passionate planning

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Be different today, so you can be different tomorrow!

Every generation thinks life will be different for them – and of course, they're right - but when it comes to planning for the future, young people have a habit of thinking they have plenty of time. After all, when you're in your mid-thirties or even early forties, retirement is still decades away; later if the government decides so!

However, like anything forgotten too long, the years pass quickly and the time we could have used constructively has disappeared. For example, early Generation Xers are now on the countdown to retirement.

If you want to be different today, plan to be different tomorrow.

Start with your grandparents…
What did their working life and retirement look like?

Let's imagine your grandparents are both in their eighties. It is likely Grandad started work in his teens and worked for one employer for most of his life. He retired at 55. Grandma may not have had much paid employment, if any. Their life can be broken into three phases – education, work and leisure. They probably didn't imagine retirement would be as long as it has turned out to be.

They're still healthy, have outlived their savings and are relying solely on the age pension to fund their frugal lifestyle.

In This Issue

Then your parents…
What did their working life look like?
What might their retirement look like?

Let's imagine your parents are aged in their sixties – typical baby boomers. They were better educated than their parents and both worked, though Mum took time off to raise the kids. They accumulated quite a bit of superannuation, though Dad has more than Mum.

Their life can be broken into the same three phases. Education went on into their twenties and they studied during their working lives. They worked for a few employers and ended up in careers they never imagined in their youth.

Whilst they have long talked about retirement, now that it's getting closer they face it with some trepidation. They may consider moving to part-time work that will give them more freedom, keep their minds stimulated and still have enough to pay the bills. After all, now the kids are independent and the mortgage is paid off, life is cheaper.

It would be nice to have more time to travel and do the things they would like to do. They are both fit and healthy and if they live as long as their parents that will be 20 or 25 years of leisure. Will Mum and Dad have enough money to live a comfortable lifestyle for that long?

And what about you?

Unlike your parents, you and your younger siblings are not going to rely on one employer or even one career. Balancing life and work is more important as you take time off to travel, do volunteer work or try new adventures. And being so versatile, when you resume your career you simply get re-trained.
What this means is that you will have multiple periods of education-work-leisure in your life and as you will probably be much healthier than previous generations you don't see working longer as a problem.

But will you be able to afford 20 or 30 years with no income? That's a sobering thought at any age.

How to be different now.

Many social commentators class Generation X as stuck in between the two "noisier" and more well-known generations – Baby Boomers and Gen Y – but that doesn't mean you should fade into insignificance. Be the first generation to truly take control of your retirement at a younger age. Stop the trend and talk to us about the many strategies available to give your retirement saving the boost it needs.

Speak to your financial planner to see how we can help you to be different today.

An application to keep you organised

Do you have a hard time keeping up with all of the activities, responsibilities and commitments of everyone in your family? Does a traditional daily planner not seem to work well for you? Then, you might find a friend in the Cozi app for Apple and Android.

Cozi is essentially a daily planner app for families. It is available as a free app and (ad-free) premium app (Cozi Gold).

What makes Cozi unique is its ability to help you keep track of each family member's individual calendar, shopping lists and to do lists all in one place and access them from multiple devices.

Each member of your family will have the grocery list, chore list, and family calendar at their fingertips. When you set up your Cozi account on the website, you will choose a shared family password and colors to represent each member of your family.

When downloaded onto each family member's device, each person will then have the ability to add new events and lists, and the reminders option and weekly agenda emails will ensure that everyone is on the same page.

We also like that Cozi has a simple and clean layout that makes it easy to navigate. This app is very straight forward and there is not much of a learning curve.

The holiday home romance

We all know the feeling. The sun is shining, the waves are lapping peacefully on the shore, there's a cool ocean breeze wafting gently through your hair and the crisp sand is etched between your toes.

Sometimes you wish your holiday romance could last forever.

Technically it could!

Hundreds of thousands of Australians own their holiday getaways. With the temptation to escape the daily grind, a holiday home can be a very rewarding purchase.

But do holiday homes make a good investment?

When it comes to investing in property, it's easy to let your emotions rule. However, before you make any snap decisions you should consider the benefits and risks associated with this kind of purchase.

The benefits

- Free accommodation when you go on holidays.
- You will have a home-away-from-home with unlimited access (depending on tenancy arrangements).
- You can rent your holiday home out for the portion of the year that you don't intend on staying there to help mitigate some of the costs. This can be particularly beneficial during peak seasons.
- Your holiday home may increase in value over time. The potential for capital growth on property investments is generally higher than that of cash and fixed interest investments.
- You can claim a tax deduction for expenses incurred in maintaining your holiday home for the period of time it is rented out.

The risks

- Occupancy rates fluctuate. Strong demand for holiday homes is on average around 8 to 10 weeks per year – and this is dependent on location. Demand for homes in a warmer climate is more consistent (especially if it's beachfront).
- If you rely on income from peak holiday seasons you won't be able to use your holiday home during these times, e.g. during school holidays.
- You may need to take on a significant mortgage as holiday homes can be quite expensive.
- On top of the initial purchase price you will also need to consider the costs of maintaining the property, including management fees.
- Any rental income or capital gain that you realise upon redemption of your holiday home will be added to your assessable income and taxed at your marginal rate in that financial year.
- If there is a property market downturn, holiday areas are generally the first to suffer and the last to recover. If you have chosen an area, do thorough research on past cycles and how they have affected local prices.
- You might get bored visiting the same place over and over. On top of this, you may even feel guilty if you holiday somewhere else!

Investing in any type of property is a big decision. When considering purchasing a holiday home, you should try and think a little less with your heart and a little more with your head.

Seek professional guidance from your financial planner before making any big decisions to see how owning a holiday home may fit into your longer term objectives.

Should you consider linking your insurance?

Research shows that around one-fifth of Australians aged between 21 and 64 will suffer from a medical event, such as an accident, injury or terminal illness that will leave them unable to work.

Despite this alarming statistic, it is estimated that 95% of Australian families have inadequate levels of personal insurance cover in place, with many relying solely on the default cover held within super to protect them.

This is of great concern as insurance cover held through super can be very limited, with some types of cover prohibited from being held within the super structure.

Did you know you can hold Life, Total and Permanent Disablement (TPD) with an 'Any Occupation' definition, and 'Indemnity Value' Income Protection through superannuation.

Trauma, 'Own occupation' TPD, and 'Agreed Value' Income Protection insurance cover is generally not available within super as a result of legislation that came into effect from 1 July 2014. Since then trustees of regulated super funds (including SMSFs) can no longer provide insurance policies to members unless the benefits satisfy a condition of release such as death, total and permanent disablement or reaching age 65, in the event of claim.

To address some of these restrictions, new styles of policies have emerged including flexi-linked Trauma and TPD, and income-linked Income Protection.

What is flexi-linking?

Trauma and 'Own occupation' TPD insurance cover can be 'flexi-linked' to Life and TPD insurance cover held within super. This is treated as one policy.

The way flexi-linked policies work is that the super fund trustee owns the portion of the policy that can be released from super in the event of a claim e.g. 'Any occupation TPD' or the attached Life insurance cover (which can be released from super in the event of death). Whereas the individual owns the portion of the policy which would not meet a super condition of release in the event of a claim e.g. 'Own occupation TPD' and Trauma insurance cover.

What is income-linking?

Similar to flexi-linked policies, Income Protection insurance cover held personally can be linked to cover held within super via the 'income-linking' structure.

The benefits of linking:

- You can still fund the majority of your insurance premiums from your super fund whilst being able to access additional insurance features generally not available through super, including crisis benefits and specified injury benefits.
- Premiums for flexi-linked Trauma and 'Own Occupation' TPD are generally cheaper than 'stand-alone' policies.
- Rather than paying two sets of policy fees, you will only need to pay one, reducing the premiums.
- You will generally be entitled to a tax deduction for the portion of your Income Protection insurance premiums funded via your personal cash flow.

The risks associated:

- In the event of a claim, any benefit paid under the flexi-linked policy reduces the linked cover by the amount paid.
- The level of flexi-linked cover cannot exceed the level of linked Life cover.
- If the cover held within super is cancelled for any reason, such as the non-payment of premiums, the linked cover is also cancelled.

If you're looking for insurance cover and want to keep premiums affordable, a linked policy may be for you.

Please contact you financial planner for more information.

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For all your insurance needs