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Finances that are on the money

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Qantas Media are happy for us to share the story 'Give Your Finances a Health Check' which appeared in their January 2016 Qantas Magazine featuring quotes from Theo Marinis.

We appreciate this opportunity and the ability to share it with our clients and associates.

Please read the article below or click on the link to their website.

http://travelinsider.qantas.com.au/

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Give your finances a health check

It's time to talk about the "R" word - retirement - because it isn't as far away as you might think. But how to maximise your funds? Here are some suggestions for futureproofing your finances.

"MAKING your money work smarter for you is all about organisation," says financial strategist Theo Marinis. And what better time than the start of a new year to get organised and be smart about where your funds are going?

You know the basics. If you haven't got a good financial adviser, get one. Make a budget, write a will and move as much cash as you can afford into superannuation, even in your twenties. Bear in mind the golden rule of money: time matters. Apart from a lottery win, the really big collect comes with the magic of compounding – earning interest on interest. It's a rule for all ages and circumstances but it works best when you start early.

Practise the rule of "thirds": for every after-tax dollar of income, spend one-third of the total on essentials – food, transport, mortgage; one-third (at most) on travel, entertainment, clothing and drinks; and save the remaining third.

You will have already negotiated the lowest home loan rate you can and identified your savings. Now use them to knock down debt, build super and contribute to an investment portfolio. Need help with that? Here's a toolkit of strategies to fine-tune your financial future.

KNOW THE GOAL

As a rule of thumb, a 60-year-old couple wanting $50,000 a year will need income-earning assets of around $1 million in addition to the family home.

Accumulating such wealth requires a well-defined investment strategy that meets specific needs while keeping an eye on risk levels. David Sokulsky, from UBS Wealth Management, says most people have their house, savings and the majority of their investment portfolio in Australia. "It feels comfortable as there is perceived security in proximity and familiarity," he explains. "But after decades of strong economic performance, many are overexposed to Australian assets just as the economy is slowing."

People may need to get out of their comfort zone, he says, "and look offshore for greater opportunities and reduce Australian specific risk".

Ever thought of buying overseas shares – maybe in a Japanese manufacturer or an American retailer? One way is through an Australian based managed fund focused on one region, such as the United States or Asia, or perhaps a collection of the so-called emerging markets of Asia and Latin America.

A financial adviser will know fees and performance figures over time; look for those with at least a three-year track record.

You can do much the same on the Australian Securities Exchange through an ETF (exchange-traded fund), which holds a range of stocks gathered by a particular region or sector, such as global property or resources.

If you simply want to invest offshore, look at index funds that hold a collection of stocks or bonds designed to match the investment performance of your chosen market, whether it's New York, London or elsewhere. Easily bought and sold, they have the cheapest fees and the lowest risk, albeit less glamorous returns.

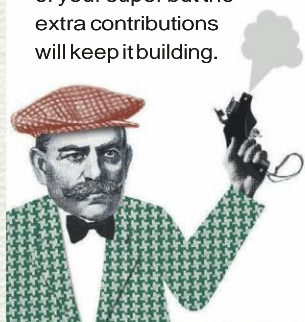
How much offshore? Up to half of your total shareholdings says Theo Marinis, although he suggests treading warily, given the lower buying power of the Australian dollar right now.

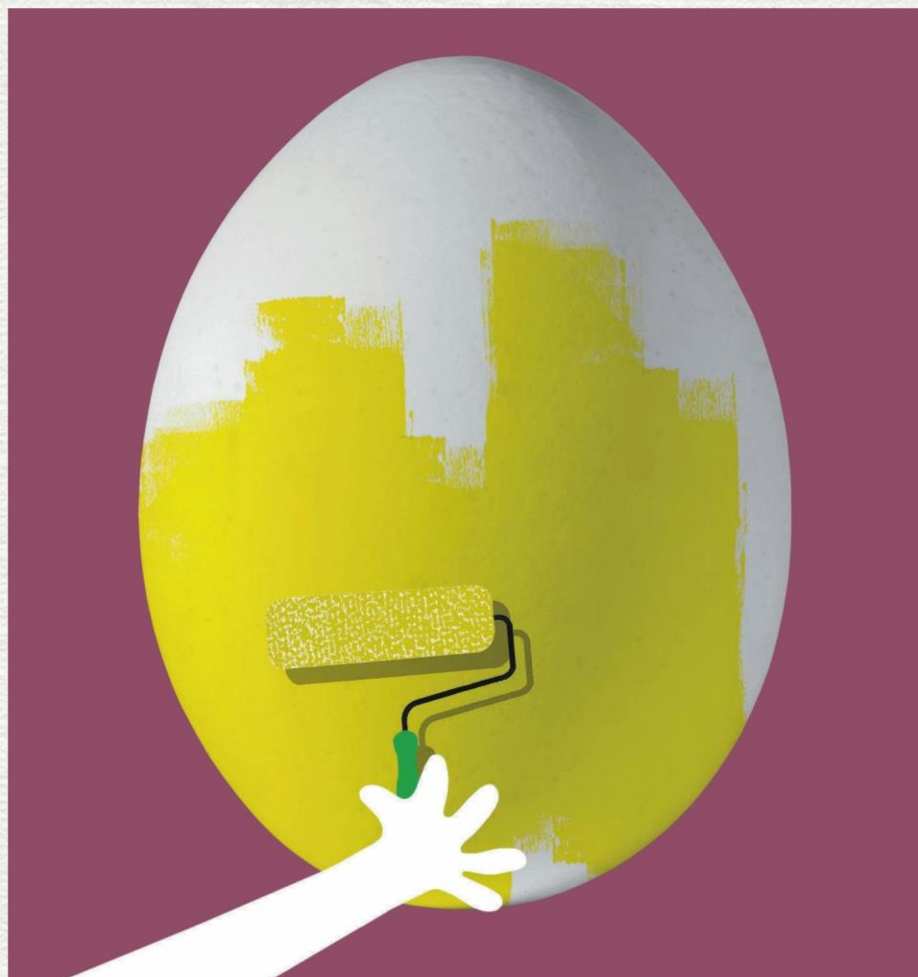
SPRINT THE STRAIGHT

If you're over 55 and still working, you need to have a "transition to retirement" strategy in place. As Theo Marinis says, it could save you – depending on your taxable income – between $4000 and $12,000 a year in tax, which will be redirected into your super.

In essence you cut (or "sacrifice") a slice of your salary and redirect it towards super. Less goes into your pocket so you appear to have a lower salary and thus pay less tax. Funds that go into super are taxed at the concessional 15 per cent rate and not your usual marginal rate, which can be much more. How much you "sacrifice" is up to you; however, exceeding the contributions caps (see right) will attract extra tax.

You can just build your super or perhaps start a pension from your super so you have an income stream to keep up your lifestyle. The latter option can allow you to reduce your working hours, too, as the pension flow tops up any reductions arising from fewer hours' work. All up, you may have started a slow drawdown of your super but the extra contributions will keep it building.





Super smart

CANBERRA has covetous eyes on our super savings. In the government's sights are over-generous tax breaks for super, caps on how much can be deposited into super accounts under today's rules and delays on when we can draw it out for our retirement years.

Act now to put away as much as you can afford while the treasurer weighs up where and how to wield the knife on tax reforms. Chances are there will be a degree of 'grandfathering', which means the current rules will apply until Parliament settles on a date for any new rules. So heap as much as possible into super while the door is open.

A well-off person could move more than $500,000 into tax-advantaged super before the end of this financial year. Here's how the numbers work. Under 50s can pay in $30,000 in concessional contributions (taxed at 15 per cent) a year, while those 50 and over can pay in $35,000. You can then make $180,000 a year in non-concessional (after-tax) contributions. And if you're under 65, the ATO will let you pull forward another two years of non-concessional contributions, for a total of $540,000 this year.

Once the money is in the relative tax haven of a super fund, drawing it out again after the age of 60 is tax-free (provided you are in a taxed super fund), whether taken as a lump sum or as an income stream.

Another way to make your super work harder is to get your partner involved, with contributions splitting. Up to 85 per cent of taxable contributions – such as the boss's compulsory payments – can be directed to a spouse's super account. The wider the age gap between you, the better as the younger one helps build the partner's pot and, in time, both enjoy the elder's retirement payout.

For those on a low or medium income, the government's super co-contribution scheme will also help. It adds up to $500 to your super if you contribute an extra $1000 or more. The government's cheque scales down as your income increases, eventually to zero for incomes of $50,454 and above. It's a great way for part-time workers and "kidults" to get their super on track.