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Make 13 a lucky number

Now is the time to start thinking about how to boost your finances in 2013. **Anthony Keane** outlines 13 ideas

1 Set year-end targets now
Write down where you want to be in 12 months, and set dates every three months to check your progress.
Prescott Securities senior economist Alan Hutchinson says take into account your income and expenses, how you structure and diversify assets, and your tolerance to risk. "You can then make decisions about your portfolio in a clear and structured way without being blinded by emotion."

2 Forget about the Joneses
Trying to keep up financially with friends and family is dangerous, and we shouldn't think success is determined by material things, QT Financial Planning says.
"We always look up – we never look down," QT financial planner Meredith Ward says.
"You don't know people's situation – maybe they are in debt up to their eyeballs. The happiest people I know live on a modest income."

3 Build a team
Going it alone when it comes to money can lead to big problems.
Advice from financial experts is usually free at first, so tap into the expertise of people who deal with money for a living.
"Professionals will think about it, break it down and create a strategy that makes it easy. Usually your financial position is better than you think," Ward says.

4 Create an inflation shield
Australia's annual inflation rate is just 2 per cent, but even that will eat away at your assets if you have nothing that can grow over time.
Prescott's Hutchinson says: "Our preference is to invest in businesses or real assets that have inflation linkages through regulatory resets, rent reviews or toll increases".
"Investment in property, infrastructure and equities can all offer ways to hedge against inflation."

5 Don't chase yield
Many Australians have lost their life savings chasing higher incomes from investments they mistakenly think are cash. This year it was Banksia Securities. "Investors all too often see high yields advertised and invest without asking questions," Hutchinson says.
"Now is the time to tread carefully and for investors to truly understand how the income is being generated."

6 Cut credit card interest
Financial strategist Theo Marinis says with credit card interest rates near 20 per cent, you essentially pay for a purchase twice every five years. "Pay the cards off as soon as possible – and consider getting a debit card which gives access to points and uses your own money," he says.
Having cash sitting in deposit earning 4 per cent interest or paying extra off the mortgage to save 6 per cent interest makes little financial sense if you're paying 20 per cent on the credit card.

7 A matter of life and death
Marinis says it's vital to take life insurance seriously. "If you are in an industry super fund, increase the number of units of cover you or your partner have to enough to replace their pay for 10 years," he says. "I've never heard a client say they wish their deceased partner had less cover."
Chan & Naylor director Ken Raiss says buying life insurance within your super is a good idea because of tax benefits and payments can be funded from your super, with no drain on household cash.

8 Borrow at a better rate
Raiss says you should use low interest rates to put a bigger dent in your home loan.
"Many borrowers have not been given access to what is called the professional discount, although most are eligible," he says. "This potential 0.7 per cent rate decrease applied to pay down a loan reduces the average loan by over $2300 a year.
"Honeymoon credit card rates can also be very beneficial to enhance the faster payment of debt."

9 Develop tax tactics
Tax planning is important for everyone, especially property investors.
Raiss suggests using a specialised property accountant. "Many investors forget to claim depreciation, which is a non-cash expense relating to the wear and tear of the building and fixtures and fittings," he says. "When doing a renovation, you should also prepare a scrapping schedule, which puts a value on everything you rip out and throw away."

10 Talk to your lender
Don't be a stranger when borrowing.
Assist Finance chief executive Jason Di Iulio says: "Your rapport with your bankers is a key part of access to cash.
"Communicating your strategy and identifying and addressing weaknesses are key themes. A borrower should always have an alternative banking plan and have relationships with more than one banker, as banks can and do change their attitudes."

11 A switch to shares?
Riccardo Briganti, the head of Macquarie Private Wealth Research, says if you exclude low-dividend mining stocks, our sharemarket is paying a yield of 5 per cent – above bank deposits and with added tax benefits.
"Investors who a year ago considered that the risk return trade-off favoured cash above equities ... should be reassessing their preference," he says.
"The Australian market now looks attractive purely on dividend yield."

12 Think about demographics
Prescott's Hutchinson says investors should keep an eye on broader global trends. "Over the next 35 years, there are expected to be two billion more people to feed," he says.
"Look for good-quality fund managers who can spread the risk across those involved in the production cycle from farm gate to dinner plate.
"As our population gets older, it is also living longer, opening up attractive investment opportunities with healthcare providers."

13 Keep it simple
Hutchinson says people should stay away from exotic investments they don't understand, and avoid complicated trust and superannuation structures.
Marinis says a great way to simplify your finances is to write a family budget. "Make it your new year's resolution," he says. "It is only by looking at what you earn and comparing it to where you spend your money that you can make decisions to be smarter with your hard-earned dollars."

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Financial Strategies (SA) Pty Ltd trading as Marinis Financial Group
67 Kensington Road, NORWOOD SA 5067 T 08 8130 5130 F admin@marinisgroup.com.au
Financial Strategies (SA) Pty Ltd ABN 54 083 005 930 AFSL No: 326403
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