

Grow with Marinis

From: Grow with Marinis
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To: Grow with Marinis
Subject: Passing the (education) Baton on to the Next Generation (GS)

Dear Friends

As a father, employer and friend of young adults, I am often asked "What are the most important things for people to know when they start out?" Excitedly I race to my whiteboard and start outlining strategies.... after approximately 15 seconds, it dawns on me that I have lost the young person's attention!

I am sure this is a common issue for many people of my generation but I believe the messages we need to pass on to the next generation are really important. Therefore I have asked Michael Callisto from my team to write the following edition of eGrow. If you like what Michael has to say and how he thinks, please pass this edition on to members of your family, friends and / or workmates. It might help them out.

From Michael Callisto:

Generally, money is boring – but what it can do for you is actually where the fun begins. What most people do not realise is that if you kick off your career with some good advice you can have literally hundreds of thousands of dollars more to spend when you get older and can protect yourself by being a little bit smart.

I have decided to look at this through the eyes of a person who is Gen X and a person who is Gen Y.

Being born in 1981, I am technically a Gen Y but I have always considered myself to have a foot in each camp (Generation "X" is usually considered anyone born between 1965 and 1980 and Generation "Y" is generally considered those born after 1980 to the early 2000's.)

Step one is to gather a working team together; by this I mean a financial adviser, an accountant and a mortgage broker and get them to work pro-actively for you and it may be beneficial to choose a team who are of similar age to yourself.

As Gen "X"ers, some of us are starting to get a bit old (or at least feel old!). We have learnt how to manage our credit cards, how to use a loan and many of us have live-in relationships, or like myself, are now married. This relationship stability brings with it a range of pressures. Mortgages often, but also the possibility of kids. To prepare for these big decisions it is really smart to think about the "what if" scenarios. How will you afford a mortgage in the event of an unplanned pregnancy, how will you manage if one of you becomes unwell and unable to work and what would be the financial impact on a surviving partner if one of you were to die? Serious stuff really.

The great news is that there are very easy steps which can be taken to protect people against these challenges in life. Your financial adviser can outline them to you.

There are also some easy wins which can be made around your superannuation structure. It may be that you have five super funds on the go which need to be consolidated. You or your partner may be entitled to some free money from the government and you may be better off in a Self-Managed Super Fund, depending on your employment situation or business status and family life.

You also need to think about a 'binding' beneficiary nomination for your superannuation benefits and perhaps changing any life insurance beneficiary from your mum or dad to your loved one. You don't want to leave them in the lurch.

For our Gen "Y"ers, life is pretty smooth running at the moment with such low un-employment, low interest rates and plenty of University options available. Having said that, it is stupid to waste money and smart to get set up in the right direction.

Believe it or not, getting a good credit rating is very smart. Get a low balance credit card and pay it off every month and enjoy the fact that this behaviour will really annoy the bank. Don't pay interest as at around 20% it is cruel.

Only run one super fund so you only pay one set of fees. Check if you may be entitled to any free money from the Government in terms of the co-contribution.

Life insurance is really cheap when you are younger – but there is probably no point unless you have any assets to protect or are in a relationship where you needed to support your partner financially. It may be sensible to get income protection insurance in case you get injured and are unable to work.

If you do set up house with someone, either as a de facto or married couple, you had probably better start thinking like Gen “X”ers (see above). Under Australian law, after six months of living together, regardless of your orientation, your relationship has the same status as a marriage therefore it is actually rather serious if anything goes wrong.

I can also offer your “Baby Boomer” parents some clever tips about their super which will mean you won’t have to pay 16.5% death tax on any of that money you inherit. Similarly, it makes sense that as they get older to plan their wills and estate in such a way that all the survivors are treated fairly and the tax which must be paid is the lowest possible. (“Baby Boomers” are defined as those born after WWII until 1965.)

The most important thing for young people starting their careers and settling down, is to have a chat to a financial adviser and set up a plan. If they are really smart, they will ask for and listen to the advice their parents offer them as well... and then maybe Theo’s white board will become very real to them!

Yours sincerely

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