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Great Time to be Generation Y!

The world might be coming to a financial end if you believe all the hype, but there has never been a better time to be a young working person between the ages of 16-25, also known as Generation Y or "Gen Y'ers," according to Adelaide-based financial strategist Theo Marinis.

"So long as a Gen Y'er is able to hold down a job, we should not get too caught up in the gloom. A 7 per cent unemployment rate still means 93 per cent of us have got paid employment. Times could not be better economically for working Gen Y'ers and don't forget that unemployment is still currently around four per cent!" he said.

"A smart Gen Y'er will be taking advantage of the lower interest rates to pay off as much as possible from any "lazy" short-term debt such as credit cards and car loans. The lower cost of fuel, down almost 30 per cent will also help."

Once the credit card and the car problems are sorted, an older Gen Y'er with some get up and go will be getting themselves a home loan with cheers all around from their parents, move into it later in the year or early in 2010 when property prices which traditionally lag the stock market are likely to be at their most affordable in the cycle. If the rumours are right, the Federal Government will have extended its unbelievably generous first home owners support scheme which will essentially pay off the stamp duty and solicitor's fees.

"For those Gen Y'ers who perhaps don't earn sufficient to take on a home loan, believe it or not, they will do really well in the long term by putting extra money (after paying off lazy debts) into their superannuation."

"There are two great reasons for putting more money into super right now – the first is you will be buying assets at around 50 per cent of what they cost just 18 months ago which is a terrific bargain that will stand you in great stead when the markets return. The second is to take advantage of the superannuation co-contribution offered by the Federal Government."

"Under the co-contribution, workers who put extra into their super and earn less than $60,342 pa will find the Federal Government will give them additional superannuation money for free – up to $1,500 in a year for those earning less than $30,342 who contribute just $1,000 extra themselves. There is nothing stopping a generous parent or grandparent from making this payment on their behalf!"

"So how much impact will this approach have – a huge amount particularly if repeated each year. If a 19 year old earns $27,000 pa, their employer will be compulsorily contributing almost $2,500 into super for them under the Super Guarantee (SG) rules. When you then personally add a further contribution of $1,000 from a relative and the Federal Government's $1,500 you get a total gross super contribution of around $5,000 pa.

It is reasonable to expect just the $1,000 pa personal extra contribution and the resulting $1,500 government contribution to grow to $250,000* by the time that person is 65 years of age.

Further, this $250,000 super saving is over and above the value of the compulsory SG contributions and earnings balance over that time!

"Now, human nature being what it is, most Gen Y'ers will notice a few extra dollars in their wallets and go and buy a trendy new outfit. However, for those who have a view which expands further than next weekend's dance party, the opportunities presented at the moment are fantastic."

"It is unlikely that the people I'm talking about will be reading this article. However, their parents and grandparents might be able to pass on the message. I recommend texting!"

***Based on an assumed 6% pa net earning rate.**

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For further information please contact:

Theo Marinis B.A., B.Ec., CPA., CFP®
Financial Strategies (SA) Pty Ltd
Trading as Marinis Financial Group
P (08) 8130 5130
F (08) 8331 9161
M 0412 400 725
E admin@marinisgroup.com.au
A 67 Kensington Road
NORWOOD SA 5067
W marinisgroup.com.au