inTouch

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Welcome to our quarterly magazine – in this edition:

Welcome to the first edition of inTouch magazine for 2019, a big year for RI Advice as it is the year we celebrate our 40th anniversary. This is a significant milestone in our industry and one that should be recognised and celebrated so we have put together a short video that you can view on our website. As always, our focus for this year is on providing quality financial advice to all our clients across Australia. The articles in this edition of inTouch are a good reminder of the financial considerations at every age and stage of life. The articles highlight suggestions on how you can get on top of your financial plan this year and make the most of recent changes to super and the rising age for the Age Pension. If you know someone who could benefit from advice, I do hope you will pass our details along so we can help.

Until next quarter,
Peter Ornsby
RI Advice Group, CEO

How to deal with irregular income

Beat the challenge of having irregular income by planning your finances.

Managing your finances can be challenging if your income fluctuates from month to month. People like self-employed business owners, freelance writers, new entrepreneurs and contractors need to plan how their money will last until their next payment comes.

While this can be difficult, the following tips may help you gain stability and security in your finances.

Create a budget

Having a budget is crucial to ensuring you have enough money to cover your essential expenses and build up your savings. A budget tracks your spending on a weekly or monthly basis and factors in your income (taking into account fluctuations), expenses and financial obligations. It may help you set limits on your discretionary spending – such as eating out and unnecessary shopping – to help you stretch your income. Perhaps most importantly, it may keep you from over-spending when your next payment comes through.

Build your contingency fund

Everyone needs a contingency fund to cover unexpected events such as unforeseen medical costs. But having money socked away for emergencies is even more important if your income is unpredictable.

> This money may help you stay afloat during periods of little or no income.

Increase your income

You don't have to fully rely on your job or trade for income. If you have enough savings on top of your contingency fund, you may want to consider investing a portion of your money. Your professional financial adviser could recommend strategies to help you generate an income from your investments.

Boost your retirement fund

You may not be considering retirement savings when you have irregular income, but it's vital for your financial security. If you're looking to bolster your superannuation account, the 'catch-up' scheme helps eligible individuals increase their super savings by allowing them to make catch-up concessional contributions.

From 1 July 2018, members with a total super balance of less than $500,000 can 'carry forward' any unused amount below the concessional contribution cap on a rolling basis for five years. Before you decide to make a contribution, it is wise to get professional financial advice so you fully understand your contribution options.

Get insurance protection

Consider taking out insurance to protect your income should a sudden illness or injury prevent you from earning.

> Income protection insurance may provide a monthly income while you're unable to work.

But depending on your job, different types of income protection insurance have different benefits and employment requirements.

Speak to your financial adviser to see if such a policy might work for you or how you may tailor a plan to meet your income protection needs.

Cashflow: Keeping top tips top of mind

We all like a good cost saving tip, even if it is something we already know, it never hurts to revisit some top tips and take a look at our current situation to see if there are savings to be made.

Any little savings we make throughout the year can be diverted to a bigger savings pool such as an investment portfolio or term deposit to help build wealth over time.

Check your super

If you are not completely aware of what you have in your super fund and how it is performing, now is the time to do a quick investigation. Having one fund, instead of multiple funds may save on fees. Being with a top performing fund rather than a default fund could mean a higher return on your investment, which really adds up over time.

Making sure you are only paying for what you need is important, if you are paying for insurance when you have a separate insurance policy this could be an expense you get rid of. However, there is not a "one size fits all approach", which is why tailored financial advice could help to find a super solution that suits your individual circumstances.

Salary sacrifice

This is a good way to reduce your taxable income and boost your super. Some of your pay is diverted to your super fund, hence reducing your taxable income, and this money is taxed within the super fund at only 15%. The other benefit of course is that it boosts your super fund and with the power of compound interest over time you can set yourself up for a nice retirement lifestyle.

Utility costs

Reviewing your utility costs each year can be a great way to make little savings add up. By reviewing the contracts you are on, asking the provider for a better deal or getting onto a pay-on-time contract that offers a discount are simple ways you can save on utilities. Consider ways you can be smarter with your utilities at home – buy energy efficient appliances, turn off lights when you are not using them, take shorter showers, install a water tank.

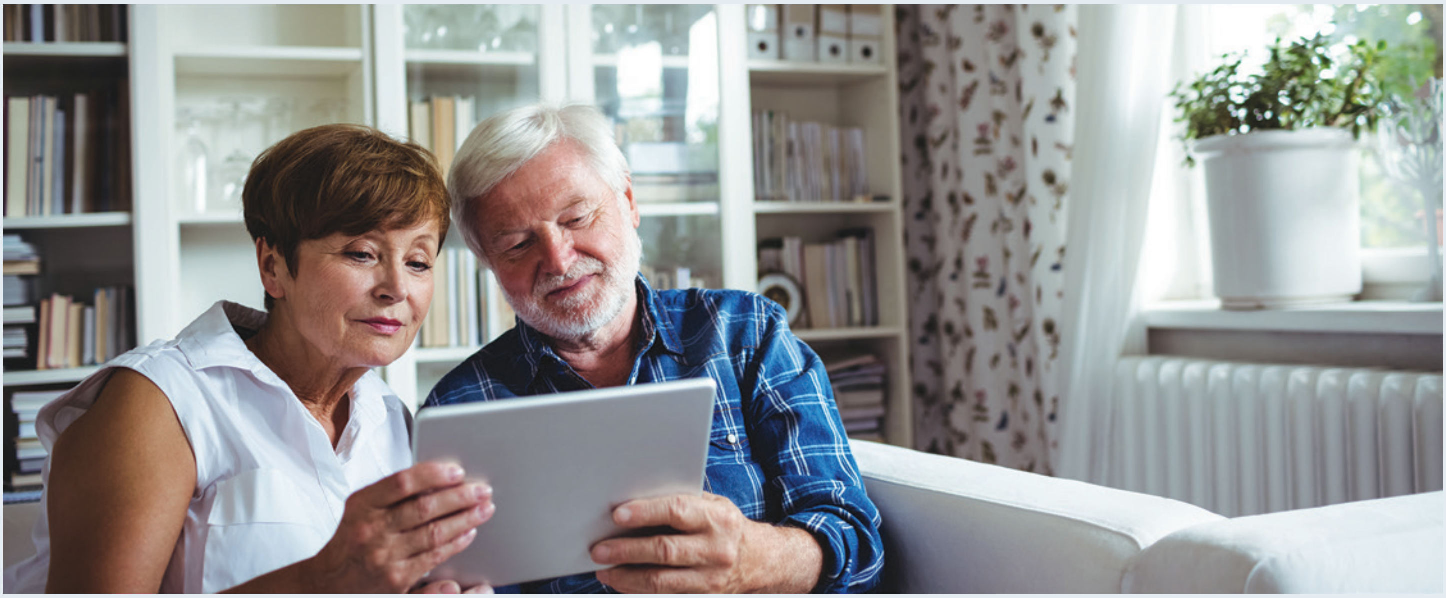
Consumption

Whilst you don't want to deny yourself little luxuries or conveniences, looking at your levels of consumption could expose some cost savings. Consider walking or taking public transport rather than driving everywhere, only buy what you need at the grocery store rather than stockpiling, reduce the number of times you eat out or buy coffees, don't rotate your wardrobe items until you have worn out existing items, take advantage of free activities in your local area such as the library, beach, bushwalks which will connect you with the community and save money on entertainment.

A professional financial adviser can help you with cash flow and budgeting and then help you divert your savings into a vehicle that will start making you some money.

Downsizer super contributions could help you boost your super

As you near retirement, you may be considering what to do with the family home and if there are ways you can boost your superannuation savings. Downsizer super contributions may present an opportunity for you to divert savings into your super fund.



Even if you are upsizing or not buying another home at all, you may still be eligible to make downsizer super contributions. Check if you are eligible:

- you are at least 65 years old at the time of making a downsizer contribution
- the amount contributed is equal to or less than the capital proceeds from selling the home, up to a maximum of $300,000 per eligible person
- the home was owned by you, your spouse, or former spouse for 10 years or more prior to the sale
- the home is in Australia and is not a caravan, houseboat or other mobile home
- the sale of the home is either exempt or partially exempt from capital gains tax (CGT) under the main residence exemption, or would be entitled to such an exemption if the home was a CGT rather than a pre-CGT asset
- the downsizer contribution into super form is provided to the super fund either before or at the time of making the contribution
- the downsizer contribution is made within 90 days of receiving the proceeds of sale
- you have not already made a downsizer super contribution from the sale of another home.

There are a few important considerations you need to keep in mind before you decide to make a downsizer super contribution:

- the work test does not apply
- contributions do not count against the non-concessional contribution cap
- a tax deduction cannot be claimed
- there is no requirement to buy another home
- contributions can still be made where your total super balance exceeds $1.6 million
- contributions will be counted towards your next 30 June total super balance
- where a surviving spouse inherits the home, the surviving spouse counts the ownership period of the deceased spouse and the period held by the trustee of the deceased estate for the 10 year ownership test
- where a dwelling is built on a vacant block of land, downsizer super contributions may apply to a subsequent disposal providing the land was owned for at least 10 years and at least a part main residence CGT exemption applies
- if you have a rental property that was once your main residence, the disposal of the property must be partially or fully exempt from CGT to be eligible
- where a spouse dies, Centrelink payments may be reduced, or lost entirely.

Whilst more information is available on the ATO website, every situation is different so if you are considering ways to boost your super, have a conversation with a financial adviser who can talk to you about your individual circumstances and the options available.

Prepare for the rising Age Pension age

Are you affected by the increase in the Age Pension's qualifying age? Take steps now to help secure your retirement income.

The minimum age to qualify for the Age Pension has started going up. For those born on or after 1 July 1952, the qualifying age increases by six months every two years until it reaches 67 in July 2023. It rises to 66 in July this year.

The following table illustrates the qualifying age by birthdate and the effective date of each pension age increase.

Date	Affects men and women born (both dates inclusive)	Pension age
01/07/2017	01/07/1952 to 31/12/1953	65 years and 6 months
01/07/2019	01/01/1954 to 30/06/1955	66 years
01/07/2021	01/07/1955 to 31/12/1956	66 years and 6 months
01/07/2023	On or after 01/01/1957	67 years

If you're turning 45 this year, for example, and plan to ease into retirement when you reach 60, you will need to wait until you're 67 before you can apply for the Age Pension. You'll have to rely on your own savings and superannuation in the interim.

This makes it crucial to ensure you have enough money put away for later years. But the good news is that there's still time to grow your retirement savings.

Boosting your super

Contributing more to your super can be a reliable route to bolstering your retirement fund.

By making extra contributions through salary sacrifice, you can grow your super and at the same time reduce the amount of income tax you pay. Including your employer's super guarantee contribution, you can make concessional contributions of up to $25,000 each financial year. The government will tax your salary-sacrificed contributions at 15 per cent, which could be much lower than your marginal tax rate.

Making non-concessional or after-tax contributions is another option. You can contribute up to $100,000 each financial year if your total superannuation balance is less than $1.6 million. To understand how these contributions work and how you can make the most of them, it's wise to get professional advice.

Beefing up your long-term savings

Your personal savings can supplement your super payments in retirement. But are they growing enough now to provide you with some income when you retire?

To build up your savings, you may have to invest part of it and ensure it's growing faster than the rate of inflation.

Investing in a managed fund or buying an investment bond may help you increase your nest egg, but you should seek professional advice to see if these instruments are appropriate for you.

Your financial adviser may also suggest ways to spread your investments, to help you lower the risk of losing money.

Knowing your entitlements

Besides the Age Pension, you may be eligible for other government benefits and concessions. The Seniors Card, for example, offers individuals over the age of 60 discounts on some commercial and public services such as transportation. Concessions that allow you to buy prescription medicine at a discount are also available.

But keep in mind that these benefits have strict eligibility rules. The laws governing them also change quite often. There's no guarantee that these entitlements will still be available by the time you retire.

Take charge of your retirement

By working with your financial adviser, you can develop a strategy that helps ensure you'll be well provided for regardless of changes to pension policies.

Smart ways to financially get ahead in your 40s

In your 40s and still not financially secure? Don't fret. You can still catch up.

Being in your 40s often involves balancing different priorities. For example, you may need to care for your ageing parents, grow your career or business, and if you're a parent, support your children.

With all these responsibilities, it's easy to neglect your own financial wellbeing, including building your long-term savings. But it's not too late to try secure your future. Here are some tips to help you financially make the most of your 40s.

Make a plan

> If you don't have a financial plan, it's time to get one.

A financial plan may help you stay on track by identifying your long-term goals and the steps you could take to reach them. Ensure that it's based on your specific needs and priorities – and is realistic. By working with a professional adviser, you may be able to tailor a plan that optimises your ability to invest and save for the important things.

Grow your savings

Your 40s can be your peak earning years. Data from the Australian Bureau of Statistics shows that in 2016, employees aged 45 to 54 earned $1,479.90 in average weekly total cash earnings, the highest of all age groups.[1]

This may be a good decade then to ramp up your savings and funnel some of your income into your superannuation through salary sacrifice, for instance. But be sure to do your homework and speak with a financial adviser to find out what your options are.

Give your super a health check

Speaking of super, do you know how your account is doing?

A quick super health check may help you increase your retirement savings. For example, by choosing a different investment option or type of risk, you may be able to earn better returns on your super. If you have multiple super funds, consolidating your accounts may mean you could save on fees.

Super can be a difficult subject to get your head around, so it is recommended you consult a professional financial adviser about how you could bolster your super.

Avoid lifestyle creep

People have a tendency to inflate their standard of living as they earn more and can afford more things like a better house or car, or more holidays.

While it's only natural to want the finer things in life, it's wise not to get caught in a cycle of upgrading your lifestyle beyond your means. You'll likely end up with little to no financial gain if your spending rises as quickly as your income. Stick to the plan you've developed with your financial adviser and stay focused on your financial goals.

Consider investing more

Your 40s may be a good time to invest more – or diversify your existing investments – to help you grow your long-term savings and try stay ahead of inflation. Although leaving your money in a fixed-income vehicle may reduce your risk of losing money, inflation might erode the value of your capital.

If you decide to invest more, or more aggressively, keep in mind that it's important to choose instruments that suit your risk appetite and time horizon. Developing a strategy with your financial adviser might make it easier to achieve the return required to reach your financial goals.

Your 40s can be a juggling act of different priorities, but they could also be a great opportunity to set up new, healthy financial habits. By putting these into practice, balancing your financial responsibilities may be that little less difficult.

Seek advice

Your financial adviser can review your finances and work with you on a financial plan based on your needs and priorities, to help you achieve your goals in your 40s.

1 Australian Bureau of Statistics, May 2016, 'Employee Earnings and Hours'. Accessible at: http://www.abs.gov.au/ausstats/abs@.nsf/mf/6306.0

Enjoy luxuries without sacrificing your financial security

By making smart choices, you could indulge in luxury goods and still protect your financial wellbeing.

It's sensible to grow your money as much as you can by saving regularly and investing in assets that can help you accumulate wealth. But it's also important to enjoy the money you've worked hard for by, for example, acquiring luxury items or investing in passions such as antiques and art.

Research shows that consuming products of desire can be beneficial to individuals. It can improve their state of mind and lead to greater life satisfaction.[1] But how can you indulge in such purchases without sacrificing your financial security? Here are some practical ways.

Avoid assets that are costly to maintain

Certain fancy items such as luxury cars are expensive to maintain. The cost of maintaining a yacht, for example, is estimated to equate to about 10 per cent of its value every year.[2] And this doesn't even include the operating expenses such as fuel.

Selecting goods that don't cost much to maintain, such as luxury bags and antique furniture, may help you avoid putting a dent in your savings.

Choose 'investment pieces'

Indulging in luxury items that are investment pieces may be wise. By buying goods that appreciate over time, you can enjoy them and perhaps even grow your wealth. Gold, for example, is used as both a luxury and an investment piece.

However, keep in mind that even jewellery, famous paintings, collectibles and other investment pieces may still lose value over time; it all depends on the market and how much risk – and research – you want to take on.

Secure an income stream

Although luxury assets may grow over time, they don't typically provide an income.

You may want to make sure you have investments that can offer you earnings. Consider working with a professional financial adviser on how you might invest your wealth to give you stable earnings. By having an income stream, you could gain the independence to pursue the things you want, including investing in your passions.

Build up your long-term savings

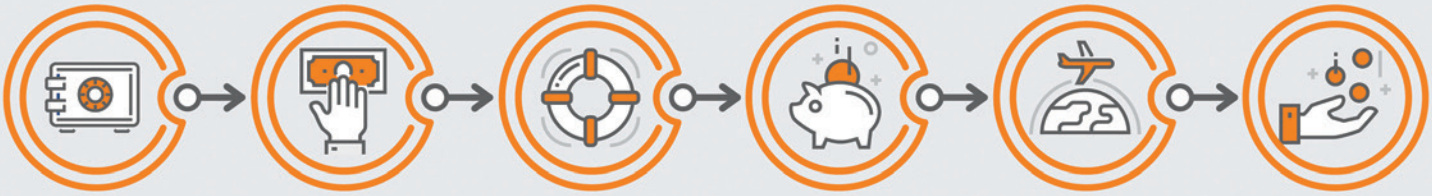
Having a big enough nest egg for your retirement is crucial to securing your financial future. It may give you peace of mind while allowing you to enjoy some luxuries. If you're not sure how much money you'll need for the kind of lifestyle you want in retirement, consider getting financial advice. Your financial adviser may help you draw up a plan to make sure you're on track to achieve your retirement goals.

1. Hudders, L and Pandelaere, M, May 2011, 'The silver lining of materialism: The impact of luxury consumption on subjective well-being', Journal of Happiness Studies. Accessible at: https://link.springer.com/article/10.1007/s10902-011-9271-9

2. Rudow, L, April 2014, 'The real cost of owning a yacht', YachtWorld. Accessible at: https://www.yachtworld.com/boat-content/2014/04/real-cost-owning-yacht

SIX WAYS TO GET THE MOST OUT OF A WINDFALL

Received a large sum of money? Six smart ways to make sure your newfound wealth goes a long way.



1 SET THE MONEY ASIDE
Avoid the temptation of spending it.

2 SETTLE YOUR DEBTS
Clearing your debts can put you on a better financial footing.

3 GROW YOUR EMERGENCY FUND
Another way to make good use of the money.

4 BEEF UP YOUR RETIREMENT SAVINGS
Extra contributions to your superannuation may help optimise your windfall.

5 FUND YOUR GOALS
Build your savings for some of your personal goals.

6 GIVE TO OTHERS
Receiving a large windfall can be a chance to help others in need.

Seeking professional financial advice can help you make wise decisions.

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40 YEARS STRONG

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