Maximise your money
7 quick wins

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Life is busy and time has never been more scarce.

Work, business, family, friends, the mortgage, bills, cooking, exercise and holidays.

It can be near impossible to manage all the demands on our precious time.

It's no surprise that most people don't have the time or the knowledge to maximise their financial lives, often missing out on the big goals in life and finding themselves living with unnecessary financial stress and uncertainty.

We created *Maximise your money: 7 quick wins* to help solve these problems.
To help you make better decisions with your money, get financially organised and most importantly free up your time and energy to focus on what you love.

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Money is only a tool.
It will take you wherever you wish but it
will not replace you as the driver.
Ayn Rand
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01

Go for growth

‘The stock market is a device for transferring money from the impatient to the patient.’

-

Warren Buffett

Super funds invest your money to grow your nest egg in preparation for your eventual retirement. Most super funds have a range of investment options available from which you are free to choose what's best for you.

The difference between your investment options can be explained by the level of investment risk you are willing to accept and the long-term returns you can expect.

Selecting the right investment option based on your age and time until retirement can make the world of difference over the long-term.

Increasing your long-term returns by just one percent each year over the course of decades can mean hundreds of thousands of dollars more upon retirement.

If you haven’t been proactive, you will likely be in a ‘default’ option selected by your super fund, which may not be the most appropriate option for you.

Generally, if you have a long time until retirement you will be best served by an approach that has greater exposure to ‘growth’ assets such as shares and property.

If you are closer to retirement, a conservative option that includes ‘safer’ assets such as cash and bonds may be more suitable.

A 32 year old with a super balance of $75,000 and an annual income of $100,000 can expect the following balance at retirement, based on their expected investment return:

1. 7.5% = $677,000
2. 8.5% = $811,000
3. 9.5% = $996,000

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- *Always be focused on the long-term*
- *Understand the options available at your fund*
- *Some funds will allow you to borrow within your super (known as ‘gearing’) but understand the risks before considering this approach*
- *Avoid ‘panic selling’ when stock markets fall by seeking professional advice before taking action*

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02 Consolidate Super

In 2012 there were more than 30 million super accounts: that's an average of nearly three accounts for every working Australian.

Superannuation assets totalled $2.05 trillion at the end of March 2015.

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If you have changed jobs, worked casually in the past or changed address you may have lost track of your super accounts without knowing it.

You're rarely better off having multiple super accounts. Multiple accounts may mean you are paying numerous sets of fees and insurance premiums that will impact your retirement nest egg.

Managing multiple super accounts will take time away from the more important things in your life.

You're also less likely to know how your super is performing and what arrangements you have made within each account.

Considering which fund to consolidate to can be a challenging decision but it's also one of the most important that you will make.

The considerations are beyond the scope of this document and this is an area where you may wish to seek professional advice.

Should you wish to 'go it alone', be mindful that your objective is to build your wealth toward retirement, and your fund should support this.

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- *Don't necessarily look for the cheapest fund. To quote the world's most astute investor, Warren Buffett, 'Price is what you pay, value is what you get.'*
- *Consider the insurance you may lose upon closing a fund*
- *Try the ATO Super Seeker Tool to locate all funds in your name*
- *Seek professional advice before establishing a Self-Managed Superannuation Fund*

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An investment in knowledge pays the best interest.
Benjamin Franklin
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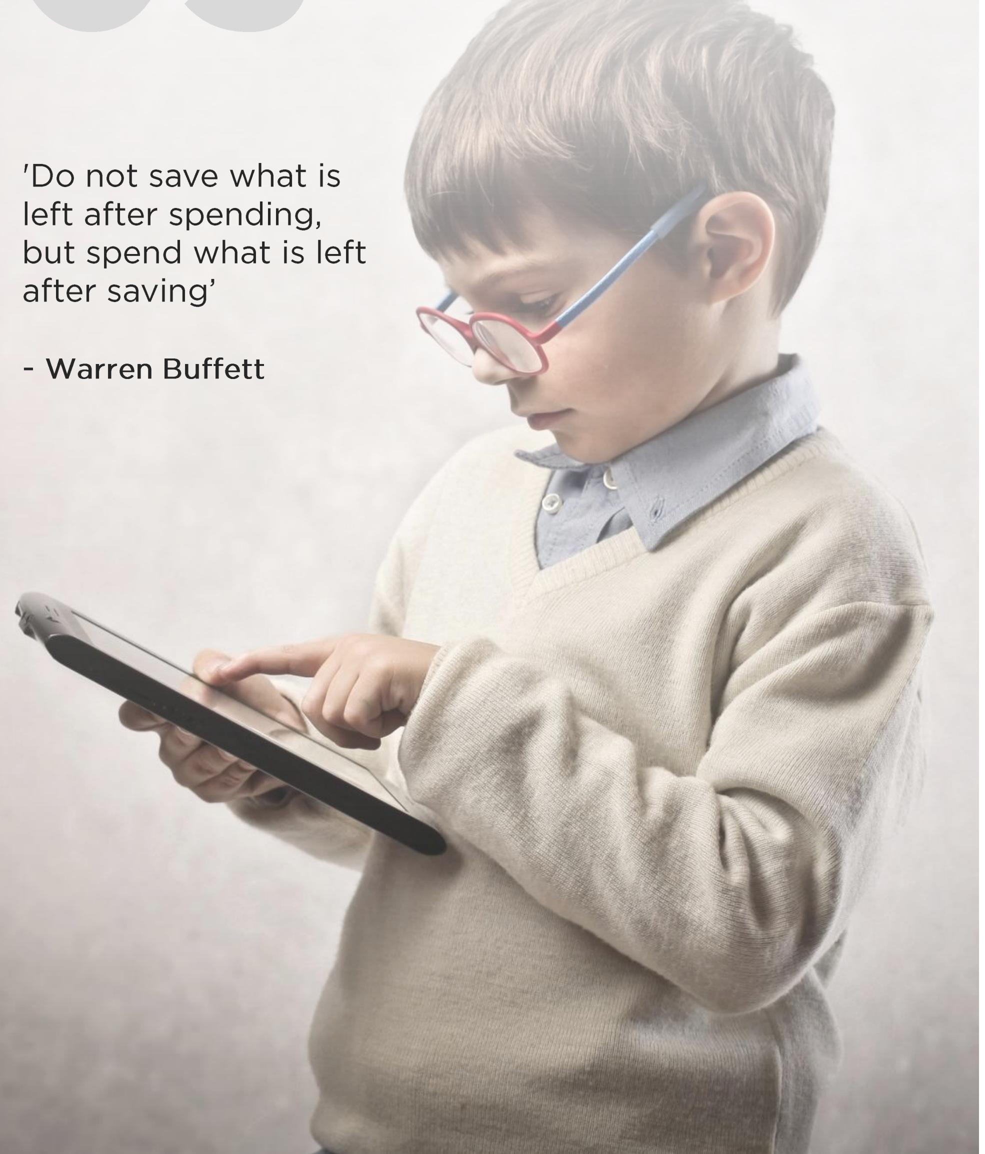
03 Automate. Automate. Automate.



'Do not save what is left after spending, but spend what is left after saving'

- Warren Buffett

The best way to develop good financial behaviours around spending, saving and investing is to automate them.

Nowadays, you can automate just about everything - and you should. It will save you valuable time and remove temptation, emotion and procrastination.

It pays to automate as much of your spending as possible including bill payments.

This is an incredibly convenient approach, may also ensure that you will never miss a payment or be hit with a late fee again.

You will find it very hard to build wealth if you're continually being charged late fees.

Designate a certain portion of your employment income to savings and investments each pay period. You can do this by setting up an automated transfer on pay day, into a nominated account.

Get started with a comfortable amount and try to increase this over time to avoid making sudden and drastic changes to your lifestyle that can cause many to give up quickly.

You may even wish to go a step further and automate a regular investment into a longer-term investment such as a share portfolio or managed fund.

Making regular transfers into your savings or investment portfolio will have you quickly moving toward goals that otherwise seemed distant and unlikely.

‘Save mindlessly. Spend wisely.’

Keep winning

- *Make sure your savings are in an account which will pay the most interest.*
- *Always ensure you have funds in an emergency account to get you through tough times and the unexpected*
- *Cancel any direct debits for subscriptions or memberships that you do not use regularly*
- *Know your banks’ rules regarding transfers, fees and accounts*

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04 Bump up repayments

Making minimum repayments on a $500,000 home loan (30 year term, interest rate of 7%), your repayments will add up to $1,198,000.

Your interest repayments will total $698,000

We know, it's a lot of interest.

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The more money you owe, the more interest you'll pay. By making extra repayments on your home loan or credit card, you'll pay off your debts faster and save thousands on interest.

Making minimum repayments on a $500,000 home loan (30 year term, interest rate of 7%), your repayments will add up to $1,198,000. Your interest repayments will total $698,000. We know, it's a lot of interest.

Kick in an extra 10% above your minimum repayments and you will save over $194,000 in interest costs, and clear your mortgage seven years sooner.

Keep your repayments unchanged when interest rates go down. This will help you to pay down more of your loan with no extra effort on your part.

Importantly, check if your loan allows you to make extra payments, and if there are any fees for repaying the debt sooner.

Some lenders will not allow you to make extra payments on home loans. Even if you can make extra payments, there may be a limit on how much you can repay early.

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- *Pay debts before saving*
- *Assess all loan rates and terms available through a qualified mortgage broker*
- *If you have more than one credit card or loan, pay off the one with the highest interest rate first*
- *Ask your current lender to match the best offer you can find to avoid refinancing. If they can't match, consider refinancing to a loan with a lower rate and better terms*


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Live for the moment. Plan for the future.
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05 Take up a balance transfer

The incentive is generally a lower rate of interest or an interest-free period on your current balance, such as *'0% interest for two years'*.

If you're having trouble meeting your credit card repayments, a balance transfer can help you get some breathing space and clear you debts sooner.

A balance transfer allows you to 'transfer' the balance of your credit card debt to another lender, typically a bank.

The incentive is generally a lower rate of interest or an interest-free period on your current balance, such as '0% interest for two years'.

At the end of the introductory period, any amount yet to be paid off will generally revert to a higher rate of interest.

The introductory period could save you thousands in interest, which can be used to further reduce your debts.

For example, a balance transfer of $10,000 with an interest-free period of 24 months may save the borrower approximately $4,000 during this time.

A standard credit card application process applies to balance transfers which includes the requirement to disclose details on your assets and income.

Be mindful before applying that banks are inclined to lure credit card applicants with special offers, so ensure you read the terms and conditions to avoid common mistakes.

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- *Check for transfer fees before applying*
- *Always seek to pay off the full balance during the promotional period to avoid even higher interest costs*
- *Consider going online to view existing offers, using a site like: www.creditcardoffers.com.au*
- *If your credit card causes you to overspend, clear your debt and cut up your card. You won't regret it.*

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06 Obtain commission-free insurances

Only 4%

of Australian families with dependent children have sufficient levels of life insurance.

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Obtaining the right level of personal insurance is an essential component of protecting your family, accumulated wealth and future plans.

Most Australians will at a minimum need a decent amount of life insurance, disability insurance and income protection.

If you're a high income earner, have high debts or dependent children, obtaining the right level and type of insurance can be an expensive exercise.

It's not uncommon to spend in well in excess of $5,000 per annum on the necessary personal insurances.

Personal insurances are generally obtained through a financial adviser, however it's important to understand that most advisers are paid a commission by the insurer based on the level of insurance you opt for.

The higher the level of insurance, the higher the commission to the adviser. **These commissions result in you paying an additional 30% to 40% in premiums each year.** Over the life of a policy, this can be tens of thousands of dollars in extra premiums paid by you.

There are a growing number of financial advisers who operate on a 'fee for service' basis that will be able to help you obtain the necessary insurances without commissions built into your policies.

You will generally pay an agreed fee for their advice and helping to establish the correct policies and in return will have cheaper cover each and every year for the life of the policy.

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- *Ask your adviser if your existing cover has commissions built into your premiums*
- *Check the cover inside your superannuation fund and learn if this is adequate for your needs*
- *Make sure you let your accountant know about your income protection premiums, which are typically tax deductible*
- *Always check the terms and conditions of any insurance you purchase, generally contained in a Product Disclosure Statement*

07 Set goals

More than 80 years of research has shown that we achieve more when we set goals. Whether it's Arnold Schwarzenegger, Barack Obama, Oprah Winfrey, Richard Branson or Bill Gates, they all advocate setting goals.

Clear goals channel your efforts and behaviours toward achieving the goal.

The reason being is that when you have a goal, you narrow your focus and efforts to activities that will help you achieve that goal.

> *'People with goals succeed because they know where they are going'*

Your goals may include:

- International travel every year
- Starting a business
- Buying your dream home
- Paying down all your debts
- Funding a great education for your children

Establishing personal and financial goals is a vital step to making better, well-directed financial decisions that will increase the likelihood of living the life you want. Setting goals will not only have you feeling more motivated but will also create automatic filters for your financial decision making.

With meaningful goals, you're considerably more likely to make smarter day-to-day decisions around countless small purchases as well as making more informed longer-term investment decisions.

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- *If you have a partner, dedicate time to get clear on what you're working toward, both individually and as a couple*
- *Make sure you set goals that are precise and realistic; include dates, costs and percentages*
- *Ask yourself why obtaining each goal is important to you, this will be your biggest motivation*
- *Share your goals with others to become more accountable*

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About Verse

Verse is a unique financial advisory firm helping people achieve their individual ambitions through a new approach of transparent and personalised financial advice.

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For more information

or to discuss your individual circumstances, please feel free to contact our team.

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