Advice Matters

Volume 41 | Summer Edition 2018

Giving more this Christmas without buying

Want to make Christmas a special time for your family without going overboard on buying gifts?

Maybe it's time to start a family tradition of sharing experiences or being generous in a new way. It's all too easy to get caught up in the consumer frenzy that takes hold during the season of good cheer. There are so many reasons to keep reaching into your pocket – buying gifts, the packed social calendar of drinks, dinners and parties, stocking up the pantry with festive foods. But what if you took a step back from it all and put your energy, time and money into a new way of celebrating with family and friends?

Here are three ideas for taking a different approach to giving and sharing at Christmas and creating some fantastic family memories too.

1. Get together for an occasion to remember

Spending time eating and making merry together on Christmas Day is a well worn family tradition. So what if you added a different sort of festive get-together to your calendar? One that's planned so everyone can do their bit to make it happen and enjoy the outcome too.

Your ideal family shindig could be a day or two at a sporting event, a trip out to dinner and the theatre or a weekend away together. Once you've got the date locked in, you can all start to look forward to it and save for it too. Pooling funds for your special event can be a great way to get you all motivated towards a common financial goal.

2. Donate and show your shared values

Find yourself scouring the shops for that ideal present for someone who already has all they need, and much more besides? Gifting donations with a charity can be the ideal alternative and particularly meaningful when they reflect a person's interests or what they value most.

3. Volunteer or fundraise together

Whether it's a one-off occasion or a regular commitment of your time, volunteering can be a great way for all of you to get together and feel good about giving back to your community. It could make sense for you to choose an activity where your family already has strengths – if you're all pretty handy on the tools, perhaps you can donate time to a community building project. Or maybe you'd all like to try something new together and make it a way to acquire new skills.

Pooling your time and energy to raise money for a cause that's close to your hearts could also be the perfect family project for the new year.

Making memories that count for your family can be much easier when you have a financial plan. Find out more about how a financial planner can help you and your family plan and budget for all those special moments in your lives.

Source: (Financial Planning Association of Australia)

Elders Financial Planning

PROTECT your ability to earn income

An illness or injury can keep you from working and earning. Are you doing enough to protect your income if you're unable to work?

Your ability to earn an income is usually one of your biggest assets, so it's important to protect it. You may get help from a worker's compensation payout or personal savings if you become unable to work due to illness or injury. But they're likely to only cover nominal living expenses. How are you going to service your debts, and pay medical bills or your children's school fees?

Taking out an income protection (IP) plan may help provide peace of mind that you'll be able to meet your financial obligations and focus on recovering. IP cover may provide a monthly income while you're unable to work as a result of illness or injury. It typically replaces up to 75 per cent of your income for a set period of time.

When looking to take out an IP plan, it's important to consider:

- the period of time you're willing to wait before payments start
- the length of time that you will receive payments for.

These factors may affect your premiums and benefits.

Standalone cover or through super?

You may get your IP cover through your superannuation fund or by buying a standalone plan outside your super. Taking out a policy through your super may be a good idea if you want to avoid paying for insurance out of pocket. You might also get a cheaper premium rate because super funds bulk buy insurance. But keep in mind that the policies offered through super may not cover all your financial responsibilities for an extended period of time.

A standalone IP policy may provide more adequate coverage. It may also offer tax benefits – IP premiums are usually tax deductible if you fund your cover outside super.

Keeping your costs down

If cost is a concern in taking out a standalone plan, there are a few ways you may be able to make your premiums more affordable. One of them is choosing a longer waiting period before you receive benefits after being unable to work due to illness or injury. The longer you wait, the lower your premiums.

Opting for indemnity cover may also help you keep your insurance costs down. IP plans require you to choose between indemnity and agreed-value cover. Under an indemnity policy, your insurer bases the monthly benefit you would be paid on your income at the time you make a claim. For an agreed-value policy, the benefit is based on your income when you apply for coverage. Premiums for indemnity cover are generally lower than for an agreed-value policy.

But indemnity policies may vary among providers, so speak to your adviser about which cover may suit you. Your adviser may also help you tailor your insurance plan to meet your income protection needs.

Do you have the protection you need? Contact your financial planner today.

Source: ANZ

MINIMISING RISK TO YOUR BUSINESS

The survival and success of your business is critical throughout the entire lifecycle, as it is likely to be your main source of income and may play a big part in whether you meet your retirement goals.

Out of all reported corporate insolvencies in 2015/16[1]:

- 79% < 20 people
- 65% debts < $500,000

The top reasons:

- inadequate cash flow or high cash use (46%);
- poor strategic management (46%);
- and poor financial control, including lack of financial records (34%).

Protecting your interests

To give your business its best chance to survive over the long term, and succeed, you need to get smart about protection. No matter how small or large your business,or how it is structured, each business will face a number of risks. These risks could relate to the economy, competition, or changing consumer behaviour and can be hard to control. However, one type of risk you can have a degree of control over is people risk – that is, the financial impact to your business if a key person dies, becomes disabled or suffers a specific medical condition.

Moreover, protection is not just about guarding the financial health of your business, it's also about protecting the ownership of your business – that is, helping to achieve a smooth transfer of business ownership should one of the business owners suddenly exit due to sickness, injury or death.

We all want to avoid thinking about illness, injury and early death. Here are some facts and figures to remind you of just how risky life can be – and why protection is an important consideration.

- A 35-year-old male has a 40% chance of suffering from an accident (12%) or illness (28%) that lasts three months or longer[2]
- Around 54,000 Australians suffer a heart attack each year[3]
- 1 in 2 Australian men and women are expected to be diagnosed with cancer before the age of 85[4]
- It is estimated that more than 44,000 people died from cancer in 2015[4]
- Almost 2 million adults aged between 25-64 have had a disability[5]

There are a number of different ways that you may reduce the impact that these risks can have on your business.

1. Protecting your business revenue against the permanent loss of a key person
2. Protecting your business revenue against the temporary loss of a key person
3. Protecting your business assets
4. Ensuring your business can continue to pay its fixed expenses
5. Protection for transfers of ownership
6. Protecting your household
7. Using insurance to provide a more equitable estate

Discuss them with your financial adviser today

Source: BT Financial Group

1 Summary of key data from ASIC REP 507: http://asic.gov.au/about-asic/media-centre/find-a-media-release/2016-releases/16-436mr-asic-reports-on-corporate-insolvencies-2015-16/
2 IRESS Life Risk Calculator, accessed 10 July 2017.
3 Heart Foundation, statistics (https://www.heartfoundation.org.au/about-us/what-we-do/heart-disease-in-australia
4 Cancer Council Facts and Figures (http://www.cancer.org.au/about-cancer/what-is-cancer/facts-and-figures.html)
5 AIHW 2011. Australia's welfare 2011. Australia's welfare no. 10. Cat. no. AUS 142. Canberra: AIHW.

HOW YOUR feelings affect your finances

Does it sometimes seem like money is standing in the way of your happiness? How we feel about money can really have an impact in the role it plays in our lives, how we spend it and how secure we feel about our future. Find out how our emotions – positive or negative – can influence money habits and what you can do about it.

Our feelings about money can be as strong as they are volatile. One day you're elated because you got the mortgage to buy your first property. A month later you're stressed out from unexpected maintenance bills on your perfect new home. Or perhaps you experience this cycle of excitement and anxiety from everyday retail spending on clothes, gadgets, or a night out with friends.

It's only natural for people to seek satisfaction from spending money. After all, money is an essential tool for meeting our needs – for shelter, food, transport and many other things that make our lives comfortable and complete. But we all place different value on these various needs and our feelings about money can be just as wide-ranging. So we each have a money story that's fairly unique.

What's your money story?

Researchers Bradley and Ted Klontz coined the term 'money scripts' to describe the feelings and beliefs we have around money and how these affect our financial behaviours. According to their research, these scripts tend to be inherited from the family and culture you come from. "Money scripts are typically unconscious, developed in childhood, passed down from generation to generation within families and cultures, contextually bound, and often only partial truths.[1]"

Patterns you might recognise

While yours might seem absolutely true to you, money scripts for different people can be quite opposite, but still lead to the same behaviours. According to Brad and Ted Klontz, there are four main categories our money beliefs fall into.

1. **Money avoidance** – feelings of shame about having money and that you don't deserve it are the hallmarks of the money avoider. You may assume people with wealth have either inherited it or used deceit to get it.

2. **Money worship** – you basically believe money can solve all your problems. If only you could have more of it, you'll stop worrying and enjoy life more, instead of feeling stressed and working too hard.

3. **Money status** – spending money shows the world who you are. Your sense of personal worth and value is demonstrated by your wealth and the things that go with it. Spending more than you earn is an easy trap for you to fall into.

4. **Money vigilance** – money is your security blanket. Having it makes you feel safe and protected and spending it feels like putting yourself in the path of danger, even when you still have plenty to live on.

Your own personal money relationship may be a combination of two or more of these identified scripts. According to the research, the first three can all lead to negative behaviours such as compulsive spending or gambling, overwork and financial dependence or denial. While having a 'vigilance script' can certainly keep you from being reckless with money, it isn't necessarily any better for your wellbeing to avoid spending money because it scares you.

Acknowledge how you feel

Findings from the Klontz research suggest it may not be necessary to actually change your money script. It's more a case of acknowledging what your feelings are and looking for practical ways to disrupt the behaviour they cause. Being a money worshipper, for example, often comes with feelings of envy when faced with the trappings of a life that seems better than yours. If this sounds familiar, remember to take regular breaks from social media feeds, like Instagram and Facebook that remind you of the upgrade to your home, wardrobe or holiday your money script has you longing for.

Team up

Finding yourself a money buddy can be a great way to get support to change financial behaviours that hold you back. Whether their script is similar to yours or completely different, you can get to know each other's weaknesses when it comes to money. Then you rely on each other to call out old negative money feelings and encourage you to act on positive new ones instead.

Source: Financial Planning Association of Australia

[1] Journal of Financial Planning, How Clients' Money Scripts Predict Their Financial Behaviors, Bradley T. Klontz, Psy.D., CFP® and Sonya L. Britt, Ph.D., CFP®

Contact your local Adviser

Elders Financial Planning Pty Ltd AFSL 224645 ABN 48 007 997 186
Head office: L9/ 80 Grenfell Street Adelaide SA 5000
T 1800 060 741 W www.eldersfp.com.au

Elders Financial Planning

EFP4142 9/18