



READY... SET...

Are you good to go for the new financial year?

The end of the financial year is the cue for most of us to look at our financial position heading into tax time. Hopefully you've made progress towards your goals. But if you find that your expenses are trending higher than you'd like or—shock, horror!—higher than your income, this could be the perfect time for a fiscal makeover.

This year as you look back on what you have (or have not) achieved, why not also look ahead to where you want to be and how you plan to get there. The starting point is gathering up as much information as possible, beginning with the household budget.

Take a budget snapshot

You can't set realistic financial goals and savings targets without knowing how much money you have at your disposal. If you don't already track your income and spending, then take an annual snapshot as you go through your records to prepare your annual tax return.

Deduct your total spending from total income and what's left is what you have to work with (see box at the end of this article).

Any surplus could be used to kick start a regular savings plan. If you discover a budget black hole, use the information you've gathered to identify areas where you are overspending and could cut back.

Pay yourself first

Did you manage to save anything this year or are you are constantly counting on this month's income to pay last month's bills? Do you spend first and hope to save what's left?

Instead of making saving an afterthought, why not pay yourself first and allocate a percentage of your income to a regular savings plan. Setting up a weekly or monthly direct debit will remove temptation and encourage you to live within your means.

Review your mortgage

If you have a mortgage this is likely to be your biggest monthly expense so it's a good idea to check your progress at least once a year. Why not use some of the savings you've identified and increase your repayments to save interest? If your mortgage has a redraw facility you could use this to create a cash buffer for emergencies.

While you're at it, go to an online financial comparison site such as Canstar, RateCity or Mozo and compare interest rates. If your rate is no longer competitive ring your lender to negotiate a better deal and consider switching loans if they won't budge. Just beware of any exit fees.

Negotiate better deals

Your home loan is not the only expense worth haggling over. These days if you want to get the best deal on your electricity, phone, internet or insurance the onus is on you to ask. Before you do, ensure you understand what your current plan/policy covers and research what's on offer elsewhere.



Make a practice of doing this once a year, when your plan or policy is due for renewal. The savings can be substantial and can be put to much better use reducing debt or growing your wealth.

Check your super

Do you know how much you have in super and how it's invested? When you retire superannuation is likely to be your biggest asset outside the family home, yet almost one in four Australians don't know which risk profile their super is invested in.ⁱ Not only can this cost you thousands of dollars in retirement savings, it takes only minutes to correct.

Go to your fund's website or call the helpline to ask for your current balance and which risk profile your money is invested in. As an example, a 25-year-old woman on \$80,000 in a conservative option until she's 70 could improve her retirement balance

by \$294,000 if she switched to a risk profile more in keeping with her age and circumstances.ⁱ

Protect your wealth

Reaching your life and financial goals is not just about growing your wealth but protecting it against loss.

It's important to review your insurance policies annually—or as your circumstances change—to make sure you and your family have adequate cover. Insurance can be a significant cost for families, but the income it provides when accidents or illness strike is worth every cent.

They say knowledge is power and this is certainly true where your personal finances are involved. So why not go beyond the usual search for last-minute tax deductions this June to do a thorough review of your current position. If you would like us to help you make the most of the year ahead, give us a call.

See how you are travelling

1. Go online or old school

You don't have to be a financial whizz to draw up a budget these days. There are plenty of online budget tools and apps, many of them free like ASIC's MoneySmart budget calculator. Or you could use old school pen and paper. Either way, the process is the same.

2. Add up your income

Add all sources of after-tax income from employment, investments and that spare room you rent out on Airbnb.

3. Calculate your spending

Next, look at your spending. Dig out receipts for fixed expenditure including mortgage or rent, rates, electricity, gas, insurance premiums, phone and internet. Add spending on food, clothes, health, education, cars, transport, charities and the fun stuff like eating out, entertainment and holidays. Also include any personal after-tax super contributions and regular savings.

4. Income – spending = ?

Finally, deduct total spending from total income to see how you're tracking.

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ⁱ MLC Wealth Sentiment Survey, 5 April 2018, https://www.mlc.com.au/personal/blog/2018/04/how_to_add_thousands