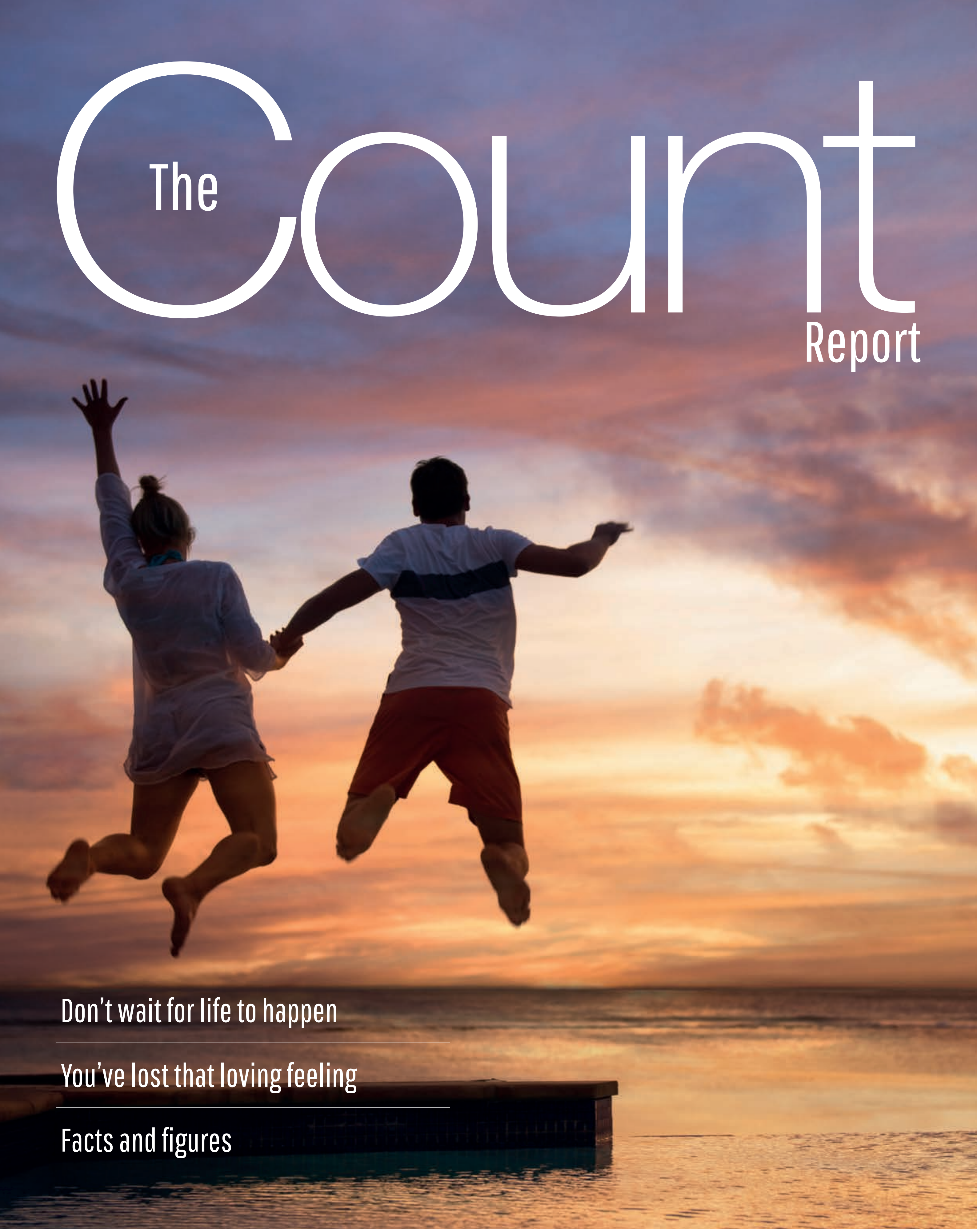
# The Count Report



Don’t wait for life to happen

You’ve lost that loving feeling

Facts and figures

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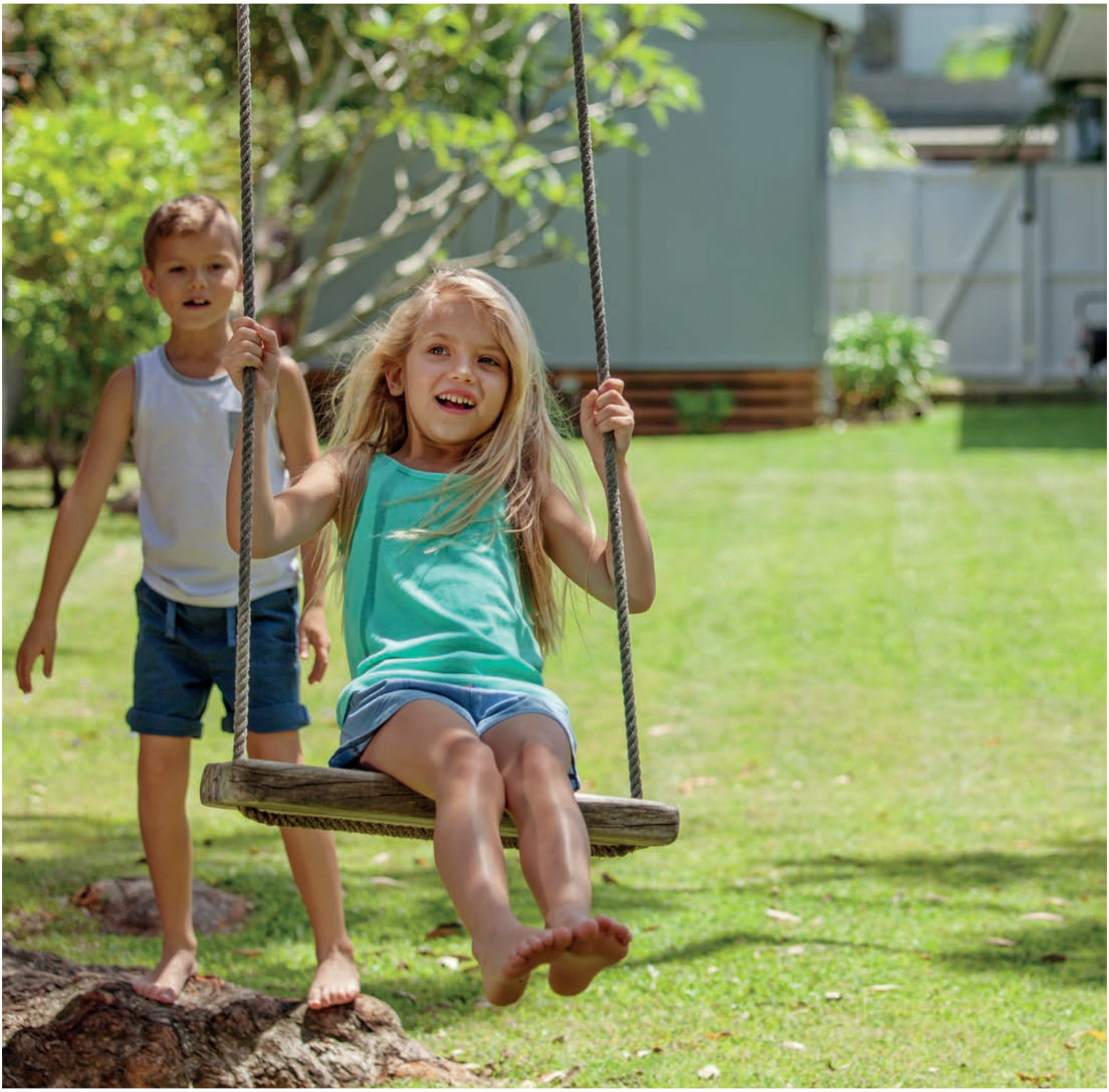


# Welcome

## Welcome to the Spring edition of The Count Report.

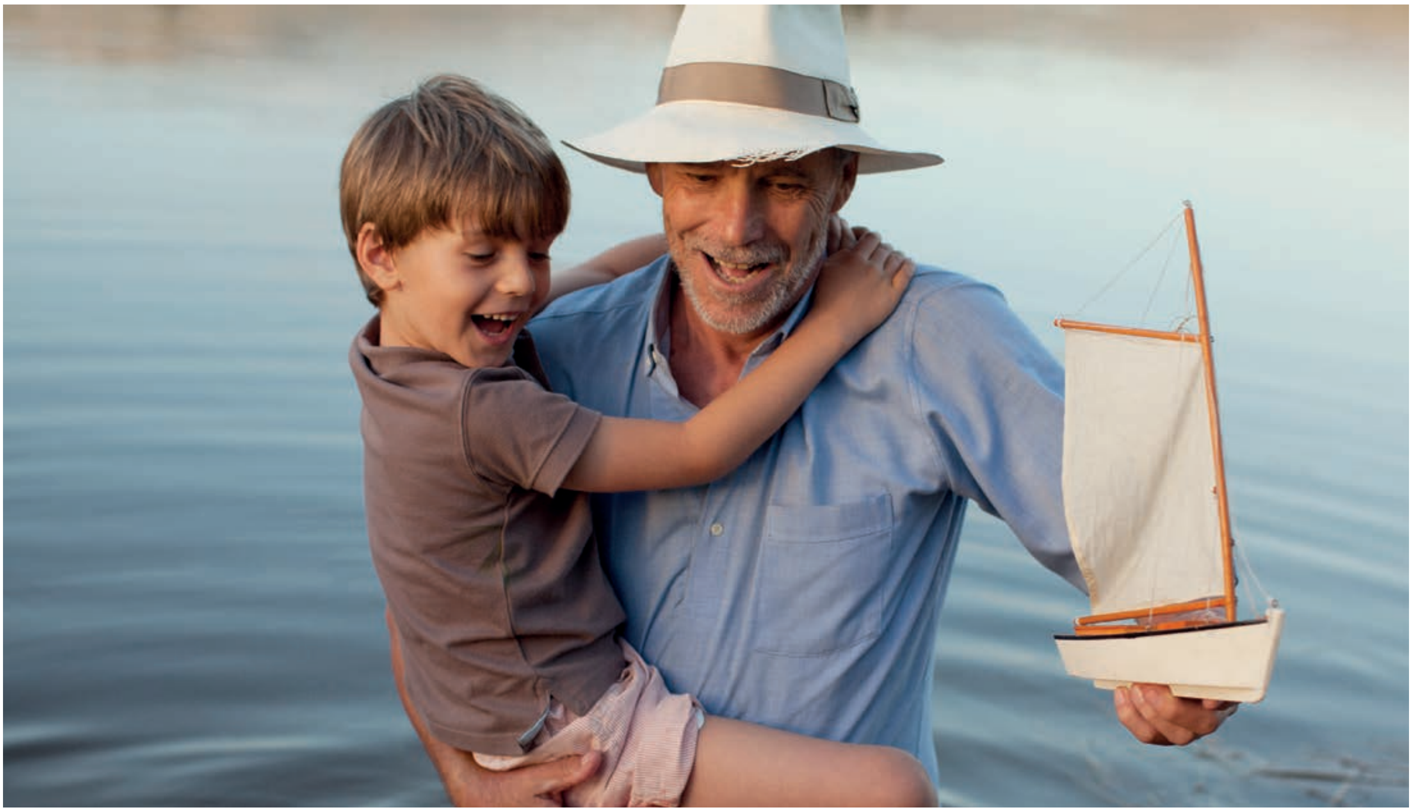
As we come out of the cooler months it's often a time of rejuvenation for many people. The golf courses are more crowded, there are more surfers at the beach, and a simple barbeque with friends is more desirable when the days are a little longer and warmer. It's also a good time to think about your financial plan which may have been in hibernation during winter and see how your goals and objectives are tracking. Think of it as a 'spring clean' for your finances.

In this edition of The Count Report, 'Don't wait for life to happen' looks at how having a good financial plan in place means you'll be better prepared for major life events when they arise in addition to being well positioned for a rewarding financial future.

'You've lost that loving feeling' looks at the financial uncertainty that often goes hand in hand with the emotional upheaval that occurs at the end of a long-term relationship.

And our back page 'facts and figures' includes some interesting statistics about different demographics in Australia.

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.



# Don't wait for life to happen

## With a good financial plan in place, you're already well positioned for a rewarding financial future. What's more, it means you'll be better prepared for major life events when they arise.

As JFK once said, 'there is nothing more certain and unchanging than uncertainty and change.' In other words, none of us knows what the future holds. But that doesn't mean you should leave things to chance, especially when it comes to your finances.

Of course, everyone's financial journey is different, but here are some major life events that many of us can prepare for in advance. And even if some of these milestones are already behind you, the next generations can benefit from your guidance and experience, and the lessons you've learned along the way.

### Starting a family

Having a child is one of life's great gifts. But let's not forget how expensive kids can be, especially with the rising costs of education.

In fact, putting your child through private education from pre-school to Year 12 could cost you as much as $400,000.[1] And even with a public school education, you could still end up paying over $60,000 per child during their school years, when you take into account things like uniforms, tech essentials and extracurricular activities.[2]

It's a good idea to get into the habit of regularly putting money aside, so you can stay on top of school fees and other expenses. The sooner you start, the longer your money will have to grow — and for potentially higher returns, you might even consider investing the money rather than simply putting it in a savings account.

What's more, with rising rents and costs of living, there's a good chance your kids will depend on you financially well into their adulthood. In Australia, at least 1 in 4 young people aged between 18 and 34 live with their parents[3] — so it's worth keeping this in mind when you're planning for your family's future.

### Buying property

Whether you're hunting for your first home, in the market for an investment unit, or helping your kids out with a place of their own, buying property is always a big financial decision — so plan it carefully before jumping in.

And with real estate prices soaring across Australia and the median house now valued at over $700,000 nationally,[4] you need to work out exactly how much you can afford to spend, long before you start picking out wallpaper.

The last thing you want is to be faced with is mortgage stress for decades to come. That's why it's important to think carefully from the outset about how your mortgage repayment plan will fit into your overall financial strategy.

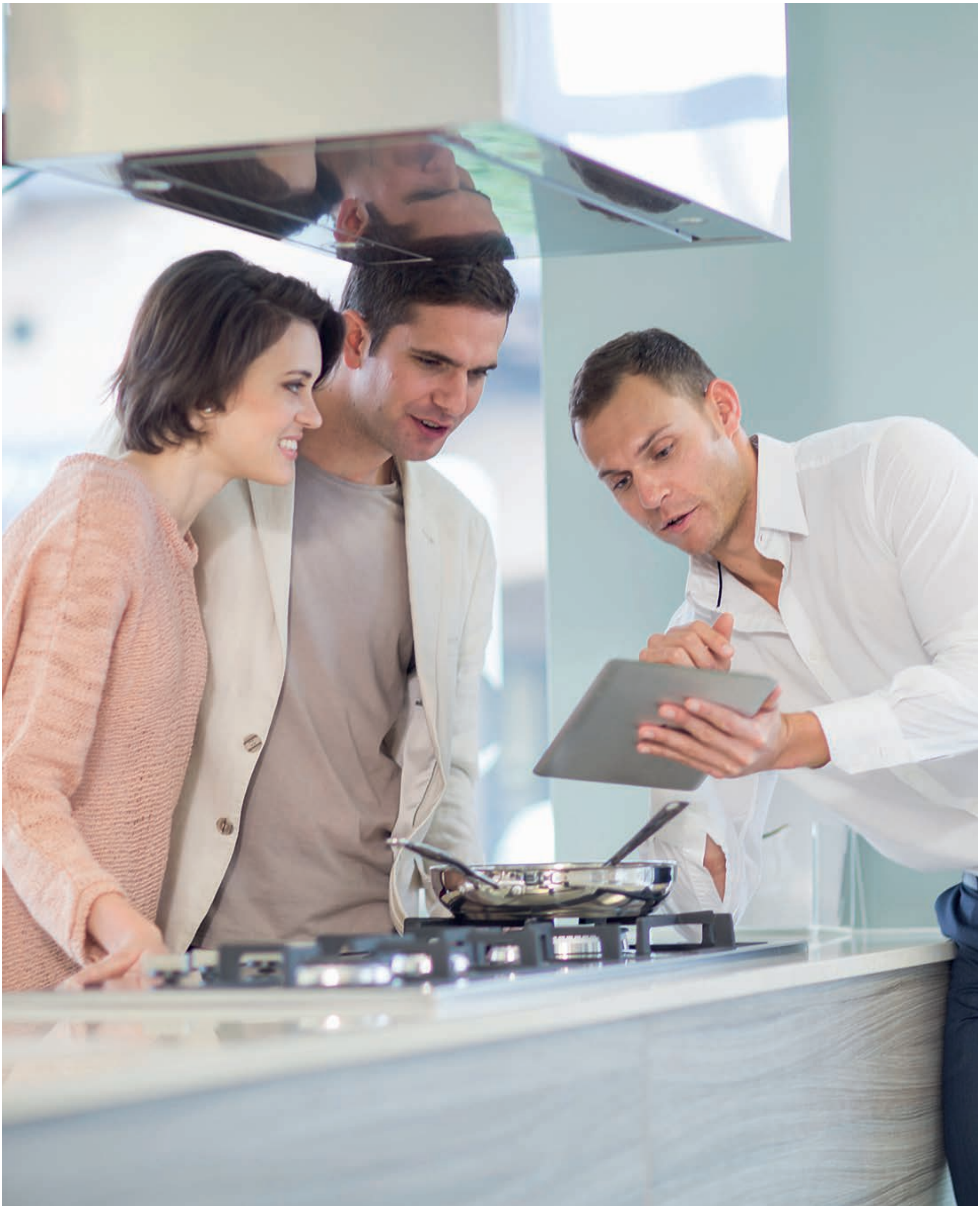
Next, you'll need to save for a deposit, as most lenders expect you to pay 20% of a property's value upfront. If you

1 Australian Scholarships Group, How much can you expect to pay for your child's schooling? 2016.

2 Australian Scholarships Group, How much can you expect to pay for your child's schooling? 2016.

3 Domain Group, Domain house pricing report, June 2015.

4 Domain Group, Domain house pricing report, June 2015.



can't afford that much, you might have to pay for lenders mortgage insurance as well, which can add thousands of dollars to the cost of your loan.

You'll also want to consider which type of home loan is best for your financial situation —for example, a fixed or variable interest rate loan. Choosing a fixed interest rate can make it easier to budget your repayments, but it also means you won't reap the benefits if interest rates drop.

## Getting a wealth boost

There are going to be times in your life when some unexpected cash comes your way — like a bonus or maybe an inheritance. You may not know when it will happen, but if it does, you'll want to be prepared so you can make the most of your windfall and avoid frittering it away.

One way to invest the money wisely is to make a personal contribution to your super, taking into consideration any contribution caps (the Government has proposed (not yet legislated) reducing these caps to $25,000 a year from 1 July 2017). Or, if your newfound wealth is in the form of a pay rise, you might consider putting a bit extra into super each paycheque through salary sacrificing. You can contribute up to $30,000 a year (or $35,000 if you're 50 or older) from your pre-tax earnings (this cap includes compulsory super guarantee paid by your employer) — plus you could even save on tax, as these types of super contributions are usually taxed at the low rate of 15% rather than at your marginal tax rate.

If you come into money, there are other ways to invest as well, such as shares, managed funds, term deposits and bonds. Each of these is likely to give you a better long-term return than a savings account, but the most suitable investment options for you will depend on your financial situation and goals. Your financial adviser can steer you in the right direction.

## Becoming a grandparent

After you've worked hard to give your kids the best start in life, what better reward could there be than seeing them have children of their own? As a proud grandparent, you'll want to make sure the little ones, as well as your own children, are looked after financially when you're gone — and that's why estate planning is so important.

With the right financial strategy, you'll be able to pass your wealth down to future generations. The first step is to create a will, which specifies how you want your assets to be divided and distributed after you pass away. Having a proper will can also help avoid disputes between your beneficiaries when the time comes.

Remember, your estate includes most things that you own — so it's worth taking stock of all your valuable assets, and updating your will regularly to reflect any changes in your financial or family circumstances. You might also choose to give Enduring Power of Attorney to a trusted family member, so they can manage your estate if you become mentally incapacitated.

But there are a few things that aren't automatically considered part of your estate, such as your super and life insurance. For these, you'll need to nominate your beneficiary or legal personal representative if you want them to form part of your estate. What's more, any assets you own jointly with someone else will automatically pass to that person upon your death.

## Retiring

Here's some good news: the average life expectancy for both men and women in Australia is now over 80.[5] And while it's great that many of us can look forward to a long life, it also means we need to plan ahead so our finances will last the distance.

Even if your retirement plan is on track, or you're already enjoying retirement, it's worth being prepared in case your circumstances change. For instance, you could be made redundant and have to retire earlier than expected, or you might have to drop down to part-time hours for health reasons. On the flipside, during your retirement years you might take an opportunity to re-enter the workforce for a while.

It's estimated that a couple needs $640,000 to retire comfortably, while a single person needs around $545,000.[6] The smaller your nest egg, the more you'll need to rely on the Age Pension when you retire, so it's a good idea to grow your super as much as possible while you're still working.

Depending on your circumstances, there may be different options for accessing your super in retirement. You could cash it out as a lump sum, set up an account-based pension, or buy an annuity that will give you a regular, stable income for life. Your financial adviser can help work out which option is best for you. And if your lifestyle needs change, your financial adviser will be able to adjust your strategy so you can get the most of your finances for many years to come.

### TIPS FOR LIFELONG FINANCIAL PLANNING

**DO**

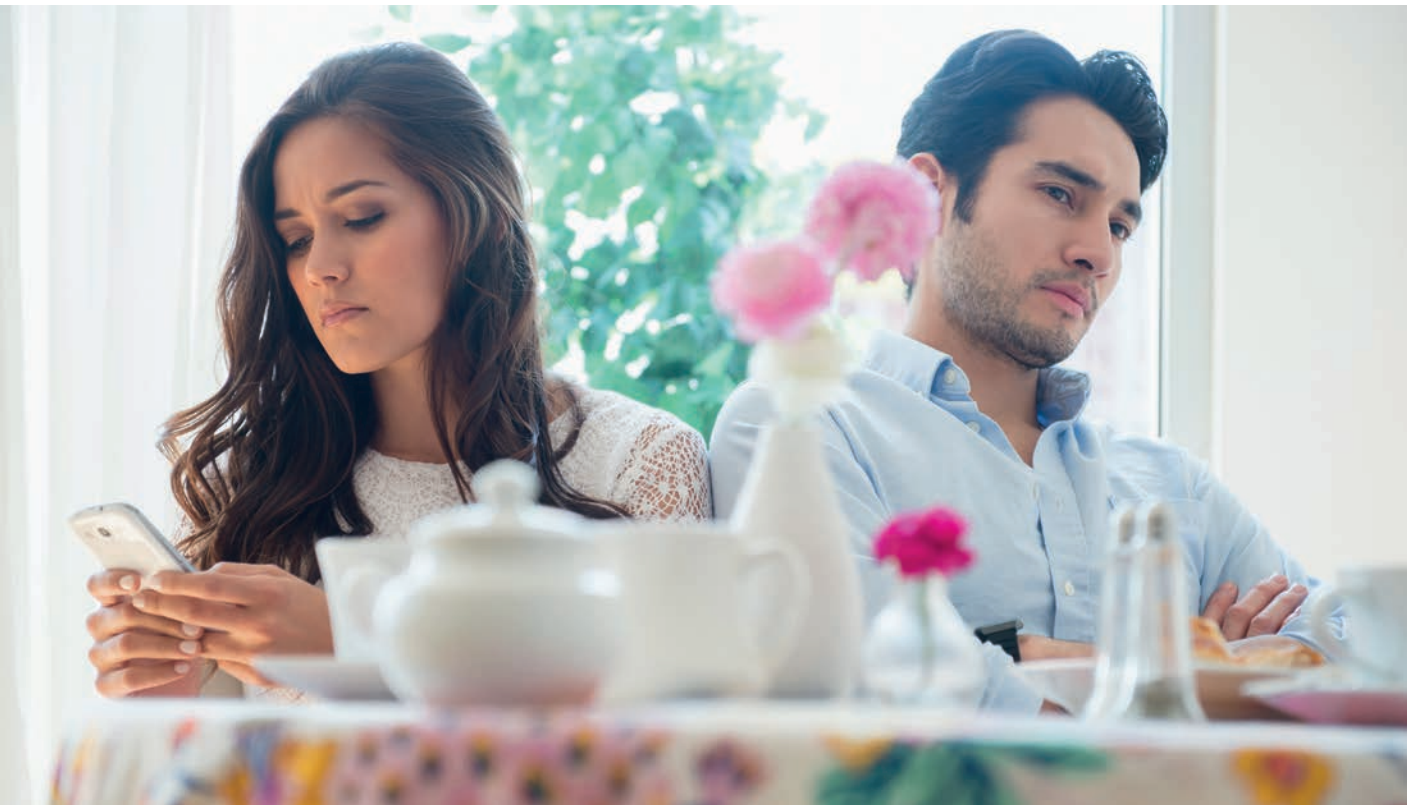
- Plan ahead for your different life stages.
- Work out your short, medium and long-term goals then track your progress.
- Ask your financial adviser for guidance on major financial decisions.

**DON'T**

- Leave it too late to build your retirement savings.
- Set and forget your strategy – update it whenever your situation changes.
- Avoid thinking about negative things that could happen.

5 Australian Bureau of Statistics, Life expectancy and deaths hit historic highs, 2015.

6 Association of Superannuation Funds of Australia, Retirement standard, February 2016.



# You've lost that loving feeling

There's no denying that break ups are tough – and not just because of the emotional upheaval. For many people, coming to the end of a long-term relationship also goes hand in hand with financial uncertainty.

Every year in Australia, over 45,000 marriages come to an end.[7] And for the 10% of Australian adults living in de facto couples, a relationship split can be just as devastating as a divorce.[8]

But if you and your partner decide to call it a day, the good news is that it's possible to get back on your feet — both emotionally and financially. All it takes is some careful planning, so you can embrace your newfound independence while taking control of your finances at the same time.

## Breaking up: the financial impact

Generally speaking, the wealth gap between newly single people and married couples widens in the first few years after a break up. The widest gap is usually around six years after the split, when a divorcee has an average of $360,000 to $390,000 less in household assets than a couple who stay together.[9]

On the bright side, you can still rebuild your finances to a healthy position if your relationship ends. First, find a lawyer who you trust to make sure you get a fair property settlement. Then, with the help of your financial adviser, reassess your income, assets and debts so you can revise your financial strategy to fit your new lifestyle.

## How do property settlements work?

Although each case is unique, property settlements in Australia generally follow four basic steps. Under Australian law, the steps usually apply to de facto relationships as well as marriages.

### Step 1. Value your assets

These may include things like your home, car, savings, super, investment properties, shares and businesses. You'll need to identify which assets are yours, which are your partners and which ones you own together. Then, you need to figure out how much each is worth — usually with the help of an independent valuer.

### Step 2. Reach an agreement

Even if you agree amicably on how to split your assets, you'll still need lawyers to handle the paperwork. If you can't reach an agreement, you'll have to apply for a court order.

### Step 3. Assess each partner's contribution

Your contributions to the relationship go beyond the financial ones like earning and income or paying off the mortgage. They may also include the time you've spent raising your children or taking care of the household. The court might consider other non-financial contributions as well, such as time and effort put into renovating your home.

7 Australian Bureau of Statistics, Marriages and divorces, Australia, 2014.

8 Australian Bureau of Statistics, Census of population and housing, 2011.

9 Australian Institute of Family Studies, The financial impact of divorce, 2012.

### Step 4. Work out future needs

When deciding on how to divide up your assets, a court will take into account the financial position of each partner after the split. This includes factors like your age, health and ability to earn an income, how long the relationship lasted, and your future role in taking care of your dependants. So if you earn less than your ex-partner, you may end up with more of the property — especially if you get custody of your children.

## What happens to your super?

If your relationship ends, each partner's super may be treated as an asset that can be divided between the parties, which means part of your super balance might go to your partner or vice versa. For example, if you spent time out of the workforce to raise your children, then you may be entitled to a share of your ex-partner's super.

But unlike your other assets, you can't access your super until you reach a certain age. So while normally it would be divided up straight away, in some instances you and your spouse can make an agreement to split your super investments at some point down the track — for example, when one of you retires.

You can also use your super to offset other assets. This could mean, for instance, that your ex keeps all their super, but you receive other assets worth the same amount as the portion of the super you're entitled to.

Remember, whatever you choose to do with the family's super, it's best to speak to your financial adviser first. That way, you can make sure you don't end up on the back foot when it's time to retire.

## 7 TIPS FOR GETTING YOUR FINANCES BACK ON TRACK AFTER A BREAK UP

1. Take stock of your financial situation by making a list of your assets and liabilities.
2. Make a budget for your new life that takes into account your single income.
3. Close all your joint accounts, once you and your ex-partner have agreed how to split the assets.
4. Update your will, and any death benefit nominations over your insurance policies and superannuation, especially if you have dependants. Update any Enduring Power of Attorney and Enduring Guardians.
5. If you're receiving any financial benefits such as childcare payments, inform Centrelink of your change in circumstances.
6. Don't let your super take the hit – give it a boost through salary sacrificing or by topping it up with personal contributions.
7. Talk to your Financial Adviser about a financial strategy tailored to your new situation.

# Facts & figures

**30.8**

the median age of Australian mothers (new births)

McCrindle Research, Australia's Population Map and Generational Profile, 2015

**29%**

Australians aged 18 to 34 still living with their parents

Australian Bureau of Statistics, Australian Social Trends, 2013.

**$700,000**

the median house price across Australia

Domain Group, Domain house pricing report, June 2015.

**61.5**

the average retirement age of Australians who retired in the last five years

Australian Bureau of Statistics, Retirement and Retirement Intentions, Australia, 2013.

**$640,000**

how much an Australian couple needs to retire comfortably

Association of Superannuation Funds of Australia, Retirement standard, February 2016.

**40%**

Australians who don't have a will

University of Queensland, Having the last word? Will making and contestation in Australia, 2015.

HEAD OFFICE: Level 3E, Commonwealth Bank Place, 11 Harbour Street, Sydney NSW 2000
P. 1800 026 868 W. count.com.au



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