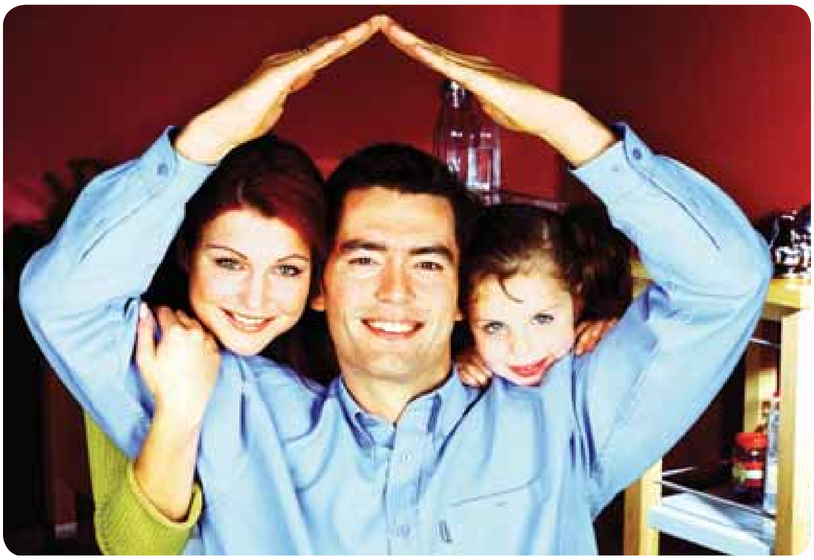
# Your money Your future

**FINANCIAL PLANNING NEWSLETTER** SUMMER 2007



## Looking at life another way?

### Discussing life goals with a financial adviser can have unexpected benefits.

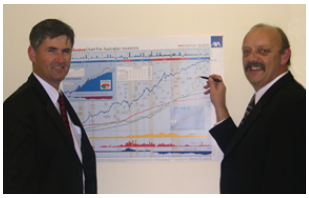
Take the case of Toby and Michele, a young couple with kids living in Adelaide. Toby and Michele were thinking about buying a holiday house on the Fleurieu Peninsula. Toby's high-pressure job had him working long hours, which meant less time at home with his family. A holiday house seemed like a good idea.

But when Toby and Michele canvassed the idea with their financial adviser, they set in motion a rather unexpected chain of events.

At first glance their adviser commented that, in conjunction with their current financial commitments, a holiday house wasn't financially practical. But after delivering the bad news, their adviser put forward a number of thought-provoking propositions. Could they live on less in retirement? Would they consider selling their home in Adelaide? What did they think about alternative education options for their kids? These questions prompted Toby and Michele to wonder if there might be something else they could do.

What happened next was unexpected. Toby decided to take a part-time position at his company so Michele could enter the work force. Although reducing their overall income slightly, the arrangement improved Toby and Michele's life balance markedly. Toby was able to spend more time with the kids, Michele was happy to return to work, and even more interestingly, their desire for a holiday home dissipated.

Talking with your financial adviser can sometimes prompt you to see things another way.




**Myrtle Ridge Financial Services**
148 1899 7195

156 George Street
Launceston
TAS 7250

**Nigel Jones**
**Paul von Stieglitz**

PO Box 1267
Launceston
TAS 7250
Phone: (03) 6334 6330
Fax: (03) 6334 6360
Email: admin@myrtleridge.com.au


Financial Planning

# Protect yourself from the summer heat!

**Summertime – those endless hours of sunbathing on idyllic beaches, long days of cricket, and lazy afternoon barbecues.**

But it is also a time of the year to be extra careful, as the sun's ultraviolet (UV) rays are usually at their strongest.

All it takes is just 15 minutes of direct intense sunlight to cause skin cancer. Even sand, water and snow can reflect harmful UV rays. According to The Australian Medical Association (AMA), the most dangerous form of skin cancer is melanoma.

Australia is the skin cancer capital of the world, with over 383,000 people being diagnosed with skin cancer each year[1].

The good news is you can protect yourself from skin cancer by wearing:

- broad-brimmed hats that cover your face, neck and ears
- sun-protective clothing that covers as much of the skin as possible
- wraparound sunglasses, and
- SPF 30+ water-resistant sunscreen applied at least 20 minutes before going out in the sun.

**Proper insurance coverage can make a world of difference**

Apart from taking the usual precautions during summertime to protect yourself against skin cancer, you can also protect your family through an insurance plan. A comprehensive trauma recovery insurance plan can pay you a benefit on a wide range of specified cancers. The money can be used to pay for recovery costs, lost earnings from work, pay outstanding debts or for a carer.

Such coverage is specifically designed to give you a helping hand when you need it the most. It also alleviates all the unnecessary stress such a crisis can bring and helps you maintain your quality of life during such a terrible trauma.

So pay a visit to your financial adviser this summer and get the best cover for you. It's a decision well worth making, for the long-term wellbeing of you and your family.

1 Australian Medical Association press release 'Swap Sun for Siesta' 29 December 2006.

# Most Australians are still significantly under-insured

**Under-insurance remains a significant problem in Australia according to a new AXA under-insurance report.**

The report, *Estimates of the extent of under-insurance in Australia*, indicates that only 22 per cent of Australians have life insurance, with the average Australian having only 30 per cent of the life insurance they need. The report also indicates that only six per cent of Australians have income insurance, with only 24 per cent of insurable income insured.

With national savings in Australia at an all-time low and household debt passing a staggering $750 billion at the end of last year, there has never been a more important time for financial protection.

This year's report also includes new consumer research which indicates that consumer attitudes toward insurance and financial advice may be contributing to the problem.

The consumer research suggests that consumers are feeling 'bullet-proof' and, as a consequence, tend to see insurance as unimportant. This is an attitude that has arisen in tandem with the recent housing boom, strong economy and low levels of unemployment.

The consumer research also found a widespread misunderstanding about what insurance provides and how it works which has resulted in consumers undervaluing the benefits of insurance.

Interestingly, changing attitudes towards insurance come at a time when there has been a more general change in societal attitudes toward money. Twenty years ago we tended to emphasise values such as thrift and not spending more than we earned. There was also a strong anti-debt culture and people tended to only borrow for an investment or a home. Borrowing for consumer goods was generally considered a financial no-no.

But the consumer culture in which we live has become stronger with instant gratification being the norm. People are buying more consumer goods than before but, most significantly, if they don't have the money available, they are now more likely to purchase using borrowed funds.

In this environment, the appeal of financial products such as insurance which can help people to achieve important, longer-term financial and life goals has decreased in perceived value.

Given the instant gratification of more attractive consumer products, the value of insurance – regardless of its long-term benefits – is more intangible and therefore more easily deferred. The inherent complexity of insurance, which generally means it is more difficult for a consumer to choose the best insurance option, compounds the issue.

You can obtain information about the most appropriate insurance for you from your financial adviser.

# Are there risks involved with investing?

**There is no such thing as a 'risk-free' investment. Whether it is shares, property or bonds, there will always be a level of uncertainty about how each investment will perform. As a general rule, the greater the risk you're prepared to take, the greater the potential return on your investment.**

If you prefer low-risk investments, then products such as a term deposit, cash management trust or online savings account may be more suitable. The risks are generally minimal but, as a result, the return on your investment is also generally lower in comparison to growth assets such as shares.

Alternatively, if you're comfortable with higher risk, you may, for example, invest in the share market where the potential for a higher return on your money is greater over the longer term.

Everyone's tolerance to risk is different. When selecting your investment, you need to strike a balance between the level of risk you're comfortable with and the return you want on your money.

A commonly-used yardstick to help you determine the level of risk you're happy to accept is the 'sleep test'. If you toss and turn at night worrying about the security of your money, chances are you're not comfortable with the level of risk associated with your investment decisions.

Aside from determining your 'risk profile', you also need to take into account other considerations when evaluating the right investment to suit your needs. You'll need to consider issues such as diversification, accessibility of your money over the nominated timeframe, the tax you pay on your investment, and whether your money will grow at a rate faster than inflation.

Your emotions will also have a role to play in whether you can build wealth successfully over time. Investors will often experience a range of emotions that make it difficult to stay focused on long-term goals. For example, it can be difficult to avoid the temptation to switch strategies in response to short-term market movements. That's where a financial adviser can help. An important part of a financial adviser's role is to help you make the right choices at each stage and act as a 'sounding board' during times when you are worried if your current investment strategy is still right for you. They can help you stay the course over time.

For a complimentary no-obligation appointment, call your financial adviser.

# For better, for worse, for richer and for … wealthier!

**When relationships first blossom, most couples are filled with expectation and happy thoughts about their future together. It's probably fair to say that 'movies, chocolates and roses' are higher on the agenda than money and investment planning.**

But for most couples to have the life they imagine, especially in their retirement, financial planning will be important. And inevitably, money is likely to become a major talking point.

According to Relationships Australia, 7 out of 10 couples have regular disagreements about money. And earning more doesn't solve the problem – couples who have a combined income of more than $60,000 are more likely to argue over money than those who earnt less.[1]

### To have and to hold …

One of the best ways to plan the financial future for you and your partner is to start by writing down your lifestyle ambitions. After all, the first step in planning any journey is knowing the destination.

Writing down your goals can form the basis for your financial plan. And talking openly and honestly to your partner about your attitudes to money, savings, investments and risk can be a liberating experience.

Best of all, thanks to tax and legislative regulations designed to help families, being a couple can give you significantly more earning power. Because your expenses will fall (single payments for rent, mortgage, shopping, bills, etc) you can more easily save and invest. And, having combined lifestyle goals can provide the discipline and incentive to stay on track.

Speak to your financial planner about how they can help you and your partner become more money savvy.

### Case study

Matt and Susan have recently moved in together, with the intention of saving to purchase their own place.

Consulting with their financial adviser, they've drawn up a 10/20/70 plan: 10 per cent of their combined income is invested; 20 per cent pays their debt, such as their credit cards and Matt's car loan; and 70 per cent pays their living expenses.

Because they share rent, and now have combined weekly expenses, they are able to save money for a house deposit. This means, with assistance from the Government's first homeowners' grant, they will buy a place in approximately 18 months. In addition, to maintain the romance, they both agree that part of their investment fund should also fund an annual holiday somewhere by the beach.

1 'Relationships Indicator Survey' (Relationships Australia, 2003)

# Australians 'selfish' about leaving inheritance

**Your parents are more likely to spend their savings on themselves rather than leave money to you, according to the AXA Retirement Scope survey released in January 2006.**

The survey of about 7,500 working and retired people from 12 countries found that 70 per cent of working Australians would keep their money for themselves rather than pass it onto their children. Only 23 per cent said they would maintain savings for their children's inheritance.

However, retired Australians are more likely to save money to leave to their children – 31 per cent said they would do so.

Overall, when the results for working and retired people are combined, Australians are ranked among the most 'selfish' people in the world when it comes to plans to spend retirement savings, rather than leave money for their heirs. We are second only to the Germans, with New Zealanders not far behind us, in third place, while the French are among the most generous.

The Australian statistics indicate a broader trend in retirement attitudes. Rather than seeing retirement as a time to stay at home and do nothing, more and more people want to spend their retirement savings on travel or hobbies.

More than half of working Australians plan to travel when they retire and more than a third want to take up a hobby or special interest. Volunteer work also figured highly as a potential retirement activity for nearly 20 per cent of working Australians.

Other key findings of the survey include:

- Australians believe they are fit to work until 66 years of age and retirees don't consider themselves old until they're 79.
- We are among the world's least family-oriented and spend less time with our families.
- More than half of us anticipate some sort of retirement reform in the next 10 years, primarily around raising the retirement age.
- Four out of five working Australians don't know their retirement income.
- Most working Australians haven't sought information about retirement.

So if you're interested in finding out more about your own retirement income and options, speak to your financial adviser who can help you to plan for a happy and worry-free retirement.

# Finding purposeful activities in retirement

Many of us recognise the necessity of planning to ensure a financially comfortable retirement. However, the physical and emotional challenges that can accompany this phase of life are often overlooked.

With around 40 extra hours of free time available each week, many retirees find that their hobbies do not fill the gap. Occupations which provided a sense of identity and self-worth as well as daily routine and structure, must be purposefully replaced.

The types of activities that can be pursued in retirement will vary from person to person, however, retirement advisers recommend individuals establish 'purposeful activities' to pursue.

**What are purposeful activities?**

Purposeful activities fall into three categories:

1. activities that produce something tangible – for example, oil painting or carpentry;
2. paid or unpaid activities that provide a service – community or part-time work or babysitting the grandchildren; and
3. adult education or self-development activities.

**Where can I find ideas for purposeful activities?**

- Speak with other retirees who are living active lives and ask them what they and their friends do during a typical week. The more you have in common with the people you speak to, the more likely the activities they are involved in will be relevant to you.
- Check your library and local papers. They often advertise and provide information about events, interest groups and short courses.
- Check with local municipal offices and ask to receive a community booklet detailing local events and contact details for clubs in your area.
- Volunteering can be a way of giving back to the community. The volunteer website www.govolunteer.com.au is one of several, providing information about opportunities in your area.

When deciding which activities would best give you a sense of balance between work and play, and provide structure to your life, it is also important to consider the associated financial expense. Some pursuits, such as overseas travel or car restoration, can demand a considerable ongoing financial outlay. Speak with your financial adviser about your intentions to ensure that any additional funds you require are planned to help you get the most out of your retirement.