Complete Financial PLANNING

Your family's future is our business

NEWSLETTER – AUGUST 2019

News from Complete Financial Planning

- We welcome our newest staff member to our team – Shae Drozd. Shae has been in the industry for a couple of years and will be working with us full time as the new front of house receptionist and administration.
- Molly has recently left us due to some personal health issues and we wish her all the best for the future.
- Just a reminder the office will be contacting you before your review is due to get updated information either by email or phone. If you can please get this information back to us as soon as possible, it will help us in preparing your review documents in a timely manner.
- Kelli is currently on a well-deserved holiday with her partner Jon in the USA!
- For those who had not heard - Kelli is working remotely from Collie; her work mobile number is 0447 337 122.
- Don't forget the office is shut on a Friday, as Kathy and Emma work from home these days – they can be contacted on their mobiles, 0413 348 472 and 0488 198 200 respectively.

Retirees - Investing to Conservatively

There's a common view that as you approach retirement you should tilt your investment portfolio towards more conservative investments. This means favouring things like term deposits, annuities and cash management trusts while reducing exposure to more volatile assets such as shares and property. The thinking is that preservation of capital is key, as without an earned income it is hard to recover from any downturns in the share or property markets.

In the days of high interest rates this might have been a good strategy, but when interest rates are low and life expectancies long, being too conservative with investment can see the money running out way too soon.

Peter plans to retire on his upcoming 63rd birthday. He has $600,000 in super and wants this to provide him with an income of $50,000 per year. If his net return is 3% pa, Peter's nest egg will last for just over 15 years[1]. The problem is there's a good chance Peter will live into his late 80s or even 90s. To give his savings a chance of lasting until he is 90 (27 years), Peter will need to target a net return of 7% pa.

Chasing higher returns does involve taking on greater risk. However, for a well-designed portfolio the great moderator of investment risk is time. Even over just a 10-year period it's much more likely that a 'growth' portfolio will meet Peter's needs rather than a more conservative one.

Just because you stop working doesn't mean your money should too. To ensure your nest egg keeps working hard through your retirement talk to your financial adviser.

Please don't forget…

Our success is a result of referrals from clients and friends like you. We could always use a few more. So, if you have children, family members, friends or colleagues that may need some advice, please pass our details to them.

8 common financial mistakes people make in their 30s

Climbing the career ladder, perhaps buying a home and starting a family – the 30s are an exciting stage of life. However, the decisions made now can make a big difference to future financial wellbeing, and with so much going on it is understandable, even inevitable, that the best decisions won't always be made. So, what are the common financial mistakes that 30-somethings should be alert to?

1. Buying an expensive car

New cars plummet in value when driven off the showroom floor, and the higher the price tag the greater the fall. Buy with borrowed money and you're paying interest on an asset of diminishing value.

Settling for what you *need* in a car, rather than what you *want*, can add hundreds of thousands of dollars to your future nest egg.

2. Living on plastic

If you don't pay off your credit card balance in full each month, you'll be paying a high rate of interest on the carryover balance. Over time, the growing interest bill makes it increasingly difficult to clear the debt. If not used carefully, buy-now-pay-later schemes can also become something of a debt trap.

It might sound boring, but the antidote is to save up for the things you want to buy, and to avoid going into debt for consumer items.

3. Forgetting to save

A rule of thumb is to save at least 10% of your income but saving even a small amount is better than doing nothing. And in your 30s you have time on your side.

For instance, when Nicole turned 30, she started to put away $200 per month at an interest rate of 5% per annum (after tax). By the time she's 60 her savings will grow to $166,452. If she waits until she is 40 to start her savings plan, she will accumulate just $82,207 – less than half!

4. Focusing only on the money

On the other hand, it's possible to be too fixated on the money – working too hard, snapping up investment properties like it's a competition. This may be a hard habit to break but working on some current lifestyle goals and finding some balance can deliver a different type of reward.

5. Getting caught up in investment fads

Tulips, alpacas, ostriches, the tech boom, crypto currencies. Investment fads have come and gone, making fortunes for a few, but big losses for many. It pays to heed tried and true rules such as only investing in things you really understand, and diversifying investments to reduce risk.

6. Not insuring your most important asset

No, it's probably not the house. For most 30-somethings your biggest asset is the ability to earn an income. Most health-related absences from work are due to illness or non-work-related injuries – things that are not covered by workers compensation. Income protection insurance can replace much of the income lost due to accident or illness. However, it's a complex product so seek expert advice.

7. Still feeling bullet-proof

Sadly, death and disability can strike at any age. Now is the time to make a Will. Investigate powers of attorney and health directives. If the worst happens, these documents will make it easier for your loved ones to settle your affairs.

8. Being too hard on yourself

Let's face it. We're all human, and we all make mistakes. Unfortunately, if we beat ourselves up about a mistake, we have made it may compound the problem. The sour taste of a bad investment, for example, might put us off making a good investment.

That would be a pity because the 30s is a decade of huge potential. Good advice now can help you unlock that potential. To find out more, talk to a qualified, licensed financial adviser.