



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

## December 2015

Welcome to the first of our client information newsletters

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we discuss resolutions for a wealthy future and provide you with information on how to go easy on the plastic during the festive season and preparing for the time of your life

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.

In the meantime stay warm and we hope you enjoy the read.

All the best,  
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# Resolutions for a wealthy future

Shedding a few kilos and getting fit are popular New Year's resolutions, but along with improving your health why not resolve to boost your wealth in 2016? The best way to do that is to have a clear picture about what you want to achieve.

Perhaps you want to buy a new car, save a deposit for your first home, prepare for the birth of a child or go on an overseas adventure? Make sure your list contains some fun short-term goals as well as some that will set you up for the future.

## Prioritise your goals

Whatever your goals, write them down in the order of priority and put a dollar figure on them. The more concrete you can make your goals the better.

Then it is a matter of working out where you want to be by the end of the year. Short-term goals such as a holiday may be reached within 12 months while other goals, such as a home deposit, may take longer.

## Prepare a budget

More often than not, the difference between a goal and a pipedream is a budget. Start by adding up your annual income from work, investments and government allowances. Then deduct your annual expenses including mortgage or rent, insurances, transport, phone, utilities, clothes, entertainment, groceries and daily expenses.

Any amount you are left with is the seed that will grow your future wealth. However, if you discover you are spending more than you earn then go through your budget item by item to see where you can cut back. You might also consider taking on extra work to boost your income.

## Plan to save

The old advice to 'pay yourself first' is still the easiest way to discipline yourself to save. Set up a weekly or monthly direct debit to divert some of your salary into a savings account before you have a chance to spend it.

Consider a high interest savings account for short-term savings or, if you have a home loan with a redraw facility, you could park the cash there and reduce your debt at the same time.

## Don't forget retirement

When you're planning how to get ahead this year, don't forget the big picture. A small amount put aside each week could make a big difference to your retirement lifestyle if you start saving early.

The longer you procrastinate, the more you will need to save later on.

Consider setting up a direct debit to make a voluntary non-concessional contribution to your superannuation or salary sacrifice pre-tax income to make a concessional contribution. Just be careful to stay within your age-based annual contribution limits.

## Go for growth

You work hard for your money, but you need to make your money work hard for you too if you want to grow your wealth.

When you are saving for longer-term goals such as a child's education or your retirement, you need to ensure that your savings are not eaten away by inflation. That means putting some of your money in growth assets such as shares and property which produce the best returns in the long run.

In the 10 years to December 2014 global shares (hedged to adjust for currency movements) were the best performing asset class with a gross return (before tax) of 7.8 per cent year. Local shares (7.1 per cent) and residential property (7.0 per cent) also performed strongly. Cash was the worst performer at just 3.4 per cent a year. With inflation averaging 2.7 per cent a year over the same period, someone who left their money in the bank would have earned a real return of less than one per cent on their money.<sup>i</sup>

When you are saving for retirement, super is the most tax-effective investment vehicle. But just because super is a long-term investment doesn't mean you can afford to set and forget. If you have a decade or more to go before you need to draw on your savings, then consider increasing the portion of your money in high growth investment options.

## Share your goals

Just as it's often easier to achieve your fitness goals with support from an exercise buddy or personal trainer, why not try growing your wealth with a little help from your friends.

Instead of meeting at a restaurant why not suggest a dinner party where everyone brings a plate? Or instead of Friday night takeaway, why not get the kids to make their own pizza?

Even the simple act of talking about your goals with a trusted friend or adviser makes success more likely.

**Call us if you would like to discuss the best way to achieve your resolutions.**

<sup>i</sup> <http://www.asx.com.au/documents/resources/russell-asx-long-term-investing-report-2015.pdf>





# Go easy on the plastic over Christmas

With the silly season fast approaching, it's time to start planning how you pay for Christmas. From gifts to food, the tab can add up quickly.

If this year is anything like last Christmas, on average we'll each spend an extra \$1,079 over the December/New Year period, and that's on top of regular expenses.

That makes now the time to draw up a Christmas budget. In addition to working out how much you'll spend, give some thought to how you'll pay for all those festive season purchases.

Cash is always the cheapest option, however there is still time to lay-by big ticket items and avoid unwanted interest charges.

If you have to put purchases on a credit card, think carefully about whether you'll be able to pay off the items in full when your next statement arrives. Last December Australians collectively racked up \$27 billion in card purchases, and any lingering debt can attract interest rates as high as 21%.

If your credit card is already sagging under the weight of previous purchases, it could be worth switching to a cheaper card.

At the moment, according to one of the comparison sites, the average credit card rate is a whopping 7.43%. Yet there is a selection of cards charging rates below 10%, so it's possible to

almost halve your interest charges by shifting to a less expensive card.

Balance transfer deals, where you pay zero interest for a set period, can provide breathing space to get ahead with card debt though there can be strings attached.

With a wide selection of balance transfer deals available, the zero interest "honeymoon period" can last anywhere from six months to 15 months. The thing to watch for is the revert rate. This is the rate that will apply to any remaining debt once the interest-free period expires, and in some cases it can be up to 19.99%.

Along with sensible spending, do be mindful of card security when you are out shopping or celebrating. Commonwealth Bank figures show as many as one million credit cards may be lost or stolen over the festive season. If this happens to you, contact your card issuer immediately and take a good look at your card statements for any unfamiliar transactions. The card issuer will generally refund fraudulent purchases if they are reported promptly but it can take time and it's a hassle none of us need over the busy holiday period.



## Christmas money tips

- \$ Draw up a budget
- \$ Pay in cash or layby to avoid paying credit card interest
- \$ Consider switching credit cards to get a cheaper rate
- \$ Be mindful of card security



# Preparing for the time of your life

The choices we make in life have a big influence on our personal happiness and also on the wellbeing of those we love. Sometimes we anticipate choices with a sense of excitement. And sometimes life throws us curve balls in the form of unexpected events and important decisions.

Perhaps you are thinking about a career change or how to achieve a better work/life balance? Maybe you are about to take the plunge into the property market, or choose a school for your child?

Whatever choices are ahead of you, it's better to be in the driver's seat than just winging it. The more you plan ahead, the better prepared you'll be for the good things in life.

## The cost of raising kids

The cost of raising kids is rising all the time, with one of the biggest costs being education. The cost of raising two children is estimated to be more than \$1 million today for higher income families, thanks largely to the cost of private education. The simple act of choosing the right school for your child can involve competing priorities and trade-offs between lifestyle, career, income and family.

For example, families need to weigh up whether one partner will take time out of the workforce to care for children or work part-time, or whether both parents need to work full-time to afford the school of their choice.

If money is tight, would you be better off sending the kids to a public school and

spending the money saved on extra-curricular activities and family holidays? These financial and lifestyle choices can have far-ranging effects on your child's future and your family's lifestyle.

Your financial adviser may be able to suggest strategies to help you save for your children's education without sacrificing the good things in life.

## Changing careers and work/life balance

Changing careers can also have a big impact on family life and finances. Will the short-term financial pain of switching to a job with a lower salary, re-training or starting a business lead to better long-term financial prospects?

And money is not the only issue. The decision to be your own boss or to work from home could also improve your work/life balance and make life less stressful for the entire family.

Sometimes what appears on the surface to be a purely financial decision can also involve complex trade-offs in other areas of life. Your adviser can help you devise a financial plan to guide you through the transition to a more rewarding work/life balance.

## Property choices

Take the decision to buy your first home or upgrade, rent or buy an investment property. Unless you have significant help from your family or an inheritance, you may need to cut back spending on clothes, travel or eating out in order to save a deposit.

And it doesn't stop there. Once you buy a property you may need to re-arrange your financial priorities in order to repay the mortgage as quickly as possible. The trade-off is the emotional security that comes from owning your own home and having it fully paid off by the time you retire.

But your home is also a financial asset that can be used to help you get ahead. Once you build up equity in your home you can borrow against it to invest in wealth-creating assets such as investment property or shares.

## Decisions, decisions

When we are faced with life choices it can be a challenge knowing what to consider and where to start, let alone implementing the change. So we've taken four common life events and outlined some things to think about and tips on how to get the help you need.

A successful life often comes down to the decisions we make – and don't make – along the way. Most people just muddle through, but the more effort we put into making the right decisions when it really counts, the better off we will be. If you would like to start planning some exciting new directions, we are here to help.