eureka report

What should Julie know?

Theo Marinis shares his thoughts on how to financially plan for your family's future.

By Theo Marinis
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Like many men of my vintage, I've been inclined to see my roles as the primary breadwinner, and in taking responsibility for the financial health of my family. But as well as being my wife, Julie is also my financial partner, whether she thinks about that or not.

That reality led me to reflect on the questions to which Julie – or, perhaps, your financial partner – may need some answers, in the event that they are left to pick up that financial responsibility.

The starting point in the conversation should be: **Do you have adequate life insurance – and income protection?** "Yeah, nah" is not an appropriate answer.

There is no rule of thumb when it comes to determining an adequate level of insurance cover. We take into account an individual's specific situation, including their income, living expenses, debts and age before making any recommendations.

If we determine a client to have insufficient cover, we can recommend the appropriate top-up cover. Usually, life insurance is around 15 per cent cheaper through your superannuation, due to the tax deduction within the fund.

Income protection payouts are generally based on a maximum of 75 per cent of your take-home salary or earnings.

If I am earning $150,000 per annum, my annual income protection benefit would be

$112,500, usually paid monthly. Bear in mind that there is still a tax liability on this income – so, put 35 per cent aside. Remember too, if your income protection policy is held outside of super, most of the cost of the policy (premiums) is usually personally tax-deductible.

The next question should be about our accommodation. **Do we have a mortgage? If so, how much is it – and when will it be paid off?**

While interest rates are at historically low levels of around 2 per cent, the temptation is to let the mortgage drift. You are better off, however, to reduce debt while you can.

It may only cost you $2,000 per annum in interest on $100,000 worth of debt, but when it kicks back to 5 per cent per annum, that translates into another $3,000 per annum that you will need to find.

Owning a home debt-free and having a healthy super fund are key components of being 'set' for life.

And speaking of superannuation, as a family, how much do we have? What income can we expect in retirement?

I have seen a number of partners needing to return to the workforce to boost the family's retirement savings pool after discovering the answer to this question.

An extra $300,000 in super, say at $30,000 per annum over a decade, can make a huge difference in retirement.

Then it is very relevant to ask: **Do we have any other assets, such as shares or investment properties? If so, are we better off retiring debt than paying tax on earnings?**

Now, Australians have had a long love affair with owning property – and it has been a reasonable decision. Many of the members of my Australian Greek community love the fact that property is tangible.

However, there is an old saying "you can't eat bricks." Property can be lumpy and difficult if you have a bad tenant – or if you have to carry out a lot of maintenance.

Over the last 25 years, the annual return on Australian real estate was 6.8 per cent per annum and 9.5 per cent per annum for stocks. Both investments attract capital gains tax – but stocks don't ring you at three in the morning to complain that the toilet is blocked with flushable wipes!

Wrapped around this discussion should be: **Is your Will up to date?**

If I die and Julie survives, the situation is straightforward. But as an 11-year-old who survived a car crash that killed both my mother and my aunt, I know that the unexpected can happen.

As a result, I've become hard-wired to hope for the best and plan for the worst, to ensure that our adult children are well looked after. I also have a range of causes that are important to me, and which I would like to ensure are supported after my demise.

A Will is a really good place to record your wishes. It seems to hold an emotional grip over families that far exceeds the legal power of the document.

Nevertheless, if you deliberately wish to lock someone out of inheriting, get some advice from a lawyer. A Will may be less challengeable if you bequeath a token amount, say $1,000, with some family memorabilia such as old photographs, for example.

Julie should also check that I have legal and medical powers of attorney in place and that she knows where they are. She should also have access to my passwords; this access will make her life so much easier in the event of my sudden expiry.

Who are your trusted advisers?

My partner should know my lawyer, accountant and board members – as well as all of my staff. The worst situation would be for her to try to discover all of these people, and their responsibilities, during a time of crisis.

Now, I must admit, my partner is not particularly enthusiastic about discussing any or all of the questions posed above. Julie is a very trusting and loyal person who recognises that I am hard-wired to have her and the family's best interests at heart.

Nevertheless, I still have an ongoing dialogue with her about these matters. Similarly, as our children are now adults, and have a vested interest, I engage with them as well, knowing that in the situation of my death or incapacity, they will become their mother's counsellors.

I encourage everyone to share these details with their partner. Just as you are linked emotionally and legally, you are also linked financially.

Theo Marinis is Managing Director of Marinis Financial Group.

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Financial Strategies (SA) Pty Ltd trading as Marinis Financial Group
T 08 8130 5130 | F 08 8331 9161 | A 49 Beulah Road, NORWOOD SA 5067
E admin@marinisgroup.com.au | W marinisgroup.com.au
ABN 54 083 005 930 5067 | AFSL No: 326403

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