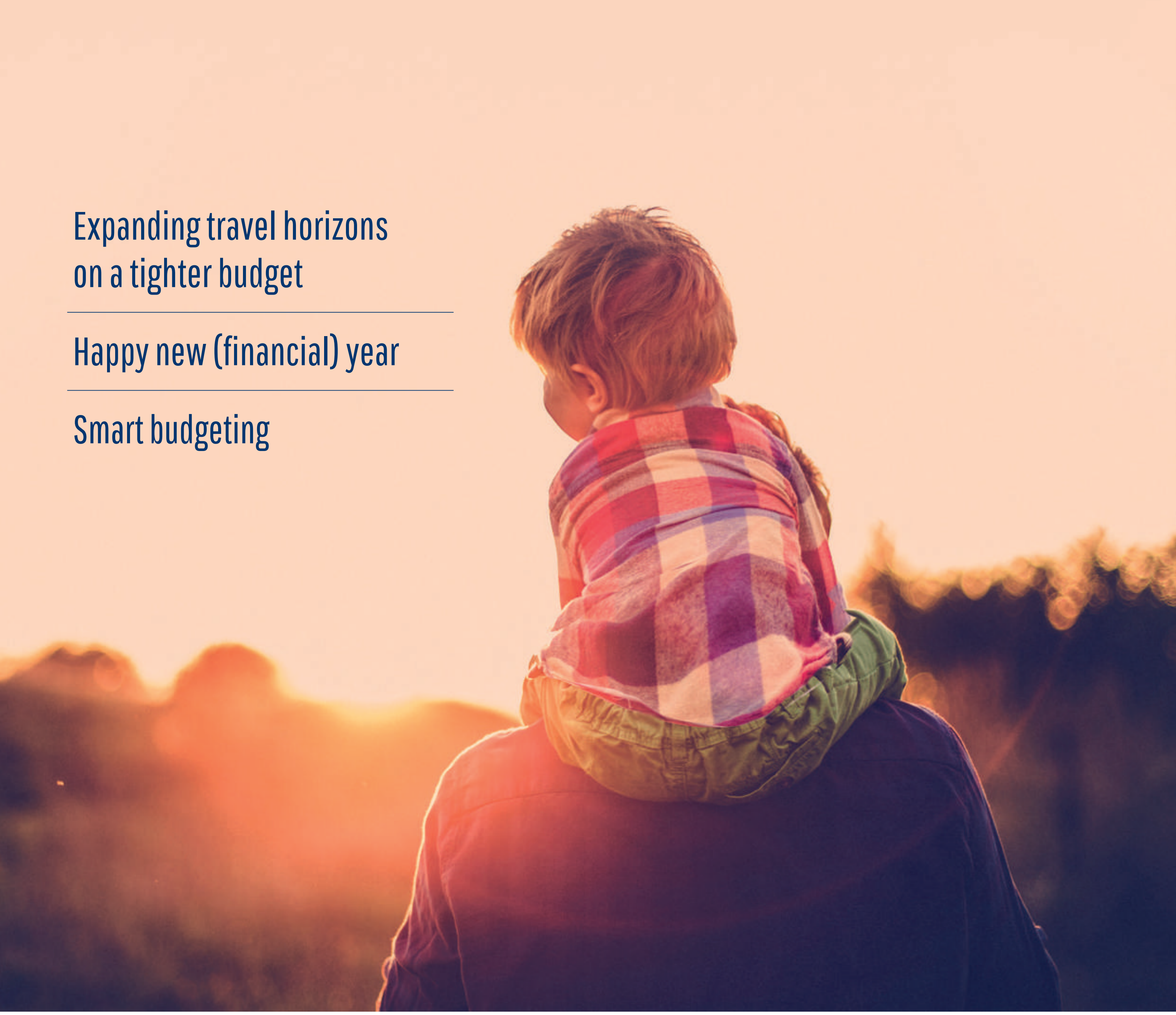
The Count Report

Expanding travel horizons on a tighter budget

Happy new (financial) year

Smart budgeting



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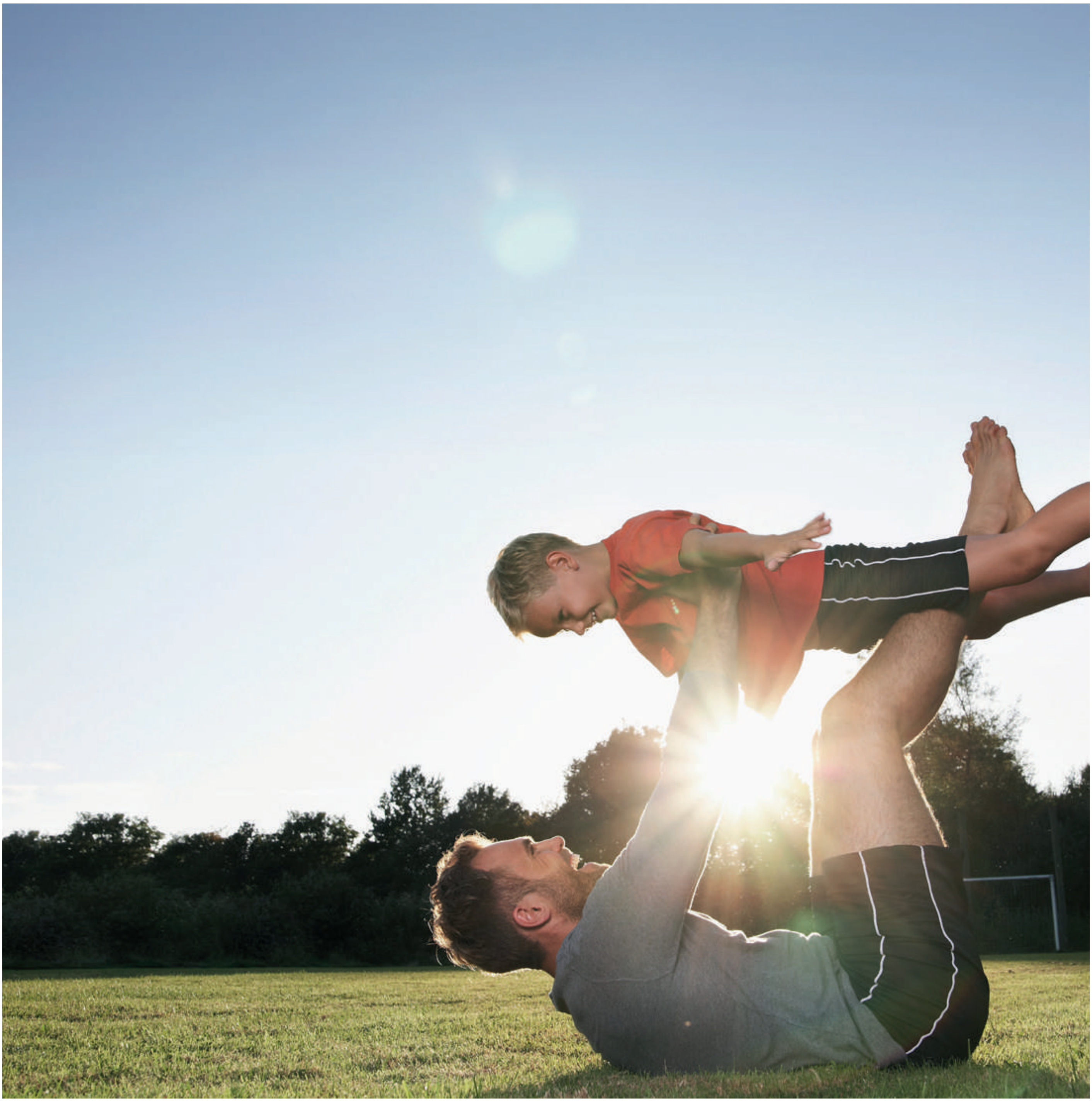


Welcome

Welcome to the Winter edition of The Count Report.

With a new financial year just around the corner, now is an important time to take a look at your financial strategy and work with your financial adviser to come up with a powerful 'to do' list.

In this edition, 'Expanding travel horizons on a tighter budget' explores some economical ways to experience the amazing adventures the world has to offer.

Our feature article, 'Happy new (financial) year' looks at some simple tips you can use to make sure your finances stay on track for the year ahead.

'Smart budgeting' looks at the importance of having a budget in place, even if you're financially stable and hold healthy reserves of assets and wealth.

And our back page 'Facts & figures' has some interesting stats about weekly earnings and credit card debt.

We hope you enjoy reading this edition of The Count Report and look forward to helping you reach your financial and lifestyle goals in the future.

Expanding travel horizons on a tighter budget

If you love to travel, don't let the exchange rate stop you from experiencing the amazing adventures the world has to offer.

When planning an overseas holiday, the exchange rate can seem like a hurdle for many travellers. But it doesn't have to be – fabulous holidays are still possible without breaking the bank. Indeed, you may have a better experience than you'd ever imagined.

Elizabeth Wallace, founder of Itineraries Travel Consultants, says an easy way to slash the travel budget is to choose amazing direct-flight destinations – Japan, New Zealand and South Africa fit the bill.

For those who still want a wallet-friendly trip to Paris, London, Rome or other favoured cities, she recommends budget airport hotels for stopovers or overnight stays (save more expensive hotels for when it counts), pre-ordering all-inclusive passes to access top attractions and public transport; and taking advantage of fun, free activities such as self-guided walks in Europe.[1]

Book early

It pays to be smart during every step of the travel-planning process, according to Janice Lee Fang, TripAdvisor's Director of Communications Asia Pacific.

For example, she says travellers can often save significantly if they book a hotel in popular northern hemisphere destinations within four months of a winter trip (June to August).

Bypassing expensive hotels can also cut your costs and increase your fun. At a B&B or inn, you often get personalised service and home-made breakfasts at affordable rates. Your hosts may also direct you to great value eateries and entertainment.

Apartments can also be a winner, too, especially for families. "Not only are they generally cheaper than a hotel room of similar quality, apartments in big cities give you the opportunity to save on meals and sundry charges such as laundry," Fang says.[2]

Of course, online accommodation sites make it easy to find cheaper accommodation, but TripAdvisor suggests you read multiple reviews and don't base your decision on just one or two comments, check out photos of the accommodation, and find out if there is any payment protection for your holiday rental.[2]

Live like a local

Wallace says live as the locals do, and save. Consider taking public transport and use your water bottle rather than paying exorbitant fees for drinks. And think about having your main meal in the middle of the day. "The set meals for lunch are usually much cheaper than restaurant meals at night," Wallace says.

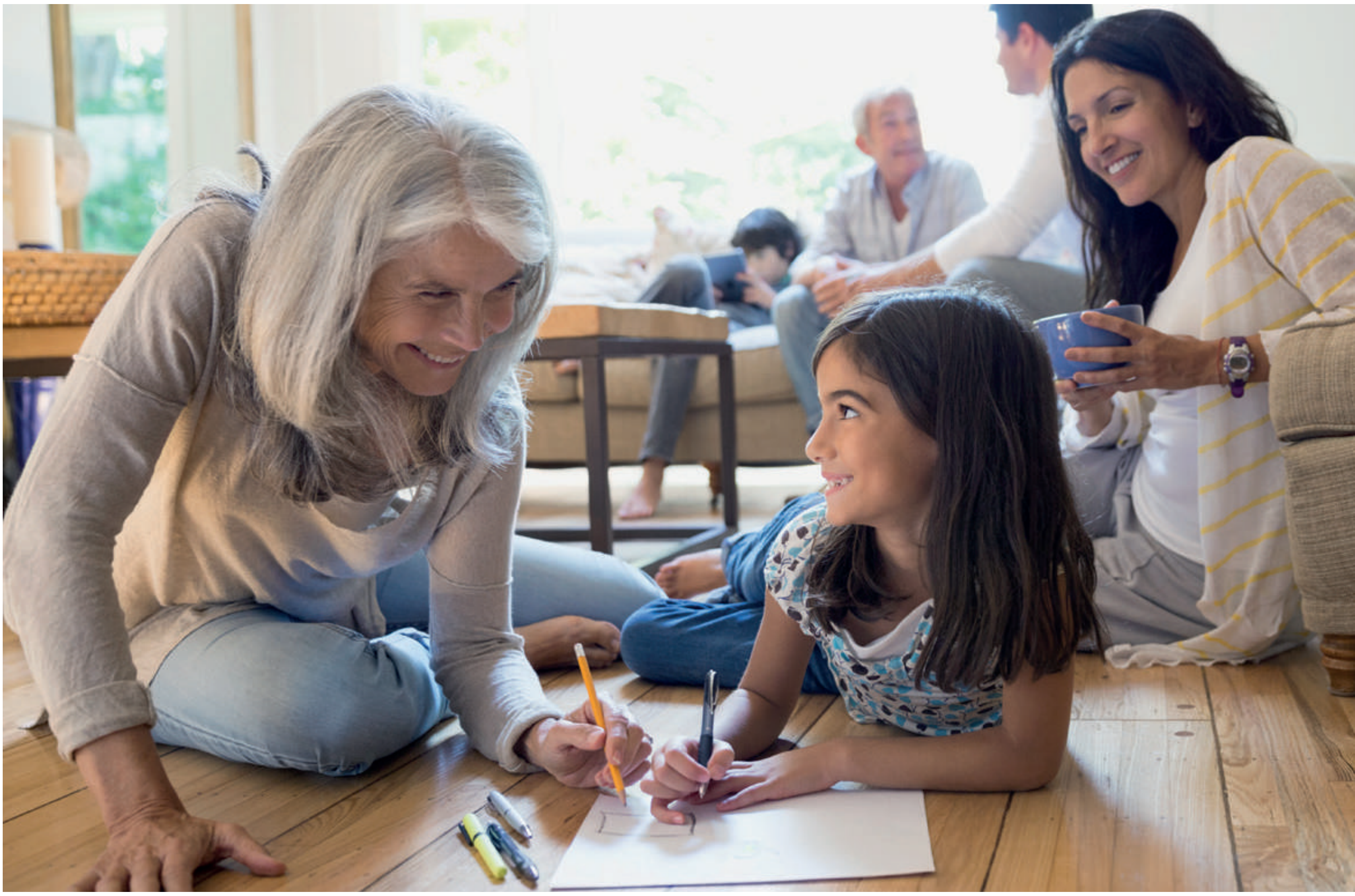
She also advises visiting markets to experience the cuisine of a city, and to eat like the locals.[1]

And make sure you try some unique, affordable experiences – book a treehouse online or head to a milonga – a local tango house – to watch regular dancers in Buenos Aires rather than the expensive professional shows.

There are some amazing travel experiences that don't cost an arm and a leg. Consider some alternative travel experiences, be adventurous and come home with some riveting new travel tales to tell.

1 These comments are drawn from an exclusive interview with Elizabeth Wallace.

2 These comments are drawn from an exclusive interview with Janice Lee Fang.



Happy new (financial) year

As you prepare for the new financial year, taking action using these simple tips can help you make sure your finances are on the right track for the year ahead.

Regardless of your financial standing or the stage of life you're in, conducting regular financial health checks is a smart way of fine-tuning your life goals and creating wealth – and there is no better time than the end of the financial year to do it. Reviewing your finances with the help of your financial adviser can give you clarity on all your money matters, while also helping to identify any specific areas you should focus on in the next 12 months. Here is a list of checks that can set you on the path to a smoother financial year ahead.

Reset your goals

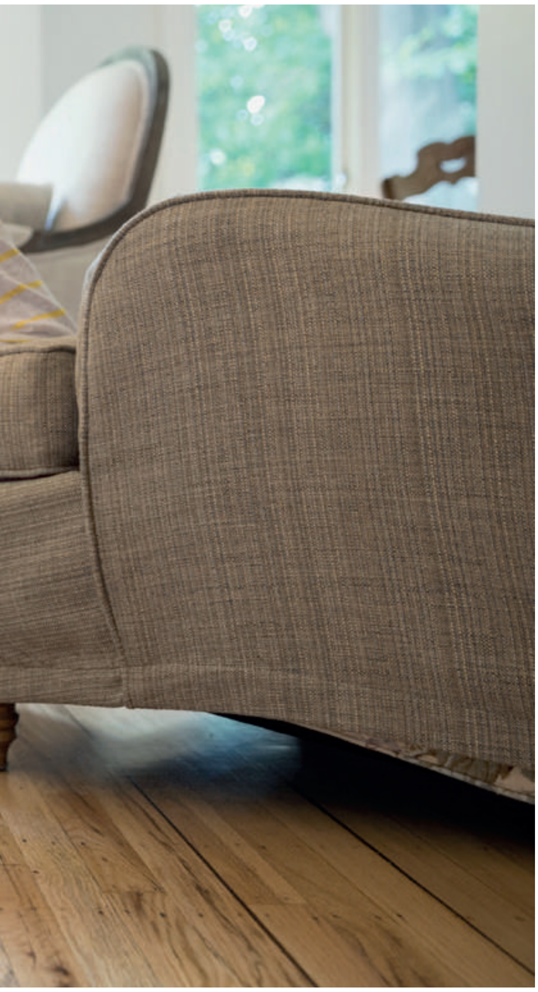
Things change in life and work – and your financial plans need to reflect this. Perhaps you want to ramp up your savings, change your investment strategy or pay particular attention to cutting your debt this financial year. Start your health check by rethinking your short and long-term goals. Make them specific, but realistic – and write them down so you have extra motivation to see them become a reality. Work closely with your financial adviser during this process to get the best outcomes for your lifestyle and financial circumstances.

Redraft your budget

Perhaps you bought a new car, some new shares or will start to pay higher costs for child care in the coming year. These types of triggers can have an impact on your finances and they need to be factored in to ensure your budget works well for you. It's obvious, but make sure you update your budget to reflect all your income, including any investment dividends or pensions, and outline all your regular payments. Use this opportunity to review your bills and spending, identifying any non-essential costs that you could cut down on.

Get your debts down

It is important to get a handle on exactly which debts you are currently facing, and those that you know will arise in the coming year. To do this, write down a complete list of where you owe money. This could include any personal loans, credit cards and home loans – and make sure you detail exactly how much you owe, the minimum repayments and the interest you are paying. Anything that incurs a high interest should be tackled first, which normally covers credit cards and personal loans. By consolidating these debts you may be able to get a lower interest rate, or even take advantage of an interest-free period. Always prioritise paying off any non-tax deductible debt that you have.



Maintain good records

Keeping a close eye on all your financial records will not only make the tax office happy – it also helps you understand your spending habits and any possible deductions. As well as keeping all relevant receipts, another way to do this is to apply for a credit card (with a low rate, of course) that you use strictly to pay for things that could be deductible at tax time so you will be well prepared for next year.

Examine your investment objectives

A sound financial health check should always include a reassessment of your investment objectives. With the help of your financial adviser, you need to determine your short and long-term goals so an investment strategy can be devised to achieve each aim. Positions can shift quickly for a range of reasons, so review your investment portfolio with your financial adviser.

Focus on your tax

It is crucial for you to review any tax deductions while ensuring, where possible, that the deduction can be claimed in the financial year when it has the most impact. This may mean incurring deductible expenses by June 30 this year to reduce your tax payable. Some of the deductible expenses you may wish to bring forward include repairs and other ongoing expenses relating to an investment property, ongoing expenses incurred in running a business; and any eligible self-education expenses. You may have other ongoing expenses which are tax deductible, such as interest on an investment loan or income protection insurance premiums. Or, if your marginal tax rate is expected to be higher next financial year, it may be worth delaying deductible expenses until after June 30.

Take control of your super

Whatever age you are, understanding your superannuation outlook can help you plan ahead. If possible, you could consider making contributions to boost your super. Salary sacrificing some of your pre-tax salary into your super fund can be one of the most tax-efficient ways to invest for retirement. Your financial adviser is best placed to help you, so discuss some of the following considerations with them too:

- The concessional contribution cap is $30,000 for anyone under age 50, or $35,000 for anyone 50 or over. These caps apply for the 2015-16 and 2016-17 financial years
- The caps operate on a use-it-or-lose-it basis; if you wish to boost your super balance, but have not yet fully utilised your concessional cap, consider doing so prior to July 1 to avoid missing out on a potentially valuable tax saving. Note, the Government has proposed reducing the concessional contribution cap to $25,000 from 1 July 2017, so it is even more important to take advantage of the higher caps while they are still available. Make sure you speak to your financial adviser before making any concessional contributions.
- If you are considering making personal non-concessional contributions (using after tax money), the current non-concessional contributions cap is $180,000 per year or $540,000 every 3 years under the bring forward rule. However you need to be aware that in the 2016 Federal Budget the Government has proposed a change to the non-concessional contributions cap with the introduction of a lifetime non-concessional cap of $500,000, which is proposed to take effect from 3 May 2016. Under this proposal, prior contributions made since 1 July 2007 count towards this cap. Due to the complexity of these rules, it's important that you discuss the implications with your financial adviser before making any contributions.

Start planning for social security changes

Upcoming assets test changes will apply from 1 January 2017. For many people this could lead to a cut in pension entitlements, which means that strategies to reduce assessable assets under the assets test will be more important than ever. Possible actions could include boosting the super balance of the younger member of a couple, if one is under the age-pension age, buying long-term annuities with a depleting asset value, and making principal home improvements. Stay on top of the area that is relevant to you.

Contact your financial adviser

Any changes you make to improve your financial position can help put you on the path to a more positive future.

The start of a new financial year is the perfect time to give yourself the gift of a better financial future. Set aside some time and focus on these important financial checks – and once you've taken stock, take advantage of the expertise your financial adviser provides. They are here to help you.

Smart budgeting

Smart budgeting is a crucial component of long-term financial success for people of all ages, even if you are financially stable and hold healthy reserves of assets and wealth.

Like many others, you may be avoiding making a budget, despite realising this tool is the best way to take control of your finances and keep you on track to achieving your life goals. It pays off, however, to regularly review your budget with the help of your financial adviser so you can benefit from your hard work, grow your investments – and avoid any financial shocks.

Sarah Riegelhuth, author of Get Rich Slow, says too many people ignore budgets, or fail to follow them. "For a lot of people, being 'on a budget' has a negative connotation," she says.[1] And while it can be difficult, sticking to a budget has its rewards.

A budget for the ages

To bring rigour to your budget planning, decide why you want to boost your wealth. Setting a realistic goal – such as buying a house if you are in your thirties or forties, building your share portfolio and/or super balance as a pre-retiree, or funding travel or aged care needs in retirement – keeps you accountable and enhances your chance of success.

Armed with a goal, you then need to ensure that your budget accurately lists all your income, including your salary and any investment dividends or pensions, and truly reflects your spending habits. This is where it can get confronting. You need to outline all regular payments such as mortgage and rental costs, food, entertainment, phone and power bills, plus transport expenses. Check your bank and credit card statements, bills and receipts to get a clear picture of all your expenses.

The trick, according to Riegelhuth, is remembering irregular fees such as annual insurance premiums or quarterly water bills, while building in a buffer for unexpected costs such as property and car repairs. "You have to have a fudge factor," she says.[1]

Let your bank accounts manage your money

After splitting your income into key areas such as savings and fixed and discretionary spending, you should set up your bank accounts to manage your budget process and automate payments and savings where possible.

Riegelhuth says a simple, even obvious, way is to open a high-interest savings account, a 'cash hub', where you can regularly deposit all your income.

Then set up an automatic transfer of all the money you need for the week into a separate spending account.

This will help you to stay within your budget. "It's great because it simplifies things and automates everything," Riegelhuth says.[1]

Cut costs – and reap the rewards

Your financial adviser can help you write and review your budget; it's sticking to it that's the difficult part. To help you continue to reduce your cost of living, think about measures such as doing home loan and credit card health checks at least once a year to ensure you are getting the best deal. Shop around for more cost-effective energy suppliers and phone plans. Apply for a credit card (with a low rate, of course) to pay for things that could be deductable at tax time, while also allowing you to direct debit and never forget to pay a bill on time. And consider using cash only for discretionary spending (it's often easier to say no to a purchase if you have to physically hand over hard currency). Online budget planners such as Count's budget calculator (mybudgetcounts.com.au) and ASIC's www.moneysmart.gov.au can make it easier to determine what you're spending your hard-earned money on.

Monitor and review your budget

As a rule of thumb, it is a good idea to redo your budget every six to 12 months to make sure it still reflects your current income and spending. If you get a promotion, for example, you should refresh your budget to factor in a pay hike.

Similarly, losing a job, buying homeware items or having a baby can change your financial settings.

Budgets can and should evolve as you mature. Pre-retirees may want to ramp up their superannuation contributions as they near the end of their career, while retirees typically like to spend more on travel. Your financial adviser can help you map out and review your financial plan.

How to cope when things go wrong

Don't panic if your budget is under pressure, with outlays and debts suddenly seeming to be on the rise. If you have been reasonably disciplined for months or years, it should be relatively easy to recover. Ideally, in preparation for this scenario, Riegelhuth recommends setting aside three months' worth of net income as a buffer in the event of an emergency. If that is not an option to fall back on, you may be able to consolidate debt or refinance into a low-fee, low-interest product; set aside a weekly amount for discretionary spending to help limit impulse buys; and generally track your spending to restore financial discipline.[1]

Boost your income

Of course, cutting costs is not the only way to respond to a crisis or balance the budget. Seeking a pay rise or selling some investments are viable ways to increase your cash-flow. If you have sufficient retirement savings, you may also be able to use a transition-to-retirement pension while you are working full-time to increase your income. Retirees may also consider annuities that can give them a regular, secure income.

Play it smart with financial products, too. For instance, many financially independent people have multiple term deposits – and staggering their maturity dates can provide a regular income stream during the year while at the same time optimising returns.

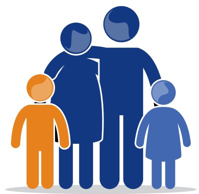
Again, speak to your financial adviser to identify investment options that seek additional sources of income that could either be used for day-to-day spending, or reinvested to further grow your nest egg.

Perhaps more than anything, the key to budgeting success is to stop procrastinating and put in place a long-term plan that can move with the times as you mature. Riegelhuth has no doubt that it can be life-changing. As she says: "It's so empowering."[1]

Need some help? Contact your financial adviser to discuss your desired financial outcomes.

1 These comments are drawn from an exclusive interview with Sarah Riegelhuth.

Facts & figures



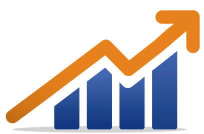
$1499.30

The average weekly earnings for Australians as at November 2015, according to the Australian Bureau of Statistics. Movements in average weekly earnings can be affected by changes in both the level of earnings per employee and in the composition of the labour force.

$3797.00

The average credit card debt in Australia as of May 2015, according to the Australian Securities & Investments Commission.

https://www.moneysmart.gov.au/life-events-and-you/women/women-and-money-infographic



$2046 billion

Australians' aggregate superannuation assets hit this figure at the end of the December 2015 quarter.

http://www.apra.gov.au/Super/Publications/Pages/Quarterly-MySuper-statistics.aspx

$1.2 billion

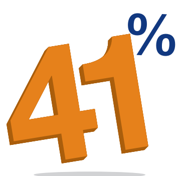
The total of unclaimed money in Australia, including through neglected bank accounts, shares and life insurance, according to the Australian Securities & Investments Commission.

https://www.moneysmart.gov.au/tools-and-resources/find-unclaimed-money/australias-unclaimed-money

$59,236.00

The annual spending for couples aged about 65 to live a comfortable retirement in Australia, according to the Association of Superannuation Funds of Australia. The equivalent figure for single people is $43,184.

http://www.superannuation.asn.au/media-release-24-february-2016



An American Express Pattern Spending Report on the habits of Australians shows that 41 per cent of shoppers are "sale seekers" who spend most of their disposable income on special offers, while 30 per cent are "passionists" who mainly spend on a single interest or hobby. "Pay-dayers" (28 per cent) splurge on or soon after their pay day every month, and "loyalists" (24 per cent) prefer to stick to the same brands.

http://www.newsboost.com/newsroom/american-express-australia-ltd-american-express-media-room/from-sale-seekers-to-loyalists-new-research-uncovers-the-most-prominent-spending-patterns-in-australia

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