November 2019

Welcome to the latest edition of our client newsletter! We've included a mix of articles designed to share our insights and experiences, we hope you enjoy reading them.

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

In the meantime, we hope you enjoy the read.

Agent For Life
PO Box 5429
Q Supercentre QLD 4218
M 0412732761
E info@agentforlife.com.au
W www.agentforlife.com.au
Facebook /AgentForLifePtyLtd
Linkedin https://www.linkedin.com/company/agent-for-life-pty-ltd/

Income protection insurance – not just about the amount you earn

A common misconception about income protection insurance is that it's only for high-earners, but this isn't the case. In reality, no one can afford to be without this safety net, regardless of the amount of income you earn.

The only things certain in life are death and taxes—or so the famous saying goes. Thankfully, income protection insurance can add a positive guarantee to that list by safeguarding your quality of life, should an unexpected setback strike.

You can't predict the future, but you can plan for it

Nobody wants to consider an accident or illness impacting their health suddenly, but it's a very real possibility. As well as changing your lifestyle, an unexpected illness could mean you need to take extended leave from work.

It's estimated that over 400,000 Australians suffer a heart attack sometime in their lives.[i] Then there's over 800,000 people of working age with disability, who were not working in 2015 alone.[ii] It's tempting to think that if you lead a healthy lifestyle and make smart choices, you'll be fine. But the reality is you can't predict the future, you can only plan for it.

Why it's not about the amount you earn

One of the biggest myths surrounding income protection insurance is that it's only necessary for those who are paid high incomes. In reality, anyone who is part of the workforce will benefit from the protection and peace of mind that this insurance provides, regardless of what they earn or their stage of life. Think of income protection as your own personal cavalry ready and waiting to come to your rescue should you need it.

Consider what you and your family would do if you were unable to bring home the same pay cheque overnight. Remember, periods of unemployment due to sickness or injury are reasonably likely over the lengthy course of anyone's working life.

Parents, particularly single-income families, have the consistent pressure of providing for their children. While it might appear smarter to give precedence to other family expenses, this demographic can be hit hardest in such events, making income protection insurance a must.

Another misconception is that singles or couples can forgo income protection. Although finances might be comfortable day-to-day in a steady job, things may not always be so stable. It makes even more sense for the self-employed or small-business owners, whose monthly income can often be inconsistent, to consider income protection.

Then there's the trap of thinking life insurance is all you need. Unexpected death is absolutely a part of life we should all plan for. But an unforeseen total or partial disability due to injury or illness is a debilitating situation that can stop you earning a living, and is equally unwise to overlook.

What does income protection cover?

So, how does income protection insurance cover you? Up to 75% of your monthly income is provided or a nominated period of time to help keep your household up and running, and provide for your loved ones while you recover. In a nutshell, it gives you the freedom to rest easy knowing you'll be taken care of financially.

An inability to keep up with the mortgage, loan or credit card repayments can cause considerable stress when you're unwell. It's crucial to focus on recuperation at such a time, with full confidence that these debts can be provided for under your policy.

Talk to us if you'd like more information about income protection insurance.

i https://www.heartfoundation.org.au/about-us/what-we-do/heart-disease-in-australia

ii http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/4430.0main+features202015

First published: 1 October 2018

7 ways to invest in your future

One fact of life is certain, we don't stay young forever. As we grow older, everyday tasks can become tiresome; we suffer inevitable aches and pains and often have difficulty remembering things. But the ageing process should be seen as a privilege. We have retirement to look forward to, access to good healthcare and the opportunity to spend more time with the people we love. To ensure we're able to enjoy a long and happy retirement, it's important to plan for this future.

Here are 7 ways to plan for what's ahead:

1. Write a bucket list

It's never too late to write a list of everything you'd like to do before you die. Always wanted to skydive? Eat in a top restaurant? Learn to play the guitar? Start a vegetable patch? Then start by making a list of everything you want to do so you can plan for which ones you want to tick off first.

2. Invest in your super

With monthly bills and debts to pay off, investing extra money into your super is the last thing on most people's minds. According to the ATO, 'since July 1 2017, most people, regardless of their employment arrangement, will be able to claim a full deduction for personal super contributions they make to their super until they turn 75.'[i] If you have more than one super fund, the ATO offer a free consolidation service through myGOV.[ii] Alternatively you can speak to a financial adviser about how to roll them into the one fund whose risk policies most align with your needs.

3. Start a holiday fund

Always dreamed of a big trip overseas? Use free online budget calculators to work out how much you need to save each month so you can plan for that once in a lifetime holiday.

4. Write a will

According to ASIC, nearly half of all Australians die without preparing a will.[iii] For many people death is a difficult topic to discuss but it's important to plan for the inevitable so your family are not burdened by financial hardship and legal issues. Having a legal will in place reduces the risk of leaving your estate in the wrong hands. Furthermore, it gives your loved ones time to grieve rather than contesting the distribution of your assets.

5. Create a budget

Taking control of your money and income streams is the most effective tool there is to getting your finances under control. Many people think we need to earn more but really we need to spend less. Understanding what you are currently spending your money on and making small changes to these habits can instantly improve your financial position.

6. Consider life insurance

Whether it's a separate policy or through your super, the right cover provides peace of mind in the event of death or a serious illness. Most people have default life insurance through their superannuation. Super funds also allow you to purchase additional cover inside your super. We can help you ensure you have adequate life insurance for your lifestyle.

7. Better health

Improving your health and wellbeing will give you more energy (and time) to focus on doing the things you enjoy most. Kick start a healthier lifestyle by making small changes to your day like introducing a five minute morning meditation to reduce stress, walking for 20 minutes on your lunch-break or introducing a green smoothie to get your daily intake of fruit and vegetables. Regular health checks will also help you stay on top of any health issues that arise.

So start positive planning and look forward to your future.

i https://www.ato.gov.au/individuals/super/growing-your-super/adding-to-my-super/personal-super-contributions/

ii https://www.ato.gov.au/super/

iii https://www.moneysmart.gov.au/life-events-and-you/over-55s/wills-and-power-of-attorney

First published: 8 June 2017

Time to review household debt

Fuelled by rising house prices and low interest rates, the level of personal debt in Australia is relatively high compared to many other countries.[i]

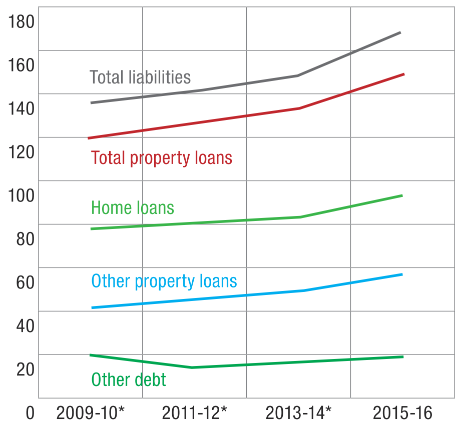
The largest proportion of this debt is often used to purchase a valuable asset – the family home. With careful planning, you might be able to control your household debt and use it to grow wealth and secure your future.

Multiple factors drive debt levels

The debt to income ratio of Australian households recently reached 200%[ii] – the highest in history – and is expected to peak at around 205%[iii].

The level of debt has been driven by several factors, largely the record housing prices reached in the property market, a period of low interest rates and relaxed lending standards for home loans. As this chart from the Australian Bureau of Statistics demonstrates, the vast majority of household debt is in property loans.

Mean household debt by type of liability, 2009-10 to 2015-16



*In 2015-16 dollars, adjusted by the Consumer Price Index
Source: ABS Survey of income and Housing

The level of debt is also becoming more challenging due to household income failing to increase at the same rate.

Keep stress to a minimum

Low interest rates have been a boon for the housing market and a blessing for those who aspire to own their own home. This has seen average household mortgage debt-to-income ratio rise from 120% to 140% between 2012 and 2017.[iv]

While housing prices are starting to slow down, interest rates are expected to increase which means that some may start to feel the pinch of mortgage stress. By getting ahead of the trend, you may take control of your household debt and minimise financial stress in the future. The key to achieving this is understanding which debts are good and which are bad.

Not all debt is bad

There is a common misconception that all debt is bad, but this isn't true. Good debt allows you to invest in assets that could increase your wealth. Loans to purchase shares, student loans for education that increases your income-earning potential, and home loans all fall within the category of good debt.

Bad debt is incurred to purchase items that decline in value or do not contribute to your wealth. This may include credit cards and personal loans, particularly if you've used them to purchase holidays or a motor vehicle that declines in value the minute it's driven off the lot.

Regardless of the type of debt you have, it's possible to have too much of a good thing. Debt in any form carries a level of risk. Losing your job, borrowing beyond your means and interest rate hikes can all place your household in financial stress and make it difficult to meet repayments.

Keep your debt in check

There are some things that you could do now that may help you get your household debt under control. These include:

- Create a budget: Understanding what money you have coming in and going out each week is the first step in understanding debt.
- Identify and categorise debts: You may have some debts that have gone under the radar – like that credit card you make the minimum monthly repayment on. Identify all the debts that you have and then classify them as either good or bad debts based on their potential to increase or decrease your wealth.
- Prioritise debts: Trying to manage multiple debts at a time can be overwhelming; prioritising your debts will provide direction and keep you on track. Initially, you could try and reduce the level of bad debt, taking into account the nature of your loans including applicable interest rates and relevant fees.
- Consolidate debts: Sometimes it may make sense to roll all your debts into one facility. This could make them more manageable because you only have one debt to pay down and can potentially reduce the number of fees or the amount of interest you're paying.

Controlling your household debt is not always easy but it could generate great rewards. Talk to us if you'd like a hand managing your household debt.

i https://www.bis.org/publ/qtrpdf/r_qt1712f.htm

ii http://www.abc.net.au/news/2018-01-18/household-debt-extremely-elevated-and-tipped-to-grow/9340880

iii https://www.businessinsider.com.au/australias-household-debt-is-now-one-of-the-highest-in-the-world-2018-1.

iv https://www.rba.gov.au/speeches/2018/sp-ag-2018-02-20.html

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