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Ten smart saving tips for the new financial year

The new financial year is a time to dig out the receipts and book an appointment with your accountant. Tax time is also a good opportunity to review your current financial situation and put a plan in place for the next 12 months.

Sorting out your finances doesn't have to be complicated, as even small savings can add up over the year.

Here are 10 tips to help you get started.

Tip 1 – Write down your financial goals and current spending
Tip 2 – Make a list of your lifestyle wants and needs
Tip 3 – Build a budget
Tip 4 – Track your spending
Tip 5 – Review your plans
Tip 6 – Sort out your super and consider the caps
Tip 7 – Check your investments
Tip 8 – Make insurance more cost effective
Tip 9 – Pay off debt
Tip 10 – Speak to a financial adviser

Write down your financial goals and current spending

Make a note of where you'd like your finances to be this time next year. Now jot down your income and expenses for the last month. How much is left over? Are your goals realistic? It's only by taking a close look at your current financial situation that you can begin to take control of it.

Continued page 2

Continued from page 1

Make a list of your lifestyle wants and needs

With the new average Australian lifestyle now more affluent than it used to be[1], it appears many of the things that used to be considered to be 'wants' are fast becoming 'needs'. If you want to save or invest more money this new financial year, you may need to consider whether there is anything that you're willing to sacrifice to get ahead. Could you live without that overseas trip? Do you really need to update your smartphone again? It all adds up.

Build a budget

To ensure you're getting the most from your money, you'll need to build and stick to a budget. Balance is key here. If you make your budget too restrictive you'll likely break it. Alternatively, if you make it too light you might miss out on some financial benefits. And don't worry if you're not a fan of spreadsheets; there are a range of digital tools to help you organise your finances.

Track your spending

Once you have a budget, it's important you stick to it. That means tracking your expenses. A great way to do this is to use a digital money tracker. These are available either through online banking or as a standalone app for smartphones and tablets.

Review your plans

The new financial year is an ideal time to review your regular monthly plans to ensure you're getting the best possible value for your money. There are a range of sites that provide direct comparisons of different suppliers offering mobile phone, internet, pay TV and utilities plans.

Sort out your super and consider the caps

If you haven't sorted out your super yet, now is a good time to do it. If you have multiple super accounts, finding and consolidating them in the one account could help you cut down on fees and grow your money faster with compound interest.

To boost your balance, consider setting up additional regular contributions. Depending on your salary, you may even qualify for government co-contributions.

Before you decide to invest more in super, you need to be aware that caps apply to different contribution types and penalties may be payable if you exceed the relevant cap. You also need to consider that super contributions generally can't be accessed until you retire. So if you're saving for something else, you'll need to consider other options.

Check your investments

Make checking the performance of your investments an annual ritual. Check that your asset allocation and level of risk are appropriate for your age and plans. A financial adviser can help you understand and manage your portfolio more effectively.

Make insurance more cost effective

There are ways of setting up personal insurance so it's more affordable and may be more tax-effective. This can include purchasing your insurance through your super fund.

Buying insurance through super can be cheaper than buying it outside super. Also, it could be possible to have the premiums deducted from your superannuation account balance, without making contributions to cover the cost.

In some cases, you may be eligible for a discount if you pay your premiums annually rather than monthly and holding all your personal insurances in the one policy can reduce fees. Savings can also be made by consolidating the insurances held by yourself and family members into one policy.

Pay off debt

If you're paying off multiple debts with a range of interest rates, you should consider the appropriateness of prioritising paying down the debt with the highest interest (while continuing to meet your repayment obligations in relation to your other debts). Alternatively, you may be able to combine your debts with a debt consolidation loan. If you can continue to make the same level of repayments, this may significantly reduce the amount of total interest payable and help you pay off your debt sooner.

Speak to a financial adviser

The investment market, taxation rules and government regulations change frequently, so unless you're a financial professional, chances are you'll need help to navigate them.

Now is a good time to book an appointment with your financial adviser to discuss your investment performance and plans for the year ahead. Your adviser can help ensure you receive all the benefits you're entitled to while supporting you to grow and manage your portfolio.

Important information:

Information is current as at 01/06/2016 and may change.

1 MLC and IPSOS, Australia Today, Feb 2016.

Continued on page 3

Continued from page 2

Plan ahead for the aged care you want

Early planning can take away a lot of the stress and uncertainty that can arise when considering aged care at home or a residential aged care facility.

Know what your options are

The first option that probably comes to mind is a residential aged care facility. These facilities provide accommodation and care depending on your personal needs. Care can range from personal care, such as help with showering and dressing, together with occasional nursing care to continuous nursing care for those with a greater degree of frailty.

What you may not realise, however, is that there are also Home Care Packages that provide access to services that can help you to stay at home as long as possible. Support services may include cleaning, meal preparation and transport for shopping or appointments.

Start planning early

There are a number of reasons why you should plan ahead and well before the need for aged care is imminent. For example:

- in many cases, the need to move into residential care can be sudden due to a serious illness or injury (eg a stroke, heart attack, or fall), or another unexpected event
- it's not uncommon to find there are significant waitlists for residential care, particularly at the more popular facilities, and
- regardless of whether home or residential aged care is required, if you wait until the last minute to speak to a financial adviser, you may not be able to minimise the fees you may have to pay and/or maximise the social security benefits you may receive.

Visit local facilities

Ideally, plan to visit a range of facilities in your chosen area before you need it. This is something you may prefer to do with family members.

Becoming familiar with the alternatives can enable you and your family to have meaningful conversations regarding your options and make more informed lifestyle and financial decisions.

Importantly, with assistance from a financial adviser, you can:

- determine whether care in your preferred facility is affordable, and
- potentially start restructuring your assets to improve your financial position.

Assess affordability

A range of fees may be payable when accessing care services. One of the key payments when moving into residential care is the accommodation payment. This payment:

- is subject to certain limits
- can be paid as a lump sum, in regular instalments, or a combination of a lump sum and regular instalments, and
- is published on the facilities website and at myagedcare.gov.au for potential residents to consider.

The published amount will vary between facilities and, as a general rule, it will be higher for newer places because of the money recently outlaid on building or improving the accommodation, and for facilities in more affluent suburbs.

It's therefore important to ensure you'll have sufficient assets to pay the accommodation payment required to secure yourself a spot in your facility of choice when the time comes, as well as cover the ongoing aged care fees and your living expenses.

Understand the trade-off

There are a range of strategies that can be used to reduce aged care fees. However, caution needs to be exercised to ensure you have enough money to afford the care you'd want. Your financial adviser can help you address this complex issue. They can also assist in many other ways, including helping address your estate planning needs, in conjunction with your lawyer.

Many Australians are banking on government support in retirement

Many Australians are not confident they have enough assets to support their retirement, according to research from IPSOS and MLC, with 43% saying they'll need to rely on support from the Australian Government.

Among lower income earners, 62% of those with annual household income of $33,000, and 54% of those with $55,000 in household income agreed they would rely on the government in their retirement.

The expectation of government support doesn't stop with lower income earners. Almost one third of households earning $144,000 per year believe they'll rely, to some extent, on government support in retirement also.

Continued on page 4

Continued from page 3

Will the age pension apply to me and will it be enough?

So what's the reality of relying on the government to fund your retirement? There are different rates of Age Pension payments for single people and couples. Your rate also depends on your income, assets, and other circumstances and you should seek further information from the Australian Department of Human Services government website.* If you were born after 1957, you'll need to turn 67 before you're eligible for the aged pension.

Currently, the maximum basic rate for a single person living alone is $788.40 per fortnight and for a couple is $594.30 each. Assets, excluding the primary home, are taken into account, among other factors, as well as any income. For example, if you're single and earn up to $162 per fortnight via an annuity or other source, you'll still receive the full pension payment, however if you earn more than $162 per fortnight, your pension payment is reduced by 50 cents for every dollar you earn over $162.*

Many of us will work longer – but the upside is staying connected

With the pension age extending, many of us will have to work longer if we want to maintain our lifestyle well into retirement and while for some that's a concern, for other baby boomers the prospect of working longer provides an opportunity to stay connected with the community.

Whilst some people, particularly those working in physical jobs, are concerned about working until they're 70, others like the social engagement and intellectual stimulation of working. The report indicates there's also the concept of 'partial retirement' emerging – with baby boomers less likely than their parents to want to step into old age.

More retirement savings mean more options

So, what's the point of saving and topping up super when it means your pension is reduced? When you have retirement savings you have more influence over the way you live and how much you spend. You have far more flexibility and lifestyle options if you focus on maximising your retirement savings and if your view of the government pension is as a backup, for when those funds run out or if you live longer than expected.

A little help can go a long way

The good news is, there's help out there – and it makes a difference. The research shows that those who engage the help of a financial planner or adviser were significantly less likely to be planning on government support in retirement (27%) compared with 43% of those who do not employ a financial professional.

What can you do?

Contact your financial adviser to discuss how you can pay off your mortgage sooner using current income, and take advantage of super top-up opportunities at tax time.

Important information

To download the full IPSOS report visit: https://www.mlc.com.au/personal/retirement/australia-today

* http://www.humanservices.gov.au/customer/services/centrelink/age-pension