

canberra times: q&a

Q 1: Another year has passed and we still do not have any clear plan for our financial future. What can we do to start taking some action in this area?

Withheld. Canberra

A 1: During the Christmas break it is useful to take some time to reflect on how 2012 has been for you in a financial sense and to dream about what you want from 2013 and beyond.

When reflecting on 2012 there are a number of issues that will come to mind:

1. The continuing global financial crisis – with “growth” investments improving modestly for the last 12 months, most investors are still sitting on reduced portfolio values mainly due to a drop in superannuation values over the last few years.
2. Global economic uncertainty – while Australia’s economy is still fairing very well, we keep hearing about challenges in other countries, particularly the US ‘fiscal cliff’ and ongoing debt issues in Europe, but despite this there is the realization that the financial world has not come to an end and will continue to operate.
3. The volatility of financial markets – whether that be sharemarkets, property, interest rates, currency, etc., large movements can come quickly.
4. Uncertainty on the job front – with some large business collapsing during the year and many others experiencing a drop in sales in the last few years some businesses may be looking to reduce staff costs.

With quite a stressful year on reflection here are some steps to take to help make the most of 2013 and beyond:

1. Understand what you have and where you currently are – take stock after this historically unusually tough few years.
2. Think about what you want your financial future to look like by clarifying some goals, and dare to dream! – whether that be having an overseas holiday every year, paying down the mortgage quickly, retiring sooner rather than later, buying a holiday home, achieving financial independence etc.
3. Find out whether you are on track to achieving your financial goals – do some projections yourself to work this out, or see a Certified Financial Planner who specializes in this area to make sure you are incorporating all income, expenses, assets and liabilities properly, and using investment return assumptions that are realistic over the long term.
4. If you are on track to achieving your goals – relax and enjoy the journey. If you are not on track, then find out what you need to do to get on track – again a Certified Financial Planner can help you understand what financial strategies can be applied to improve your financial future.
5. If action is required on the investment front then don’t be afraid to act – as the short term movements from investments are unpredictable, but the long term is predictable so long as the capitalist economy many countries operate in, continues to exist.

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The key to a successful financial future is to 1) have knowledge of where you are, 2) have knowledge of where you are going and 3) have the knowledge to know how to get there better. I would encourage everyone to make the effort to plan to be financially successful on purpose, rather than leaving financial success to chance. Merry Christmas and look forward to a prosperous New Year!

Phil Thompson is a certified financial planner and authorized representative of Rise Financial Pty Ltd (ABN 86350987645), AFSL 311718, an Approved Financial Planning Association Professional Practice. Answers should be used as a general guide only and professional advice should be sought before making investment decisions.

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