



your **money** your **future**

March Newsletter 2019

Welcome to the latest edition of our client newsletter,

In this edition we discuss 9 common financial mistakes made in retirement, and provide you with information on how to avoid them.

We've also enclosed a copy of your Portfolio Valuation as at the end of March 2019. If you have any financial updates, or your personal circumstances have changed since we last spoke, please let us know. We can accept changes via email, over the phone, or in person if you'd prefer to drop in for a chat!

If you would like to discuss any of the issues raised in this newsletter, or have queries about anything else, please don't hesitate to contact us.

In the meantime we hope you enjoy the read.

All the best,
George Flack & team at Flack Advisory

OFFICE CLOSURES
Monday 10th June - Queen's Birthday Public Holiday



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9 money mistakes to avoid in retirement

How to keep your finances on track once you leave the workforce

When you've worked hard all your life to build up your nest egg, the last thing you want to do is fritter it away too quickly. In this article, we look at the common money mistakes people in retirement make, and how you can do your best to avoid them.

1. Not taking control of your super

It's important to know what your options are for getting access to your superannuation when you retire. You can take it as a lump sum, an allocated pension or an annuity. Learn more about accessing your super and then speak to your financial adviser to find out what's right for you.

2. Not knowing your entitlements

Don't make the mistake of not knowing what payments you're eligible for in retirement. This may include government benefits, such as the Age Pension, carer's allowance or disability support through to concessions on health and travel. Your financial adviser can help you understand how your entitlements will fit into your overall retirement plan.

3. Spending like you're still working

Dipping into your savings or your super money regularly will soon whittle away your hard-earned savings. Find out about ways to manage your money in retirement to help you free up your cash flow and keep an eye on your expenses.

4. Not managing your investments

Just because you're retired, doesn't mean you should be complacent about your investments. It's important to consider your personal situation. Many retirees enjoy learning more about investments as they have the time to do so. Speaking with your financial adviser can give you peace of mind that your investments are being managed in the best way for your situation.

5. Not managing your debts

Consider all your options for reducing your debts, as you may not have enough funds to last you through your retirement. Be careful about paying too much interest on your debts. If you need to pay off your home loan, make sure you're aware of how selling your home or investment property affects your entitlements.

6. Spending your retirement savings on the kids

If you plan to give money to your children (or grandchildren) to help them out financially, be aware of how gifting or going guarantor might affect your tax and your lifestyle in retirement. Your financial adviser can help you understand the best way to transfer your wealth to your loved ones.

7. Letting your insurance lapse

It's tempting to reduce your outgoings in retirement by cutting back on things like insurance. But before you do, consider that almost 62% of AMP insurance claims were made by people over age 50 in 2017.¹ Be sure to discuss any changes you plan to make on your insurance with your financial adviser.

8. Taking expensive holidays

Make sure your choice of destination fits within your overall budget, bearing in mind you need your money to last the distance in retirement.

9. Buying a new vehicle

When you retire it's very tempting to use your super to buy a new car to last you through your retirement. If you're serious about watching where your money goes, you might want to think about making your current vehicle last a bit longer, but you'll need to weigh up the maintenance costs versus buying another one.

We can help you plan wisely for retirement, so you can still enjoy the good things in life once you've stopped working. Give us a call today.

¹ AMP claims paid 2017.

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Women and Money:

Challenges and financial strategies

Many women are still lagging behind in their longer term super savings.ⁱ There are several reasons for this that are often out of a woman's control. However, women can try certain strategies to improve their financial situation.

What's holding women back financially?

Women face some very real and specific challenges when planning to put money aside for the future, including:

Juggling day-to-day demands – Caring for others and managing household activities can make it a challenge to balance work and family life. Research shows that providing for daily family needs was a high priority for 80% of women surveyed and is a key reason women feel limited in committing resources towards their own financial futures.ⁱⁱ

Taking time out of the workforce – Close to half of employed females currently work part time, with those aged 25-44 indicating raising children or looking after family members as their main reason for not working full time.ⁱⁱⁱ Other major reasons include study and not always being able to secure full-time work. This often means earning less, which results in lower employer-paid super contributions.

Lower salaries – Among full-time workers, men in Australia earn around \$17,000 more each year in their base salary. This inequality extends to \$27,000 when including super, overtime, bonus payments and other discretionary pay.^{iv}

Lower super savings – The average super balance for women by retirement is \$231k, compared with \$454k for men.^v However, women, on average, live around four years longer^{vi} than men and therefore usually need more savings to live off for those additional years.

Six ways for women to start taking control of their finances

- **Set personal goals** – Life goals can be important for wellbeing,^{vii} but they can also provide a focus for financial goals. Make sure life goals are clearly defined, measurable and attainable. If they're linked with family goals (eg. buying a bigger house), factor in your own financial safeguards too (like being a co-signature on all assets).
- **Prioritise time for money management** – Juggling family life can leave little or no time for anything else. However, putting aside an hour a week to prioritise money management and savings could make a big difference in the long run. Use this time to make budgets, set savings goals, check current spending, and examine accounts to make sure your current savings are working for you.
- **Get on top of super** – Taking control of super today is future self-care. It may help provide more choices and opportunities when you are no longer earning an income. Think about how long your super will last. You can also try completing a lost super search, consider consolidating super accounts, and consider making additional contributions to your super.
- **Have a safety net** – Life doesn't always go to plan. Research shows women are resilient when it comes to dealing with challenges involving money, including divorce, separation, or illness.

However, the impact of these challenges could possibly be reduced by having a safety net in the form of emergency savings or insurance.^{viii}

- **Do some salary research** – Understanding the market value of a role arms you with important information that can be used to levy future salary negotiations, or to spark a conversation about a pay increase if a review is overdue.
- **Consider investing for the future** – research shows that women make better investors than men because they spend more time researching investments, are better at matching their goals to their investments, and don't get panicked in fluctuating markets.^{ix}

If you want help putting strategies in place for your financial future get in touch.

- i RMIT University Research: Women and money in Australia, across the generations, 2016. Page 11 paragraph 5, paragraph 2,
- ii ASIC Money Smart website, Women's money challenges infographic
- iii Reserve Bank of Australia, The rising share of part time employment, bulletin, September Quarter 2017, page 21, graph 4 & 5.
- iv Australian Government Workplace Gender Equality Agency report – Gender Equality Insights report 2016, Inside Australia's gender pay gap. Page 13, paragraph 2
- v ASIC Money Smart website, Women's money challenges infographic
- vi ABS Gender indicators, life expectancy, Feb 2016.
- vii Entrepreneur magazine. Article: Why our brains like short term goals, by Monica Mehta, January 2013
- viii RMIT University Research: Women and money in Australia, across the generations, 2016. Page 12, paragraph 1.
- ix UNSW Business School article. Business Think. Sorry guys, but women make better investors than men. January 16, 2018. Paragraph 2.

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How to avoid a travel debt hangover

You don't want to arrive home with a spring in your step and a hole in your wallet. Here are some ways to budget for your holiday.

We've all had the feeling. You step off the plane from Bangkok still buzzing, images from your holiday flitting through your mind—the Parthenon, Big Ben, the Eiffel Tower.

What a trip...you're not going to kiss the tarmac or anything but it's good to be home! You post the final selfie to Instagram on your mobile but as you flick back to the home screen you notice your banking app. A nagging thought disturbs your post-holiday reverie.

You haven't logged on since you left Australia. But it was all so slick. The days of sowing travellers' cheques into your pants and wiring FedEx cheques around the world are long gone.

Even the little Thai fishing village had a workable ATM that pumped out baht. And pretty much everywhere accepted your credit card. Luckily you extended the limit before you left, all it took was a few clicks. You also vaguely remember setting a daily budget...that didn't last long. But hey, you're not in Rome every day of the year.

Hang on though...you did hit it pretty hard in London's West End. And then there were the five days at the Airbnb near Lake Como. Come to think of it, the previous week scooting up and down the French Riviera wasn't cheap. And way back at the start of the trip those Sangrias in Barcelona kept on coming...

Slowly your heart sinks and you close the screen down, hastily shoving the phone back in your pocket. It can wait another hour at least, at least until you've got home and brewed a strong cup of coffee.

Here are a few tips you might want to consider that could help you avoid a travel debt hangover.

Budgeting tips before you go...

- Pre-pay the big-ticket items. Look for good deals and pay in advance for flights, accommodation and tours. The more you can pay for before you go, the less you'll have to pay for at short notice with a potentially hefty local mark-up.
- Do your homework on fees and charges. You may want to give yourself a choice of how to pay—a debit card with lower fees, a pre-paid travel card so there are no surprises and a credit card for emergencies.
- Work out your holiday budget. Think about how much you're willing to spend—it could help to set a daily limit and an overall limit (and stick to it!). Sometimes your choices about where to travel and where to stay can have a knock-on effect. If you're based on a resort island or in a small hotel room with no kitchen facilities it could be difficult to source reasonably priced groceries and save money on food.

Budgeting tips while you're travelling...

Keep track of how much you're spending. If you're good at budgeting, there's no reason to let things slide just because you're on holiday. And if you're not so good at budgeting, a holiday could be the ideal time to start getting into the right habits.

- Use the right card. Pre-loaded travel cards are becoming more popular and mean you don't have to stress about the exchange rate. Credit cards are convenient but represent temptation. If you're going to use credit, make sure your card is appropriate for travelling. Some cards charge an international transaction fee as well as not giving you any control over your exchange rate.
- Make smart choices. Sometimes local merchants will give you the choice of paying in the local currency or Australian dollars. Converting to Aussie dollars could cost you more as you may not get a favourable exchange rate.

Budgeting tips when you get back

- Pay off your credit card as soon as you can. Be wary of minimum repayments—this only drags out the debt for longer and increases the overall interest charges. If you can cut back in other areas you could potentially pay off your credit card debt earlier and avoid paying interest.

If a big holiday is one of your goals this year, get in touch. We can help you plan and save so they'll be no financial surprises when you get home.

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