

Tips and Traps



Investment

Tip: Investing by regular instalments can reduce the risk of bad market timing. Buying in ups and downs may achieve a lower average purchase price.

Trap: When cashing in investments that have made a profit, beware of capital gains tax. Tax planning may help reduce your tax liabilities

Super Accumulation

Tip: Did you know the Federal Government could pay up to \$500 into your super fund under the co-contribution regulations?

Trap: Remember, every dollar you invest into super cannot be accessed until at least 55. Consider your investment time frame carefully.

Life Insurance

Tip: Did you know that Death and Total/Permanent Disablement insurance premiums under superannuation can be tax deductible?

Trap: Some life insurance proceeds may be subject to tax and dramatically reduce the end benefits payable to your family. Find out where you stand now and not when your dependents need it most!

Income Protection

Tip: Income Protection insurance provides replacement income when you are sick or injured, covering you 24 hours a day, 7 days a week. A great extension to your sick leave. Premiums are also tax deductible.

Trap: Be sure you know the difference between an 'Indemnity' and an 'Agreed' value policy. It may make a big difference at claim time!

Fund Performance

Tip: When comparing fund performance, be sure you are comparing funds with similar asset allocation and over identical periods. This will ensure more meaningful conclusions.

Trap: Never rely on past performance when choosing investment funds. History shows that last years 'winners' can often be next years 'losers'.

Advice

Tip: Always be sure that the person giving you advice is licensed and authorised to give the specific advice you are seeking. Look for qualifications such as Certified Financial Planner and a number of years experience in practicing financial planning.

Trap: The old saying "cheap advice can often turn out to be very expensive" happens on a regular basis. Always remember quality and up to date advice from a professional will cost you now but may save you in the future.

Wealth Creation

Tip: Start saving early, then turn your savings into investments and your investments into assets that will help provide financial independence. This takes time and most portfolios need years to mature. Start early, start small!

Trap: Creating wealth rarely happens overnight and waiting for the next big opportunity may leave you financially 'hard up' come retirement. Get a plan early and stick to it.

Retirement Income

Tip: Increase your tax free income in retirement by making personal contributions to super prior to retirement.

Trap: Be aware that maximum limits apply when making personal plus Salary Sacrifice Contributions to Superannuation.

Fees and Charges

Tip: Consolidating your super funds into one account can save on multiple annual member fees and provide opportunities for management fee discounts due to economies of scale of one large account over a few smaller accounts.

Trap: Be sure you evaluate both the administration fee and investment management fee when comparing investment or super products. They both exist, but can sometimes be difficult to find on face value.

Mortgages and Debt Management

Tip: If your home has grown in value, restructuring your mortgage can release further equity in your home that could be used for other investment and wealth creation strategies.

Trap: Don't just look for the cheapest interest rate. Repaying your mortgage more frequently such as weekly or fortnightly and consolidating debt are just two strategies that could save you a lot more interest than the discount off your current loan interest rate.

Employee Superannuation

Tip: Take the time to review where your money is invested. Your work super "default" investment option may not be the most appropriate option for you. Maximise your long-term returns by choosing the best asset allocation to meet your own objectives.

Trap: Remember that on leaving your current employer, the life and disability cover you may have under the employer super plan may cease. Be sure to either continue this cover on leaving the plan or seek advice on replacing your cover with a personal policy or under your new employer super fund.

Estate Planning

Tip: If your family or financial circumstances have changed in recent times, review your will! Your will needs to be up to date to ensure that those who you intend to receive your assets in event of death 'actually' get them.

Trap: Bad estate planning can be very costly. Consider seeing a solicitor who can develop a foolproof estate plan that will distribute your estate effectively. Tax effective structures may save you money while you're alive, but could potentially cost your beneficiaries thousands should you die.

General Advice Warning

Any advice in this publication is of a general nature only and has not been tailored to your personal circumstances. Please seek personal advice prior to acting on this information. The information in this document reflects our understanding of existing legislation, proposed legislation, rulings etc as at the date of issue. In some cases the information has been provided to us by third parties. While it is believed the information is accurate and reliable, this is not guaranteed in any way. Opinions constitute our judgement at the time of issue and are subject to change. Neither, the Licensee or any of the National Australia group of companies, nor their employees or directors give any warranty of accuracy, nor accept any responsibility for errors or omissions in this document. Mark McNeany, Chris Steiger and Vertex Group Pty Ltd are Authorised Representative of GWM Adviser Services Ltd.