Prepare FOR LIFE

ISSUE 12 | 2013

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Beating the CHRISTMAS Credit Card Crunch

THE HOLIDAY SEASON IS LIKELY TO LEAVE MANY PEOPLE WITH A LARGER THAN EXPECTED CREDIT CARD DEBT.

Credit cards are great in that they allow you to buy things you may not have the cash for. This becomes dangerous during the holiday season as we all get tempted to buy bigger and more expensive presents or splurge during a holiday. But with high interest rates and the difficulty to pay off balances, credit card debt can become a big problem.

Unfortunately there are no quick fixes, you need to look at your debts and find something which will motivate you to pay it down. Before embarking on a plan to repay your debt, it is important to determine why this has happened and implementing a budget is a great place to start.

PAY OFF THE SMALLEST DEBT FIRST

One method of dealing with debt is to pay off the smallest debt and then move onto the next largest debt. This works if you have multiple credit cards and personal loans, this method of debt reduction is also called the "snowball" method. The order you pay off the debt should be irrespective of the interest rate, instead it works by giving you quick wins, keeping you motivated to do it again.

One thing to be aware of when paying off the smallest debt first is to make sure that there are no major legal downsides to not paying off one of the larger debts. For example, if you owe the Australian Tax Office money, it might be wisest to pay them off first and then start paying off the small debts.

PAY OFF THE MOST DAMAGING DEBT FIRST

If you are motivated by numbers and shudder at the thought of high interest rates, then you should look to pay off the debt which is doing the most damage. Credit cards with high interest rates such as 15-20 per cent should be paid before personal loans where rates are lower at under 10 per cent.

TRANSFER YOUR BALANCE TO A LOWER INTEREST RATE

There are a lot of credit cards and banks out there offering low interest products that are designed for balance transfers. This can be a great way to move from those damaging, high interest rate credit cards. But before you do anything, you need to get your calculator out and crunch the numbers.

Credit cards often offer a very low rate for a period of time, but then they jump up to a higher interest rate. You need to be sure you will be able to pay off the debt before the higher interest rates kick in. To see if you can afford it, simply divide the total amount owing by the number of months that the low interest rate is offered for, this roughly becomes your monthly payment. Can you afford it?

Also you need to fight the temptation that the old credit card presents. Now that the balance is back to zero, cancel it before you start filling it up again.

USE YOUR SAVINGS TO REDUCE DEBT

You could dip into your savings to help pay off your debt. Savings often have a lower interest rate than credit cards or personal loans, so it might be wise to move some of your money around so that you pay off some of your debt. But don't bleed your savings dry, you need to have enough put aside in case of emergencies.

START SAVING

After you have paid off your debt, you can start saving. Your first priority should be to build an emergency fund which can cover up to six months of expenses.

If you would like some more tips to help you pay off your debt, call us today.

Source | IOOF

Get Them Covered

October marked Breast Cancer awareness month around the world. Breast cancer is the most commonly diagnosed cancer among women in Australia, with 14,940 women predicted to be diagnosed with the disease in 2013, rising to 17,210 women in 2020. That's an average of 330 women a week.

In the last five years, breast cancer has made up 50% of all of trauma insurance claims paid to women. And a high prevalence isn't just observed for trauma. Breast cancer accounted for 20% of income protection claims, 18% of TPD claims and 15% of life and terminal illness claims.

Increasing age is one of the strongest risk factors for developing breast cancer, but it doesn't just affect older people. Two out of three cases will be diagnosed in women aged 40-69, key ages for insurance coverage.

How can insurance help?

Trauma cover can provide a lump sum payment in the event of diagnosis. You can discuss with us how much cover is needed and you may include funds for treatment, supplementary income, reducing debt or even for a spouse to take time off work. Given the high chance of claim, trauma is the most expensive of the lump sum covers available.

Trauma insurance can cover breast cancer diagnosed at any stage. Definitions have evolved in the last few years to provide full claims to most women, even if they are diagnosed early, referred to as carcinoma in situ. Modern definitions should cover women who have a lumpectomy and follow up treatment like radiation or chemotherapy, rather than requiring more dramatic treatment to satisfy a claim at an early stage.

Keeping life going

Of course not all women will cease work. Australian women have an 89% chance of surviving more than five years after diagnosis. Certain income protection definitions and benefits can help provide support.

Cancer patients are one of the most likely groups of claimants to continue working through treatment. Finding a policy with a 10 hour definition will give them the flexibility to work up to 10 hours a week while undergoing treatment, without financial penalty. You may also look for a policy with a counselling benefit. While grief support is common on life cover, under income protection, this benefit gives access to support and comfort during a difficult and stressful time.

There are lots of considerations when choosing a policy for cancer coverage and sometimes it is impossible to be across all the benefits.

To find out how trauma insurance can help you, contact our office today!

1, 3, 4. www.nbcf.org.au/Research/About-Breast-Cancer.aspx

2. Claims paid between 2009 and August 2013

Source | BT

TIME TO REFLECT

Ready or not, the end of the year is fast approaching and now is the perfect time to start thinking about the year ahead. In particular, this time of year presents a great opportunity to meet with us to review your financial strategies and goals.

Many people use the Christmas/ New Year period to reflect on the year that has just passed, often in a blur and to begin thinking about the year(s) ahead. In particular, this time of year presents a great opportunity for you to review your financial strategies and goals in preparation for 2014 and beyond.

THE IMPORTANCE OF REVIEWS

Reviews should take place on a regular basis, where you have the opportunity to make informed decisions and factor any changes into your financial plan.

Below is a simple guide to tidy up your finances for the year ahead.

1. HAVE YOUR KEY FINANCIAL GOALS CHANGED?

Our lives are not constant and our goals change slightly (or greatly) from year to year. Also, major life events such as serious illness, the birth of a child, inheritance, marriage and the death of a parent or spouse can all result in significant changes to our wealth management goals.

2. PRIORITISE YOUR GOALS

It is important to rank and prioritise goals and decide in what timeframe you want to achieve them. Being realistic about your timeframe is essential to ensuring that your goals will be achieved.

3. SHORT, MEDIUM OR LONG TERM?

Most industry experts agree that a short-term goal is one that can be achieved within a year or so. Medium-term goals typically require two to five years, and long-term goals usually take longer than five years.

For example, reducing credit card debt is likely to be a short-term goal, whereas saving for a home deposit would often be a medium-term goal. Depending on your age, providing for retirement is a long-term goal.

4. IF YOUR FINANCIAL GOALS HAVE CHANGED, HOW WILL THIS AFFECT YOUR FINANCIAL STRATEGY?

This is where the advice of a financial adviser is critical. An adviser has the tools and knowledge to create projections that take into account changes to your goals and changes to your timeframes for achieving them. These projections will help you to see where your plans for savings, assets or investment contributions may need updating.

5. BE SAVVY

Make sure that your investments and level of protection support your level of risk and your goals. An adviser can develop a tailored analysis that best suits your individual needs and provide ongoing portfolio advice.

Reflecting and thinking about your financial position, as well as setting a clear path, is critical to making sure you can reach your goals. You don't have to wait until the first day of January to review your financial situation... contact us today so that you can get the help you need to achieve your "New Year" resolutions.

Source | Zurich

IMPORTANCE OF
INSURANCE

As well as safeguarding your family's financial future, insurance can lessen the financial blow of an unexpected tragedy.

Level vs stepped premiums

The choice of stepped or level premiums can have a large impact on the affordability of insurance over your lifetime. While stepped premiums are usually lower in the early years, level premiums can be more cost-effective, so it's easier to hold insurance over a longer period.

Case study

Rob, non-smoker, takes out $1 million of life cover at age 35.

Age next birthday	Level premiums per annum	Stepped premiums per annum
36	$906	$600
85	$8,016	$27,250
Total premiums over 20 years	$84,835	$196,745

*based on Asteron Life Complete life cover at 20 September 2013, white-collar professional, indexation rate of 3%

While the stepped premium is cheaper initially at $600 pa compared with level premiums of $900 pa, by age 65 the level premium is only $8,016 whereas the stepped premium is a whopping $27,250. Over 20 years, Rob can save $111,910 by choosing level over stepped premiums.

Insurance in super

Insurance in super is another strategy we can use to address affordability and cash flow concerns.

The cost of insurance through super may be more affordable compared to policies held outside super. The fund may be able to offer group rates, the fund can claim a tax deduction for the cost of insurance and this tax saving is generally passed to the member in the form of a reduced premium. Premiums can be funded from concessionally taxed super contributions. For these reasons, insuring in super can be more tax-effective than insuring outside super.

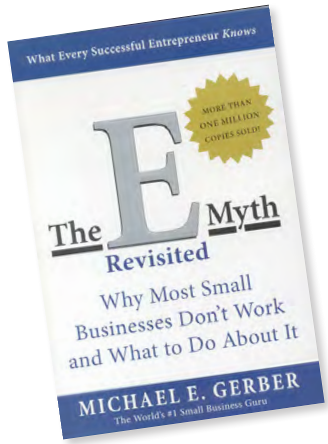
Summary

Cancelling insurance may be trading long-term security for short-term savings. A risk of dropping insurance is that it may be unavailable or more expensive if taken up again later.

The best defense against financial disaster is to stay covered so talk to us today to find out your best option.

Source | Asteron Life

GOOD READ



The E Myth Revisited

by Michael E. Gerber

In this new and totally revised edition of the 150,000-copy underground bestseller, The E-Myth, Michael Gerber dispels the myths surrounding starting your own business and shows how commonplace assumptions can get in the way of running a business.

He walks you through the steps in the life of a business from entrepreneurial infancy, through adolescent growing pains, to the mature entrepreneurial perspective, the guiding light of all businesses that succeed.

He then shows how to apply the lessons of franchising to any business whether or not it is a franchise.

Finally, Gerber draws the vital, often overlooked distinction between working on your business and working in your business. After you have read The E-Myth Revisited, you will truly be able to grow your business in a predictable and productive way.

WIN One of three copies of "The E Myth Revisited" by Michael E. Gerber.

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