLES OF SUPER - PART ONE**

Courtesy of a handout in the West Australian Newspaper (by Utopia Financial Services) over the next few months we will take you through the **Five Cycles of Super** - Where you're at and how to make super work for you.

There is no doubt that different age groups consider their future and their financial situation in different ways. But no matter what your age, there are ways to get the most out of your super fund - though it may seem like a long way away, you will also need superannuation for a long time. It is the single largest investment held by most Australians and will largely determine the standard of your retirement.

At different stages of your life cycle, there are different investment options and superannuation alternatives that need consideration.

There are five stages an individual goes through, from the time they commence super contributions through to accumulating enough to consider establishing a self managed super fund (SMSF) and then what an SMSF can do with investments. There are tax, risk and investment issues a person faces as they build a superannuation balance and then reach pre-retirement.

Even when reaching the retirement phase, there are considerations such as estate planning implications and tax issues associated with paying out retirement and death benefits - so follow the five cycles closely, establish which is most relevant to you and start planning and day dreaming about your retirement today.

## Cycle One: Young Accumulators

### Getting Stated - First Superannuation

Your first taste of superannuation normally comes when you get your first job and though it can be daunting, it doesn't need to be. Though you may feel overwhelmed selecting a fund and sorting through the finer details, there are a few rules to stick to, according to Utopia.

When you are young and in the accumulation phase of your life you should consider a higher tilt to growth assets, to maximise growth on the small sum accumulation. You have a long working life before retirement and the risks associated with growth assets reduce over the longer term.

You should consider:

**A geared share option strategy** it will provide in double the growth in strong markets and double the loss in tough markets.

**A larger focus on sectors expected to outperform** such as emerging markets and commodities

**Death cover is not essential** because there are no dependents and may not be necessary unless there are significant liabilities. However, cover is cheap and easy to source.

**Permanent disability** is a greater risk than death. Permanent disablement via accident or illness would result in major medical costs and a need for replacement income. Group cover is cheap for younger people so consider Income Protection, Trauma and Total & Permanent Disability (TPD) cover. Prepare a will and enduring power of attorney to cover these events.

**Salary Sacrificing is an option**

**Consider utilising government co-contribution** - make an after tax contribution of \$1000 and the Government will match the contribution to your super fund if you assessable income is less than \$30,342. The co-contribution reduces by 5 per cent until it cuts out at \$60,342.

## Cycle Two: Accumulators

### From Double Incomes to Young Families

Whether you are now in a de facto relationship, married or have started a family, you are officially in the 'accumulators' category. Many of the growth strategies for young accumulators are still appropriate because there is still a long lead time to retirement.

For women who may stop working full time when they start a family, growth strategies become even more critical as the lack of future employer contributions can be compensated for by using geared share funds.

You should consider:

**Co-contribution** may become possible where a woman works part of a year or part time.

**Super Splitting**

**Binding Death Benefit Nominations**

**Wills and Enduring Power of Attorneys** are extremely important

**Insurance cover** including Income Protection, Trauma, Death & TPD should be in place

**Please don't forget...**

**Our Success is a result of referrals from clients & friends like you.  
We could always use a few more!**

**So if you have children, family members, friends or colleagues that may need some advice, please pass our details to them and we would be happy to meet with them.**

The material contained in this newsletter is for general information purposes only. Before acting on any of the information, you should obtain appropriate financial advice. This newsletter does not take into account personal circumstances, needs or financial situation of the reader.

**If you have any queries or questions in relation to the articles above, please contact us.**

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