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Herald Sun | Monday 5.3.2012

Supercharge your income

Beat bank interest but be careful, writes **Anthony Keane**

INTEREST rates paid on savings accounts have fallen in the past year, but there are several ways to get bigger incomes.

There is, however, a catch – every effort to achieve a higher income has a higher risk.

Bank shares, property trusts and corporate debt are all paying incomes better than bank interest at the moment, but none is backed by the Federal Government's deposit guarantee and all have the potential for you to lose both your capital and future income.

Financial experts say there's a place in most investment portfolios for higher-income options, if people understand the risks and diversify.

Financial strategist Theo Marinis says a sensible portfolio is a truly diversified one that includes a cash buffer to ride out market gyrations.

"Chasing returns is essentially gambling with your future, in my view," he says. "The investors who do best are always the ones who spread their risk among a number of asset classes – and aim to get rich slowly over the long haul."

Marinis says the old saying that it is better to own shares in the bank than have money in the bank fails to recognise that deposits are guaranteed while shares are not.

Some property trusts are paying yields above 7 per cent, but many investors are wary after being burnt badly during the global financial crisis.

Corporate debt such as bonds, hybrids and debentures pay good yields, but Impact Financial Coaching director Allan Ward says investors should realise there is a risk.

"The perception may be it's a secure investment, but it's not," Ward says. "Ask why aren't these businesses borrowing from the bank. Perhaps there's a higher risk involved."

Mortgage funds were popular before the global financial crisis, but since then their returns have been low.

Macquarie Private Wealth head of research Riccardo Briganti says government 10-year bonds are paying just 4 per cent and carry more risk than cash.

Briganti says that many forms of corporate debt are complex. "Sometimes they act like fixed interest and sometimes like shares," he says.

YOUR INCOME OPTIONS

Picture: Karin Calvert

Take control of your super pension options

Karina Barrymore

PENSION power has reached ordinary Australians as the superannuation system puts us in control of how much and when we receive a pension.

The days when a super pension was just handed out every quarter at a fixed rate are long gone. Now you can set, ...

one of the biggest misunderstandings about a super fund pension is that you will not get the government age pension until your super is used up.

"Many people think that if they have, say, $50,000 or $70,000 in super, then they need to spend all that money before qualifying for the age pension. But that's not the case. ...

WHAT IS A SUPER PENSION?

- It is regular income paid from your super fund after you reach preservation age (between 55 and 60).
- You must withdraw a minimum amount each year, based on your age.
- You can choose monthly, quarterly, half-yearly or annual payments and you can withdraw lump sums.
- The faster you withdraw the money, the faster it is used up. There is no guarantee the money will last your lifetime.

Experts warn against withdrawing the lot.

Westpac Financial Planning senior adviser Glenn Calder suggests setting up three pots: now money, emergency money and lifetime money.

"The now bank account needs to have enough money for living costs and it should receive your pension income but it shouldn't have tens of ... emergencies such as a new hot water system or car repairs.

"The lifetime money account can be set up and according to years, such as one year, two, three, five and 10-year pots of money."

When your super switches to pension paying, it needs to be invested in different options, not necessarily just cash, says IOOF technical services man-

Financial Strategies (SA) Pty Ltd trading as Marinis Financial Group
67 Kensington Road, Norwood SA 5067 T 08 8130 5130 F 08 8331 9161 E admin@marinisgroup.com.au
Financial Strategies (SA) Pty Ltd ABN 54 083 005 930, Australian Financial Services Licence No: 326403