inTouch

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Welcome to our quarterly magazine – in this edition:

- Simple ways to help keep Christmas affordable
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- Money hacks for teens and young adults

As you read through our last edition of inTouch magazine for the year, consider if there are any articles that raise questions you want to discuss further with your financial adviser.

2017 has seen a lot of changes in the financial services industry, particularly in relation to superannuation – which is often your biggest asset. The Australian Superannuation framework is one of the world's leading structures in protecting wealth and supporting the needs of aging Australians, but as economic and demographic change continues, the relationship between you and your adviser has never been more important. Now is an ideal time to check-in to get peace of mind that your financial house is in order. Discuss any regulatory changes or life events that have occurred throughout the year so they are reflected in your financial plan.

Thank you for your continued support, and see you in 2018!

Peter Ornsby
RI Advice Group, CEO

Simple ways to help keep Christmas affordable

Take the time to create a budget just for Christmas, so you can enjoy yourself without spending a fortune.

Christmas is a happy time of year that brings people together but it can also be expensive. With a bit of early planning you can control your festive season spending.

Here are some tips to help avoid a New Year financial blowout.

Set a budget

You know it makes sense, but it can seem a bit Scrooge-like. If you can overcome your reluctance, start with the total amount you want to spend. Divide this into the major categories of gifts, catering, entertainment and travel and list the items you need to purchase in each. Then put a spending cap on each category.

Organise your gift-giving

Draw up a gift list and work out how much you want to spend on each person. If money is tight, consider options such as vouchers for home-cooked meals, gardening, or home repair work as alternatives to bought presents.

It can help for big groups of relatives or friends to agree in advance upon a spending cap per gift. Another option is to do a Secret Santa by choosing each other's names randomly from a hat. Each person then buys the person they picked a gift, instead of buying for everyone in the group.

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Open a Christmas account

Funding your Christmas spending is the next task. Set up a special bank account early in the year and use a regular auto payment option.

The sooner you start saving, the more you will have, or the less you will need from your regular accounts to make up any shortfall.

Make a shopping list

Wandering through the shops without a clear idea of what to buy may cause you to overspend. Do your research first, then set out with your shopping list in hand and stick to it.

> Be prepared to bargain as smartphones make it easy to compare prices, and avoid last minute shopping that can result in rushed and expensive decisions.

Even better, pick up bargains in the sales earlier in the year and put them aside. Above all, keep your head and stick to what you can afford.

Travel smarter

It may seem that the entire country is on the move during the holiday season – it is the most popular time to travel.

It's also one of the most expensive times as higher demand for transport and accommodation pushes prices up, so it may be worth considering house swapping, camping or having a staycation if money is tight. If you do wish to travel, there are plenty of ways to take a break without breaking the bank. The most helpful hint is to once again draw up a budget.

Talk to your adviser

If you'd like advice on how to create a budget, your adviser will work with you to help tailor one to your needs.

Why you should consider key-person insurance

Some people are crucial to a business, but how would the firm cope if something happened to them? There's an answer for that.

Unexpected events can play havoc not only with people's lives but also with businesses.

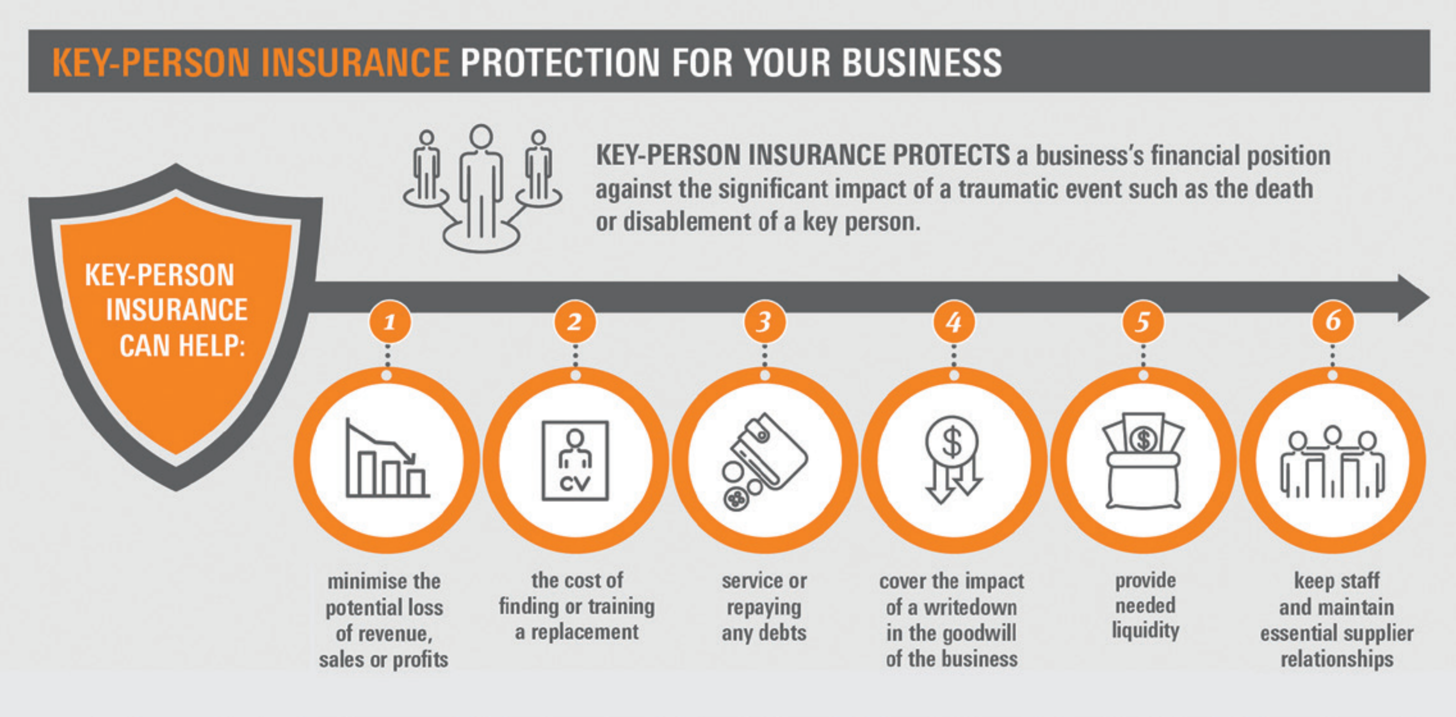
However, many business owners are so busy with the day-to-day operations they don't stop to consider the true cost to their business of the loss of a key employee, business partner or even themselves.

> The knock-on effects may include disruption and reorganisation of other staff, missed opportunities, delays or penalties for late delivery of projects, lost revenue, increased expenses, significant costs to find and train a suitable replacement, loan repayment and even loss of the business.

Understanding the actual cost of this situation and putting plans in place may help mitigate or even cover the entire risk.

What is key-person insurance?

Key-person insurance is a funding solution to protect a business's financial position against the significant impact of a traumatic event such as the death or disablement of a key person.



A key person may be an employee, owner or an individual whose contribution to the success of the business is significant.

This cover is not a specific kind of insurance but the application of life insurance to protect a business against key-person risk. It can be used with buy/sell life insurance (also known as business succession insurance), which covers the change of ownership if an owner dies or becomes incapacitated.

The benefits of key-person insurance

Often a cash injection to an affected business may keep a bad situation from becoming worse or even catastrophic.

The insurance proceeds may be used to:

- minimise or eliminate the potential loss of revenue, sales or profits until a suitable replacement is appointed
- help cover the often significant costs of finding or training a replacement
- service or repay any debts that are called in
- cover the impact of a writedown in the goodwill of the business
- provide needed liquidity
- help keep staff and maintain essential supplier relationships.

Are there alternatives to key-person insurance?

A business may have other strategies to help manage their risks, including:

- asset sales to provide needed funds, but a fair price is not guaranteed and there may be payment delays. Businesses don't usually hold unnecessary assets, so a reactionary strategy of selling off useful equipment may affect overall financial performance and stability
- promoting existing staff or reallocating workloads even temporarily. Generally, staff training and development should be part of proactive business planning
- using company profits, which may help cover the immediate needs but not address future profitability and performance
- borrowing more or drawing down existing loan facilities, but this can pose other difficulties, including approval delays and the added interest burden.

Insurance is the only practical alternative where a business doesn't have the capacity to cover its risks.

The taxation of key-person insurance

There are two key tax considerations:

- deductibility of premiums, and
- assessment of the claim proceeds.

These matters are determined by whether the purpose of the key-person cover is revenue or capital in nature.

Consult your financial adviser for further information.

Five things to consider when giving to charities

The urge to donate is strong in Australia, and it's easy to make it part of your financial plan. An estimated 14.9 million Australian adults (80.8 per cent of the population) gave $12.5 billion to charities and not-for-profit organisations in 2015–16.

For many people donating comes as a response to a request from a charity, but if you feel strongly about a cause or providing ongoing help to someone less fortunate, why not budget for it?

As well, many people plan to leave money to charities in their wills and with some extra thought in estate planning, a bequest can be made in a tax-effective way.

An example is transferring shares that may have significant capital gains attached to them. These can be transferred to charities that have zero tax status, which will then get the full benefit of the gains.

Regardless of how you give, it's always important to keep accurate records of your donations to give to your accountant at tax time. Here are five things to consider before donating.

If you would like to make giving part of your financial plan, your adviser can help you get the most out of your philanthropic efforts.

Why giving is important 1

Giving to the less fortunate is a good thing to encourage from a young age. Certain schools make volunteering with charity organisations part of their programs but even parents can encourage philanthropy through their own actions, showing that it feels good to give.

You can touch the life of another person and affect them in ways you may never know – and it's a win-win proposition. Giving is good for both the donor and the recipient. There's nothing wrong with feeling proud of your generosity and using that to spur you on to further acts of kindness. Giving makes the world a better place.

Do you know what the charity does? 2

It's an obvious question, but at the very least the charity's mission and goals should align with what you hope to accomplish with your generous gift. Is the charity doing good works in the areas that concern you? Do you feel strongly about what it is doing with your money? Is it obvious what the charity does, or does it help out behind the scenes?

What has the charity achieved? 3

Most organisations are happy to advertise their successes through videos, photos or testimonials that showcase their work. There also should be plenty of information in their annual reports to help you get a more complete picture.

Can you volunteer? 4

Being charitable often means more than giving a few dollars. It can also mean pitching in and helping, which is a great way of finding information and making connections. Meeting employees and volunteers will help you decide whether the organisation fits your values and goals, and this can make you become more involved in the cause. Plus, you may feel more fulfilled and happier knowing that you are making a difference.

How much are you comfortable giving? 5

Giving circles are becoming popular for people who don't have a lot to donate. This just means getting a group of 100 or so people together who each contribute perhaps $1,000 to create a pool of $100,000. They donate the lot to one charity to make a big impact.

Plan behind

We spend our life planning for what lies ahead. But it's also important to plan what we leave behind.

What if something were to happen to you? Would the people and possessions that matter most to you be well cared for? Where would all your hard-earned assets end up? How would your children or grandchildren manage their inheritances?

These are questions many people don't like to think or talk about. Combine money, love, relationships and family dynamics in one conversation and things are likely to get a little emotional. Add blended families to the mix and things may become even more impassioned.

That's why it's important to develop a clear plan and talk through it with everyone concerned – before it's too late. A professional financial adviser can facilitate these discussions, help younger generations learn vital money skills and assist you in planning what you leave behind.

You've spent a lot of time accumulating your assets so it makes sense to spend some time working out what happens to them.

These conversations are not just for the very wealthy. It's important for all your family members and can be especially important if dependant children, debts, blended families or family businesses are involved.

Done well, it may help to reduce or eliminate family squabbles and legal challenges. It can take into account Wills, trusts, superannuation, life insurance, tax implications, business succession planning, social security repercussions, provisions for family and gifts to charity. Also important to consider is whether to have a power of attorney, where you nominate a person you trust to act on your behalf if you are unable to.

You may also want to establish an enduring guardianship, where you appoint someone to make lifestyle decisions for you, if you are no longer able to make them yourself. For example, if you suffer from dementia, a brain injury or even a temporary illness.

The laws regarding powers of attorney and enduring guardianship are complex and different rules apply in different states or territories. Professional advice is recommended to help you work through the rules.

If you have a disabled child under 18, consider naming someone to become their legal guardian if something happens to you, to guard them against loss of money in a divorce, or protect your assets in case a family member is struggling with addiction, mental illness or potential bankruptcy.

Whatever your family circumstances are, we can help you work through the issues and plan accordingly.

Healthy tips for avoiding dementia

Are there some simple ways to reduce the risk of dementia? The answer is yes. Here are five things you can do.

Dementia is a devastating illness that affects one in 10 people aged over 65 but recent research suggests there are things you can do to reduce the risk of it happening to you.

The Economic Cost of Dementia in Australia report released this year estimates that 413,000 Australians are living with dementia. One in four people over the age of 85 will have dementia and by the age of 95, it's one in two.

> Dementia is not one disease but a range of conditions that cause a loss of mental functioning as we age.

While age is the biggest risk factor, dementia is not inevitable and there are things you can do to reduce your risk of being affected.

What to do

Dr Maree Farrow, a cognitive neuroscientist from the University of Tasmania's Wicking Dementia Research and Education Centre, says there are five key things you should do to reduce your risk of dementia.

1. Stay mentally active

People who have mentally stimulating jobs or hobbies during their lives have a lower chance of developing dementia as they age.

"The research suggests these challenge the brain, so it's learning something new or different that's important," Dr Farrow says.

2. Stay physically active

Studies show physical activity helps grow new brain cells and new connections between brain cells. It also boosts the levels of the chemicals that help keep brain cells healthy.

Just 30 minutes a day of brisk walking is enough to have a significant impact. But exercising longer, or more vigorously, is better still.

3. Have a healthy, balanced diet

While some research suggests eating foods high in omega-3 fats, such as oily fish, is important, Dr Farrow says the evidence is mixed.

The most positive results point to fruit and vegetables, which are rich in antioxidants.

4. Stay socially active

A large network of friends is not only good for your overall wellbeing, it also helps your brain.

"You have to think about what you're saying and understand what they're saying," Dr Farrow says. "You have to understand facial expressions and body language. Lots of different parts of your brain are working."

5. Watch your key numbers

Keep your blood pressure, cholesterol and blood sugar levels in the healthy range.

"If your blood vessels in your body are unhealthy, they'll be unhealthy in your brain as well," Dr Farrow says. This means your brain cells get damaged and die, which affects your thinking ability.

It's also best to start early as research shows that the disease process that causes dementia begins decades before it manifests. Even so, it's never too late to switch to a healthier lifestyle.

Sources:

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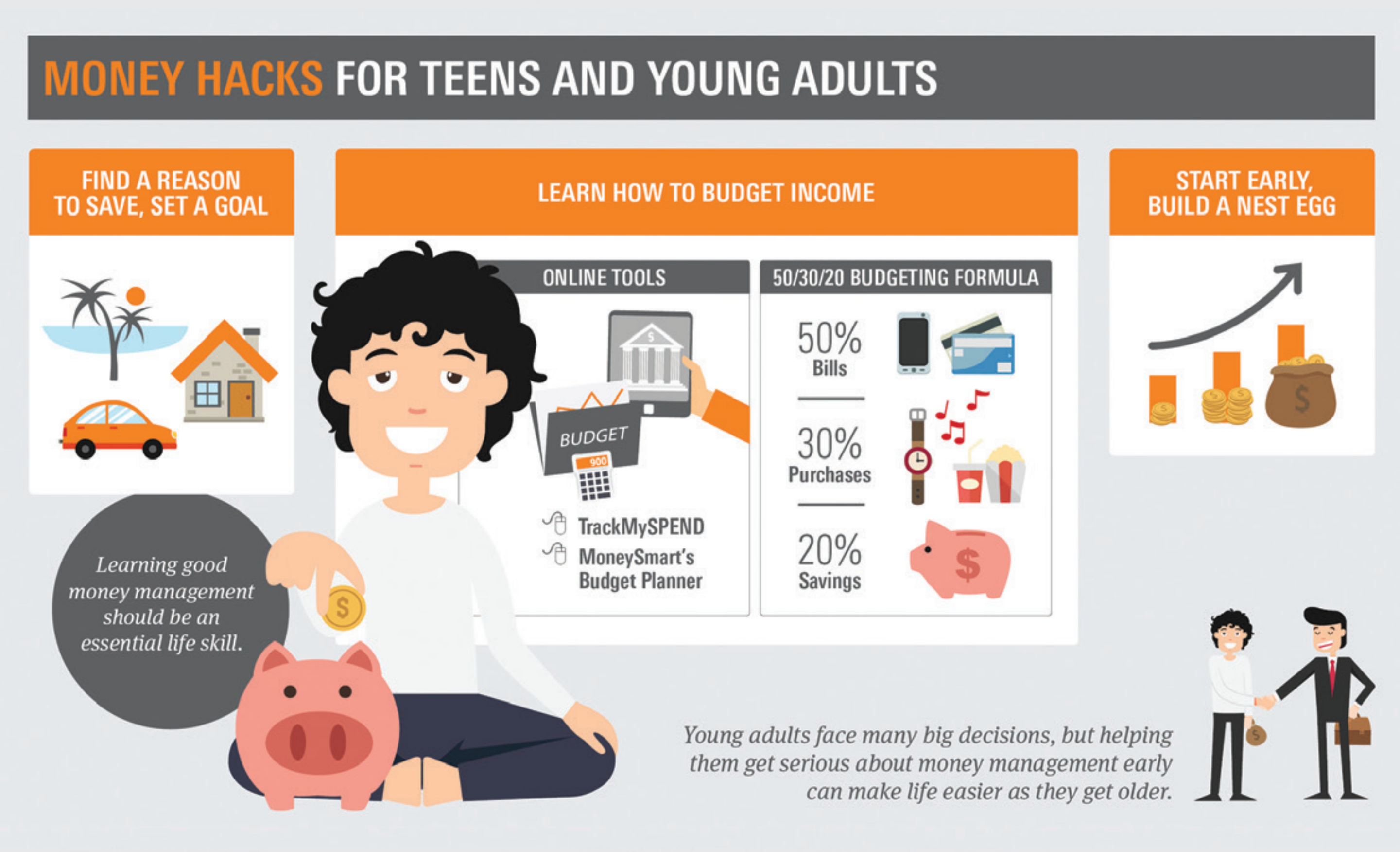

Help your teens and young adults manage how they spend and save

So your teenagers and young adults know how to spend, but do they know how to budget for the things they really want? Learning good money management should be an essential life skill. A visit to your financial adviser with your child may help them develop good money management skills.

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