



April 2019

Welcome to the latest edition of our client newsletter,

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we discuss money mistakes to avoid in retirement, provide you with information on how to save money there is an interesting article on the influence parents have on their children's financial success.

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us. In the meantime we hope you enjoy the read.

All the best,
Kane Dalley



Sterling Advice

7B / 35 Seaside Blvd Marcoola QLD 4564
PO Box 116 Coolumb Beach QLD 4573

P 07 5446 3186

E kane@sterlingadvice.com.au

W www.sterlingadvice.com.au

Facebook SterlingAdvice

Twitter dalley_kane

9 money mistakes to avoid in retirement

How to keep your finances on track once you leave the workforce

When you've worked hard all your life to build up your nest egg, the last thing you want to do is fritter it away too quickly. In this article, we look at the common money mistakes people in retirement make, and how you can do your best to avoid them.

1. Not taking control of your super

It's important to know what your options are for getting access to your superannuation when you retire. You can take it as a lump sum, an allocated pension or an annuity. Learn more about accessing your super and then speak to your financial adviser to find out what's right for you.

2. Not knowing your entitlements

Don't make the mistake of not knowing what payments you're eligible for in retirement. This may include government benefits, such as the Age Pension, carer's allowance or disability support through to concessions on health and travel. Your financial adviser can help you understand how your entitlements will fit into your overall retirement plan.

3. Spending like you're still working

Dipping into your savings or your super money regularly will soon whittle away your hard-earned savings. Find out about ways to manage your money in retirement to help you free up your cash flow and keep an eye on your expenses.

4. Not managing your investments

Just because you're retired, doesn't mean you should be complacent about your investments. It's important to consider your personal situation. Many retirees enjoy learning more about investments as they have the time to do so. Speaking with your financial adviser can give you peace of mind that your investments are being managed in the best way for your situation.

5. Not managing your debts

Consider all your options for reducing your debts, as you may not have enough funds to last you through your retirement. Be careful about paying too much interest on your debts. If you need to pay off your home loan, make sure you're aware of how selling your home or investment property affects your entitlements.

6. Spending your retirement savings on the kids

If you plan to give money to your children (or grandchildren) to help them out financially, be aware of how gifting or going guarantor might affect your tax and your lifestyle in retirement. Your financial adviser can help you understand the best way to transfer your wealth to your loved ones.

7. Letting your insurance lapse

It's tempting to reduce your outgoings in retirement by cutting back on things like insurance. But before you do, consider that almost 62% of AMP insurance claims were made by people over age 50 in 2017.ⁱ Be sure to discuss any changes you plan to make on your insurance with your financial adviser.

8. Taking expensive holidays

Make sure your choice of destination fits within your overall budget, bearing in mind you need your money to last the distance in retirement.

9. Buying a new vehicle

When you retire it's very tempting to use your super to buy a new car to last you through your retirement. If you're serious about watching where your money goes, you might want to think about making your current vehicle last a bit longer, but you'll need to weigh up the maintenance costs versus buying another one.

We can help you plan wisely for retirement, so you can still enjoy the good things in life once you've stopped working. Give us a call today.

ⁱ AMP claims paid 2017.

© AMP Life Limited. First published October 2017





How to save money

Saving money doesn't just happen, but these steps could help you to reach your saving goals sooner.

How Australians save

Research has found that almost three quarters of Australians surveyed save by putting spare money into a savings account, whether they do this themselves or via an automatic transfer. Other popular savings methods include keeping savings money in an account they can't touch, building up extra savings in their transaction account or depositing savings into their home loan offset account.ⁱ

But everyone is different and just as your strategy for how to save money might be different to these, so might your savings goals.

What are you saving for?

Recent research indicates that the most popular things Australians are saving for are a holiday, a rainy day, and to buy or renovate a home.ⁱ

Whether it's one of those, or something else, the first step in saving is to figure out what your savings goal is. Then you'll need to work out how much you'd like to save, and by when.

Money saving tips

Once you know your goals and timelines you need to work out where the money will come from. For some people, this might be the entire surplus between their pay and what they spend each month.

If you're spending every cent that comes in, you'll need to identify extra income you might be able to earn or think about cutting back spending to free up money for your savings goals.

The following tips could help:

1. Create and track your budget

Creating a budget can help you track expenses you can avoid or reduce, such as expenditure on non-essentials like pay tv, gym memberships, buying your lunch at work, entertainment and eating out. Cutting back a little on expenses could make a difference.

2. Review your providers

Unfortunately, bills are a part of life, but it's possible you may not be getting the best deals available in the market, especially if it's been a while since you last contacted your providers. You can contact them directly or make use of the many product and service comparison sites available online.

3. Think green and cut wastage

If you find you're throwing out food at the end of every week, you might be able to reduce your grocery spending. Instead of replacing household goods consider whether items can be repaired, reused or upcycled.

4. Consolidate debts

Having multiple debts such as credit cards, personal loans and a home loan could mean you're paying more in interest rates and fees than you have to. Not only could combining your debts help make money management easier, it could save you money.

Savings tools

Once you've identified your savings goals and found some money to save you'll need to work out the best method of saving for you.

When looking for a suitable savings product you'll need to consider many things, including the fees charged, interest rate, how accessible your money is, whether you can set up an automatic direct debit, and whether there's a minimum amount you need to deposit each month.

We look at some of the key features of common saving product options below.

Savings accounts

Standard savings accounts are usually low fee, and your money is readily available, but they can pay a lower rate of interest. High interest savings accounts offer you the opportunity to earn a higher rate of interest on your money but there may be penalties for withdrawing your money before a set period of time has passed or ongoing minimum deposit requirements.

Offset accounts

An offset account can help you save money by minimising the interest you pay on your home loan. Putting any extra money you have into your offset account can help accumulate savings and also offset your home loan balance. This means you only pay interest on the remaining portion of your loan.

Term deposits

Term deposits lock your money away for a certain timeframe in return for a guaranteed interest rate return during that time. A general rule of thumb is the longer the timeframe, the higher the interest rate. Term deposits are generally low in fees, typically require a minimum initial deposit, and can sometimes require a minimum ongoing deposit.

Investment bonds

Investment bonds can offer a tax-effective way of saving for the long term (longer than 10 years). They typically require either a minimum deposit or minimum ongoing deposits, and you can choose how your money is invested.

We can help you get started on saving. Give us a call today.

ⁱ ASIC Moneysmart, How Australian's save money.
© AMP Life Limited. First published November 2018



What kind of money parent are you?

Many parents approach the topic of money differently, but could your way of doing things influence your kids' success?

The majority of Aussie mums and dads recognise that they're accountable when it comes to shaping their children's perspective around money matters.

A recent report published by the Financial Planning Association of Australia (FPA), revealed parents listed themselves (95%), followed by grandparents (63%) and teachers or coaches (59%) as the top three biggest influencers when it came to instilling money values in their kids.ⁱ

What money conversations are parents having?

As part of the research, parents said they mainly concentrated on day-to-day issues when talking money with their children, admitting that more contemporary issues, such as making transactions digitally, were sometimes overlooked.ⁱ

What parents said they discussed:ⁱ

- 52% - how to spend and save
- 43% - how to earn money
- 32% - how household budgeting works
- 24% - how much people earn
- 19% - making online purchases
- 13% - in-game app purchases
- 5% - buy now, pay later services, such as Afterpay.

What approach do you take with your kids?

The research undertaken indicated that there were four prominent personalities parents assumed when discussing money with their children, with some parents initiating conversations more frequently, while others were sometimes a little more hesitant.ⁱ

The four distinct personalities that came out of the research included:ⁱ

The engaging parent

Common traits:

- You have the most conversations around money with your kids and feel comfortable doing so
- You tend to have a higher household income
- You're more likely to use money to encourage good behaviour in your children
- Due to high engagement, your kids are often more financially prepared than other kids
- Your kids have a greater interest in learning about all types of money matters.

The side-stepping parent

Common traits:

- You are less comfortable talking to your kids about money so have fewer conversations
- You may have less money coming in as a household
- You're less transparent about what you earn and money matters in general
- You tend to provide the least amount of pocket money and as a result your children may be less interested in learning about money and how to make transactions.

The relaxed parent

Common traits:

- You're comfortable talking to your kids about money but don't do so too often
- You take a relaxed approach to money matters and are transparent about money issues
- There is little financial stress in your home
- Your relaxed nature may lead to your children missing out on opportunities to learn about money, which means your kids may need to explore money matters on their own.

The do-it-anyway parent

Common traits:

- You're not always comfortable talking about money but still have frequent conversations
- You're mainly concerned your child will worry about money if you talk about it
- Despite your discomfort, your perseverance generally pays off
- Your teenage children are more likely to have a job than the average child.

What approach is best according to the research?

Engaging parents were more likely to report that their children were more curious, confident, and financially literate than they were at their age.ⁱ

According to parents who fell into this category, their children were the most equipped to understand and transact in today's digital world and their teenagers were the most likely to have a job and make online purchases for themselves or their family.ⁱ

In addition, the research found children with a paid job outside of the family home were more financially prepared to engage with money.ⁱ

They were also used to transacting digitally and showed greater interest in learning about paying taxes and superannuation than those who didn't have a job.ⁱ

If you need help to manage your money more confidently so you can pass on good habits to your kids, give us a call.

ⁱ Financial Planning Association of Australia: Share the Dream – Research into raising the invisible-money generation 2018 page 6,