

Make New Year's Day pay for life

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SETTING financial goals is one of the most powerful ways to improve your wealth.

Almost everyone wants to be in a better financial position each year, yet many don't think they will be, and few set themselves clear targets.

The Christmas holiday period – when New Year's resolutions are made – is a good time to think about your money situation, what you want to change, and how you are going to do it.

Money experts say there is no time like the present to start planning.

"We see so many people come to us far too late, and regretting they didn't do something early, because they never got to it," said Australian Central chief executive Peter Evers.

"Financial resolutions are not as light as losing weight or getting fitter. They are about your financial wellbeing. If you are set up financially, you have less worries and your health is likely to benefit," Mr Evers said.

Smart Money today offers 10 New Year's financial resolutions to give some ideas:

THINK SUPER

Big changes to superannuation rules are coming in July next year.

The cornerstone is that all lump sum and pension withdrawals from super will be tax-free for people aged over 60. People can pump up to \$1 million into super before July 1 ahead of much lower limits kicking in.

Mr Evers said people approaching retirement could examine whether they would benefit from selling shares or managed funds and moving the money to super ahead of the deadline.

"Review the impact of the superannuation changes and better understand the opportunities to maximise super contributions," he said.

MAKE A PLAN

A budget and a financial plan are two key tools used to improve wealth. While you may not have the capacity or desire to pay hundreds of dollars for a professional financial plan, everyone can assess their own situation and write a budget. Community CPS Australia chief executive Kevin Bengel said the first step was to assess your current situation and identify which expenses could be reduced, such as phone bills or eating out.

There are free budgeting tools available on the websites of many banks and credit unions.

TAKE HOME LESS PAY

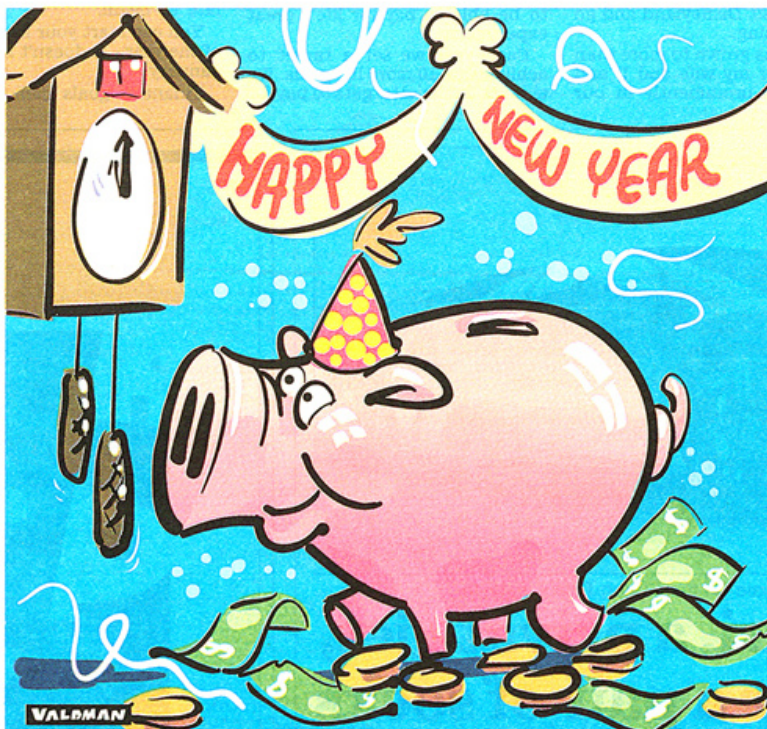
Ask your employer to re-direct some of your salary. It could be money put into super via salary sacrifice or transferred into an investment or savings account before you have a chance to spend it.

Mr Bengel said if all your accounts were with one financial institution, you could request a payroll split to automatically shift money to a savings account.

Employers could also split your pay between different financial institutions, he said. "Simply provide your payroll manager with the BSB number, account number and account title of the accounts you wish your pay to be split into."

Mr Evers said re-directing 5 or 10 per cent to savings and investments could make a huge difference.

"You soon can manage 5 or 10 per cent less in your take home pay if it's working hard for the future," he said.



EDUCATE YOURSELF

Knowledge is power when it comes to making and saving money, and we have never had so many options if we want to teach ourselves.

You can find free seminars promoted in *Smart Money*, while internet sites such as www.asic.gov.au and www.asx.com.au contain a mountain of free information and education tools about money and investing.

Wizard Home Loans chairman Mark Bouris said "proactively increasing your knowledge should be the cornerstone of any wealth creation strategy".

EARN MORE INTEREST

Keeping a large amount of money sitting in a low interest transaction account is effectively throwing it away.

Inflation is growing at about 3 per cent and some transaction accounts pay 0.5 per cent or less in interest.

Adelaide financial strategist Theo Marinis said many people with cash in the bank were getting a negative return.

Many high interest online accounts are paying more than 6 per cent interest, and while you do pay income tax on that, for most employees tax is only at 30 per cent.

"You might as well give the government 30c in the dollar and keep 70c, rather than give the government nothing and get nothing," Mr Marinis said.

CUT CREDIT CARD DEBT

Interest on credit cards is a financial killer. A \$10,000 credit card debt can cost you more than \$1700 a year in interest.

BankSA general manager Chris Ward said an alternative option to explore was VISA debit cards, which provide the convenience of a credit card "but you actually shop using your own money".

"If you are unable to pay off your credit card quickly, consider consolidating debt from store cards and credit cards that charge high interest by moving it all to a low rate credit card that offers a zero per cent balance transfer," Mr Ward said.

"This means you will generally have six months without interest being charged on the sum you have transferred on to the card. It gives you extra time to pay off the debt while avoiding interest."

FIND THE BEST DEAL

Save money by shopping around. New products are being introduced every day, which means a loan or investment you took out 10 years ago is unlikely to be the best option today.

Mr Bouris said shopping around was particularly effective with home loans.

"All borrowers should commit to refusing to accept that the products, rates and levels of service they currently receive couldn't be improved," he said.

DONATE

Donating money or time does not build wealth quickly, but it can give you enormous satisfaction. Most donations are tax-deductible, and if you organise it as a regular direct debit from a bank account or credit card, you won't notice the money donated until you get up to 45 per cent of it back as a tax refund.

USE GOOD DEBT

Credit card debt, car loans and your home mortgage are examples of bad debt and should be paid off as quickly as possible. However, there is such a thing as "good" debt.

Interest paid on an investment loan is tax deductible, and as long as your investment is growing at a higher rate than your after-tax interest cost, you are making money. "I would encourage home owners to stop viewing debt as a burden and instead recognise it for what it is: a powerful financial tool that can be used for wealth creation," Mr Bouris said.

GET FREE MONEY

The Federal Government's superannuation co-contribution scheme pays up to \$1.50 for every \$1 an employee injects into their super, with a maximum payment of \$1500. Employees earning less than \$28,000 a year can get the full \$1500 co-contribution put into their super, while people earning between \$28,000 and \$58,000 can receive a smaller amount.

The co-contribution was an "absolute no-brainer" for employees who qualified, Mr Marinis said. "Ask your employer to deduct \$20 per week from your salary and contribute it as undeducted contributions to super, to maximise your eligibility for the co-contribution," he said.

"The Government has been overwhelmed by the amount of co-contributions they have had to pay. It can be more effective than salary sacrifice."