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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 talk about reducing your credit card debt and provide you a quick guide for people in their 20's for their personal finances and responsible & ethical investing, what's the difference.

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 and the team, Sterling Advice



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6 ways to reduce your credit card debt once and for all

Here are some tips to start paying off your debt

\$45 billion. That's how much Australians owe on their credit cards.ⁱ

Now, perhaps that's no drama if we're not paying too much to access credit and we're managing to avoid interest charges by paying back what we owe on time.

But we paid a collective \$1.5 billion in fees in 2016-17.ⁱ And we're taking out new credit cards at an increasing rate. Two in five Australians are juggling more than one credit cardⁱ and 300,000 new credit cards accounts were opened over the five years to 2017, bringing the total number of cards in Australia to a staggering 14 millionⁱⁱ.

So given all this it's not surprising that almost one in five of us are struggling with credit card debt.ⁱⁱⁱ

Getting to grips with your existing debt...

If you've realised you might have a problem with your credit card debt, it's time to take back control. Sit down, take a deep breath and work out a step-by-step plan.

- Stop all but essential spending on your credit card. Try and get by without your credit card and use cash wherever possible while you work on your plan. You could even set yourself a challenge not to spend any money for a week!
- It sounds basic, but start by listing **how many cards you have** and what you're paying for them in interest.
- If you have more than one card, start chipping away at the low-hanging fruit. Consider **paying the card with the highest interest rate** off first or if the rates are similar, work on clearing the smallest debt.

- If you can't pay a card off in full, see if you can **pay more than the minimum** each month to reduce your balance more quickly and save on interest. It could be worth setting up a direct debit on your payday to pay a fixed amount.
- Once you've paid off a card, **close the account** and work towards having a single card to help make your finances easier to manage.
- If you feel that your interest rate is too high, you could consider transferring any remaining balance to a **card with a lower interest rate or rolling the debt into an existing personal loan or mortgage, these tend to have lower interest and fees**. Many providers offer great rates to consolidate, but make sure you pay the card off during any honeymoon period with the new provider so that you don't start accruing interest. Check the fine print—what interest rate will you pay after any promotional period ends? You don't want to just kick the can down the road.
- If all else fails, don't be afraid **to ask for help** from your credit provider. There may be a way you can work out a spending plan that takes into account your financial circumstances.

...make sure you don't build up more credit card debt...

Congratulations. You've consolidated your debt, set up a direct debit, closed a few cards and set yourself well on the way to pay off any remaining debt.

But how do you make sure you don't fall into the same credit trap again? It's all about developing more healthy financial habits.

- **Reduce your credit card limit** to take temptation off the table.

- Try not to use credit to pay for the basics like food, groceries and utility bills. See if there are any ways you could adjust your household budget or make savings elsewhere so you're only using credit as a last resort.
- **Avoid cash advances** because they may attract higher interest rates.
- **Be wary of store cards** and any fees you'll pay – they are just another form of credit card.
- **Keep track of your spending.**

...and take advantage of credit card reforms

The good news is that the Government is introducing reforms on 1 January 2019 to help Australians manage their credit card debt.

- You can cancel your card or lower your limit online for all new accounts.
- You won't be charged any back-dated interest.
- And you'll be assessed on your capacity to repay your debt when you ask for an increase.^{iv}

Once the credit card's sorted, it could be time to move on to any other debts you might have. Come and speak to us about taking control of your overall debt.

ⁱ Australian Securities & Investments Commission, REP 580 Credit card lending in Australia, July 2018, The credit card market in Australia, section 81, pg. 17

ⁱⁱ Australian Securities & Investments Commission, REP 580 Credit card lending in Australia, July 2018, Snapshot of the market, 2012-17, section 92, pg. 20

ⁱⁱⁱ Australian Securities & Investments Commission, REP 580 Credit card lending in Australia, July 2018, section 99, pg. 24

^{iv} National Consumer Credit Protection Amendment (Credit Cards) Regulations 2018, Schedule 1 – Amendments

Holiday budgeting tips

— *How to avoid a travel debt hangover*

We've all had the feeling. You step off the plane from Bangkok still buzzing, images from your holiday flitting through your mind—the Parthenon, Big Ben, the Eiffel Tower.

What a trip...you're not going to kiss the tarmac or anything but it's good to be home! You post the final selfie to Instagram on your mobile but as you flick back to the home screen you notice your banking app. A nagging thought disturbs your post-holiday reverie.

You haven't logged on since you left Australia. But it was all so slick. The days of sewing travellers' cheques into your pants and wiring FedEx cheques around the world are long gone.

Even the little Thai fishing village had a workable ATM that pumped out baht. And pretty much everywhere accepted your credit card. Luckily you extended the limit before you left, all it took was a few clicks. You also vaguely remember setting a daily budget...that didn't last long. But hey, you're not in Rome every day of the year.

Hang on though...you did hit it pretty hard in London's West End. And then there were the five days at the Airbnb near Lake Como. After all, if it's good enough for George and Amal, it's good enough for you. Come to think of it, the previous week scooting up and down the French Riviera wasn't cheap. And way back at the start of the trip those Sangrias in Barcelona kept on coming...

Slowly your heart sinks and you close the screen down, hastily shoving the phone back in your pocket. It can wait another hour at least, at least until you've got home and brewed a strong cup of coffee.

You've heard of jetlag, now brace yourself for debt-lag

We know how to avoid jetlag. Stay hydrated, get as much sleep as possible and go easy on the complimentary inflight beverages.

But what about debt-lag? You don't want to arrive back home with a spring in your step but a hole in your wallet.

And it doesn't have to be the trip of a lifetime. Even if it's just the annual family holiday down the coast, it's all too easy to let your spending get out of control.

Here are a few tips you might want to consider that could help you avoid a travel debt hangover.

Budgeting tips before you go...

- **Pre-pay the big-ticket items.** Look for good deals and pay in advance for flights, accommodation and tours. The more you can pay for before you go, the less you'll have to pay for at short notice with a potentially hefty local mark-up.
- **Do your homework on fees and charges.** You may want to give yourself a choice of how to pay—a debit card with lower fees, a pre-paid travel card so there are no surprises and a credit card for emergencies.
- **Work out your holiday budget.** Think about how much you're willing to spend—it could help to set a daily limit and an overall limit (and stick to it!). Sometimes your choices about where to travel and where to stay can have a knock-on effect. If you're based on a resort island or in a small hotel room with no kitchen facilities it could be difficult to source reasonably priced groceries and save money on food.

...budgeting tips while you're travelling...

- **Keep track of how much you're spending.** If you're good at budgeting, there's no reason to let things slide just because you're on holiday. And if you're not so good at budgeting, a holiday could be the ideal time to start getting into the right habits.
- **Use the right card.** Pre-loaded travel cards are getting more popular and mean you don't have to stress about the exchange rate. Credit cards are convenient but represent temptation. If you're going to use credit, make sure your card is appropriate for travelling. Some cards charge an international transaction fee as well as not giving you any control over your exchange rate.
- **Make smart choices.** Sometimes local merchants will give you the choice of paying in the local currency or Australian dollars. Converting to Aussie dollars could cost you more as you may not get a favourable exchange rate.

...and budgeting tips when you get back

- **Pay off your credit card as soon as you can.** Be wary of minimum repayments—this only drags out the debt for longer and increases the overall interest charges. If you can cut back in other areas you could potentially pay off your credit card debt earlier and avoid paying interest.

If you're looking at budgeting for a holiday, we can help you manage your money more effectively.

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Responsible and ethical investing

– what are they and what's the difference?

Whether it's the war on waste, human rights abuses, animal rights or climate change that is your issue of choice (or perhaps you're concerned about all of them), more of us are taking an interest in making decisions with our money that reflect our values.

Recent research from the Responsible Investment Association Australasia (RIAA) shows that 92% of Australians now expect their super or other investments to be invested responsibly and ethically, and that four in five of us would consider switching providers if our current super or investment fund engaged in activities inconsistent with our values.ⁱ

But while the increased interest in responsible and ethical investing is undeniable, there's still some confusion around what they actually mean.

Responsible and ethical investing explained

In simple terms responsible investing encompasses a range of investment styles and techniques that take into account environmental, social, governance (ESG) and ethical issues within the investment research, analysis, selection and monitoring process.

For example, funds might screen out companies or sectors due to controversial or unethical business practices or negative social impact (negative screening). Other investment strategies may focus on selecting companies or sectors with a stronger focus on sustainability drivers relative to their peers (positive screening).

Some common examples of factors that might typically be considered include:

- **Environmental:** Waste, pollution, greenhouse gas emissions, clean technology products and services, environmental management practices.
- **Social:** Workplace health and safety, labour relations and standards, community impacts, human rights.

- **Governance:** Board independence and diversity, executive pay and incentives, bribery, and corruption, conflicts of interest, shareholder rights.
- **Ethical:** Tobacco, gambling, weapons, testing on animals, controversial medical research such as stem cell research, live animal exports.

The most widely used technique by fund managers is ESG integration, which involves the systematic consideration of ESG risk and return factors alongside financial considerations when making an investment decision.

There's also impact investing where capital, in the form of your investment, is provided to a business which has the purposeful intention of generating a measurable, beneficial social or environmental impact, in addition to a financial return.

Increasingly fund managers are using a combination of these responsible investing techniques, creating a range of options in the market for customers seeking to line up their own values with their investment profile and appetite for risk.

How to invest responsibly and ethically

When it comes to investing your money – be it your super or other financial investments – it's become increasingly easier to put your money where your mouth is.

According to RIAA, around 55% of all assets under professional management in Australia were invested responsibly at the end of 2017.ⁱⁱ

If you'd like to invest more responsibly or ethically it's important to first consider which issue or issues are of the most importance to you, and how strongly held your convictions are.

Do you prefer avoiding certain industries (for example, the fossil fuel industry) or would you rather favour other industries (such as renewable energy, health-care)?

Or perhaps you're happier with an approach that selects companies that demonstrate the most sustainable characteristics within their industry sector?

What we're doing at AMP

AMP Capital has been focussed on assessing the environmental, social and corporate governance performance of the companies we invest in since 2001.

In 2007 we signed on to the United Nations-backed Principles for Responsible Investment and we've recently completed an ethical divestment strategy in accordance with a new ethical framework and have sold all our investments in companies that manufacture tobacco, cluster munitions, landmines, biological and chemical weapons across our entire portfolio. We are also a founding signatory of global Tobacco-Free Finance Pledge.

AMP Capital is responsible for managing the underlying investments in AMP's super products and publishes information on its website about its responsible and ethical investing practices, ESG investment insights, and responsible investment product offerings. For more information visit www.ampcapital.com/au/en/capabilities/responsible-investment

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Adam is responsible for building upon the strong foundation AMP Capital has set in adopting the UN Principles for Responsible Investment and integrating ESG considerations. His role includes facilitating continued implementation of responsible investment practices in all asset classes including listed equities, infrastructure, property, fixed income and credit. Adam also engages with other Australian companies on ESG issues and supports the implementation of environmental targets for the broader AMP group.

ⁱ RIAA, From Values to Riches, Charting consumer attitudes and demand for responsible investing in Australia

ⁱⁱ RIAA, Responsible Investment Benchmark Report, 2018 Australia

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