Successful Investing

Special Edition | Sex and the City 2 | Winter 2010

Sex and the City: Test your financial style

You're broke and down to your last $100. You spend it on...

A. Those new stilettos you've been dying to have. You might be homeless, but at least you'll look good!
B. A night out at the bar. The guy you pick up will know how to make you forget you're broke.
C. I would never be down to my last $100.
D. A bottle of wine and takeaway from your favourite Chinese restaurant. The fortune cookie might deliver some good news.

Your job means...

A. You have money to pay for everything you need (or want).
B. You hold power.
C. You have less time to spend looking after your husband and socialising with your friends.
D. You are exercising your mind and putting your skills to good use.

Your ideal holiday destination is:

A. Paris – for fashion week.
B. Mexico – think of all the sexy men!
C. Mingling with the elite in the Hamptons.
D. What's a holiday? I don't have time for holidays!

A perfect date is ...

A. Casual. A walk through the park together, followed by lunch at a cafe.
B. Cocktails and dancing most of the night away to great 80's classics!
C. Attending a gallery opening followed by a romantic dinner for two at a posh restaurant and some good solid, grown up discussions about art, wine and culture.
D. High energy. A dinner out with lots of intelligent conversation, and maybe even a little heated debate.

You are an expert in:

A. Fashion
B. The opposite sex
C. Family
D. Your career

The best part about living in New York City would be:

A. The high-end fashion boutiques
B. Millions of potential lovers
C. The Upper East Side
D. Great food at any hour

"I like my money right where I can see it... hanging in my closet."

Are you a Carrie?

(Mostly A's)

You have a problem with spending too much and saving too little. Do you find yourself spending more than you earn? Is your credit card pushed to the limit after too much 'retail therapy'?

If so, you are just like Sex and the City heroine Carrie Bradshaw, known for her vast collection of Manolo Blahniks and her impulse purchases. Like Carrie, you need to stick to a well-structured budget to manage your debt.

Avoiding your own credit crunch

According to the Reserve Bank, credit card debt in Australia has blown out to a record $41 billion. The average credit card now has an outstanding balance of over $3,000.

If you've borrowed money and have not yet repaid the loan in full, then you're in debt. However this isn't necessarily a bad thing. Debt is an accessible tool to help you achieve long-term financial goals such as owning a home or car. As long as you remain in control of your debt – that is, you stay on top of your repayments – it shouldn't be a problem, but if you do get into debt trouble, don't ignore the problem because it won't go away.

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Carrie continued...

Paying off your debts

Research by credit reference agencies has found that when it comes to debt repayments, gender does make a difference. Promisingly, women are less likely to miss repayments on their loans than men.

Consider these tips when setting repayment goals:

- Modify your budget to make sure it accounts for your debt repayments
- Pay off debts with the highest interest rates first (these can cost you more in the long run)
- Credit cards require you to pay a minimum amount each month. Consider paying more than the minimum required amount so you can pay off the debt faster and pay less interest
- Think about consolidating your debts if you have more than one, but only do so if it will help minimise your overall interest payments and the fees and charges you pay

Keeping your debts under control

When taking on a debt of any kind, it's important to remember that unexpected things can occur that may impact your ability to pay off your debts. If you were unable to work due to injury or illness, would you be able to keep up with your financial commitments and protect the assets you've worked hard to accumulate?

It's estimated that less than 10% of Australians have insurance against loss of income, yet it's often considered to be the most important type of insurance cover needed for income earners. Before taking on a large debt, speak with your financial adviser about preparing for the unexpected through risk management strategies such as income protection insurance.

The importance of professional advice

If you're having trouble managing your debts or think there might be a better way, ask your Professional Investment Services (PIS) financial adviser for help. Your financial adviser can develop a debt management plan and advise on whether consolidating your debts is in your best interest. Speak to your PIS financial adviser today and look forward to a debt-free future.

Source I IOOF

"What if the cancer comes back? I could die, Carrie. With really bad hair."

Are you a Samantha?

(Mostly B's)

You have seen it all (been there, done that) but you're still open to new experiences and encounters that cross your path. Do you feel 'untouchable' and often stick your head in the sand to avoid the more uncomfortable facts of life?

If so, you're similar to the successful and unstoppable Samantha Jones. Samantha, a smart business woman with more front than Saks Fifth Avenue, lives the high life but failed to pre-empt being struck down by illness. Learn from Samantha's mistake and plan ahead. Never underestimate the value of insurance.

Don't tempt fate

Breast cancer is the most common cancer for women, but it is equally important to know that most women survive.

In 2010 it is estimated that 14,000 women in Australia will be diagnosed with breast cancer, making it the most common cancer for women.

It is important to remember that most women survive breast cancer. Latest statistics show that the five year survival rate for women diagnosed with breast cancer is over 88%, with many women living long and healthy lives well beyond this milestone.

A snapshot of breast cancer in Australia

- Australian women have a one in nine lifetime risk of developing breast cancer
- The risk of developing breast cancer increases with age
- The average age of first diagnosis of breast cancer in women is 60 years
- 75% of new cases of breast cancer develop in women over the age of 50

The sheer number of women affected by cancer shows why it's so important for women to have trauma insurance or what we call 'living' insurance. Trauma insurance provides a lump sum that can take away some of the financial stress so people can spend time looking after their health and recovering from their treatment.

Speak to your PIS financial adviser to ensure you are a adequately protected.

Source I Asteron

“Carrie, I love you, but it’s not my job to fix your finances. You’re a 35 year old woman. You need to learn to stand on your own. I did.”

Are you a Charlotte?

(Mostly C’s)

You are financially independent and enjoy living a privileged lifestyle. Are you confident and money-savvy? Do you understand the importance of wise investments and forward planning?

If so, you are a carbon copy of Charlotte York. Well bred, Charlotte walks through life with a perfect sense of decorum and finds herself part of the social elite. Her Park Avenue lifestyle, which she considers normal, can however, seem unattainable to many. Investing your money wisely and enabling correctly structured cash flow is the key to making your money work harder than you do.

Good cash flow makes life easier

One important aspect of managing your portfolio of investments that is not often talked about is cash flow. Correctly structured cash flow is critical to financial planning, so let’s have a look at what you might need to think about.

What is cash flow?

Cash flow simply looks at the payment frequency of income from an investment. Cash flows generally occur regularly (ie monthly, quarterly, annually), but they can sometimes be irregular, particularly in the case of longer term private investments such as private equity.

Cash flow differs from the total income return in that it examines how often and when income is paid rather than the actual level of income received from the investment over a set period (ie a financial year).

Why is cash flow important?

It is important to understand the cash flow components of your portfolio for two main reasons.

1. It is a fundamental step in having an effective personal financial budget.

   While you may be receiving income from an investment, if the income doesn’t arrive regularly to meet living expenses, you will need to access cash from other sources to bridge the cash flow gap. This might involve accessing a cash reserve that is used throughout the year and topped up when the investment income is received, or reducing (or possibly eliminating) your monthly savings.

2. Having uneven cash flow makes accelerated debt repayment a difficult goal to achieve.

   Due to the high initial costs involved, many of us go into debt to purchase items such as cars. However, this debt comes at a price: while you are carrying it, you cannot use these funds to invest elsewhere. It makes financial sense to reduce lifestyle debt as quickly as possible so that these funds can be used to invest in financial assets that will appreciate in value to create enduring wealth.

Consider cash flow diversification

Diversification doesn’t stop at your choice of investment asset class or fund manager. You need to consider it from a cash flow perspective too. It is essential to have a sufficient mix of underlying assets within your portfolio so that a relatively even income is received throughout the year. While some investments may look similar at first glance, a prime differentiator between them may be the frequency of dividend, distribution or yield payments and the terms on which they are paid.

Understanding cash flow is crucial to being able to maintain a budget, and following a workable budget is the key to efficiently growing your wealth and achieving your financial goals.

Speak to your PIS financial adviser today if you would like further guidance on how to manage your investment cash flow.

Source | IOOF

> “I got pregnant, became a single mother and stopped having any time to eat, but I’m determined to make partner in this firm. I’m a lawyer, that’s who I am.”

Are you a Miranda?

(Mostly D’s)

You are career-minded and focused on the future. Do you find you don’t leave anything to chance and like to have everything planned out? Are you successful and family orientated?

If so, just like career-woman and mum Miranda, you understand the importance of saving for retirement and the need to have a proper superannuation plan in place.

Super – do you have enough?

Super is one of the most tax-effective ways of saving for retirement. The question is, how will you make sure you have enough?

Planning for a secure financial future is important

Australia’s population is ageing rapidly. In 1967 Australians aged 65 and above made up 11.9% of the population. By 2006 the level had risen to 13.3%. And here’s a glimpse into the future – the Australian Bureau of Statistics forecasts that in 2047 it will be 25% – in other words, about one retiree for every 2.4 Australians of working age.* Kind of scary!

Not only are we an ageing population, we’re also living longer. Life expectancies for both men and women have increased and this means that we now need to plan for at last 20 years in retirement. The problem is, there’s a significant difference between what we expect from our retirement and what most of us will actually be able to afford.

For most people the Superannuation Guarantee (9% of your salary) will probably not be enough to support you comfortably in your retirement. If this sounds like you, it’s not too late to start planning for a secure financial future.

What do I need to know about super?

Super is one of the most tax-effective ways of saving for your retirement. The maximum rate of tax you’ll pay on your earnings in your super fund is 15% and you’re not charged tax on withdrawals from super once you turn 60, whereas earnings on your normal savings outside super are taxed at your marginal tax rate, which can be anywhere up to 46.5% including Medicare Levy.

While you can shift your super between super funds, just remember contributions to super are almost always compulsorily preserved. This means that you generally can’t withdraw the funds until you are over 55 (increasing to age 60 if you were born after 1 July 1964) and meet a condition of release.

What’s the best way to make sure I have enough super to retire?

Start saving today! Even a few dollars a week can make a big difference to the sum of money available to you when you retire. Basically, the sooner you start saving, the more time your money has to grow.

When you invest regularly, no matter how little you put away, you’ll enjoy the effects of compounding. Compounding happens when you re-invest income earned on your savings, so you earn money on both your initial capital and income you have already earned.

So it’s much better to start investing small amounts today than wait until you can invest a larger amount. The best way to do this is to arrange a direct debit from your pay or bank account. Successfully investing requires you to regularly maintain your investment plan.

*Intergeneration Report 2007 published by the Australian Government.

Source | Asgard

Want to be more savvy with your money?

Contact your local Professional Investment Services adviser today!

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