PLANET WEALTH

Accredited by AMP Financial Planning | AMP

Newsletter - January 2020

Welcome to the latest edition of our client newsletter,

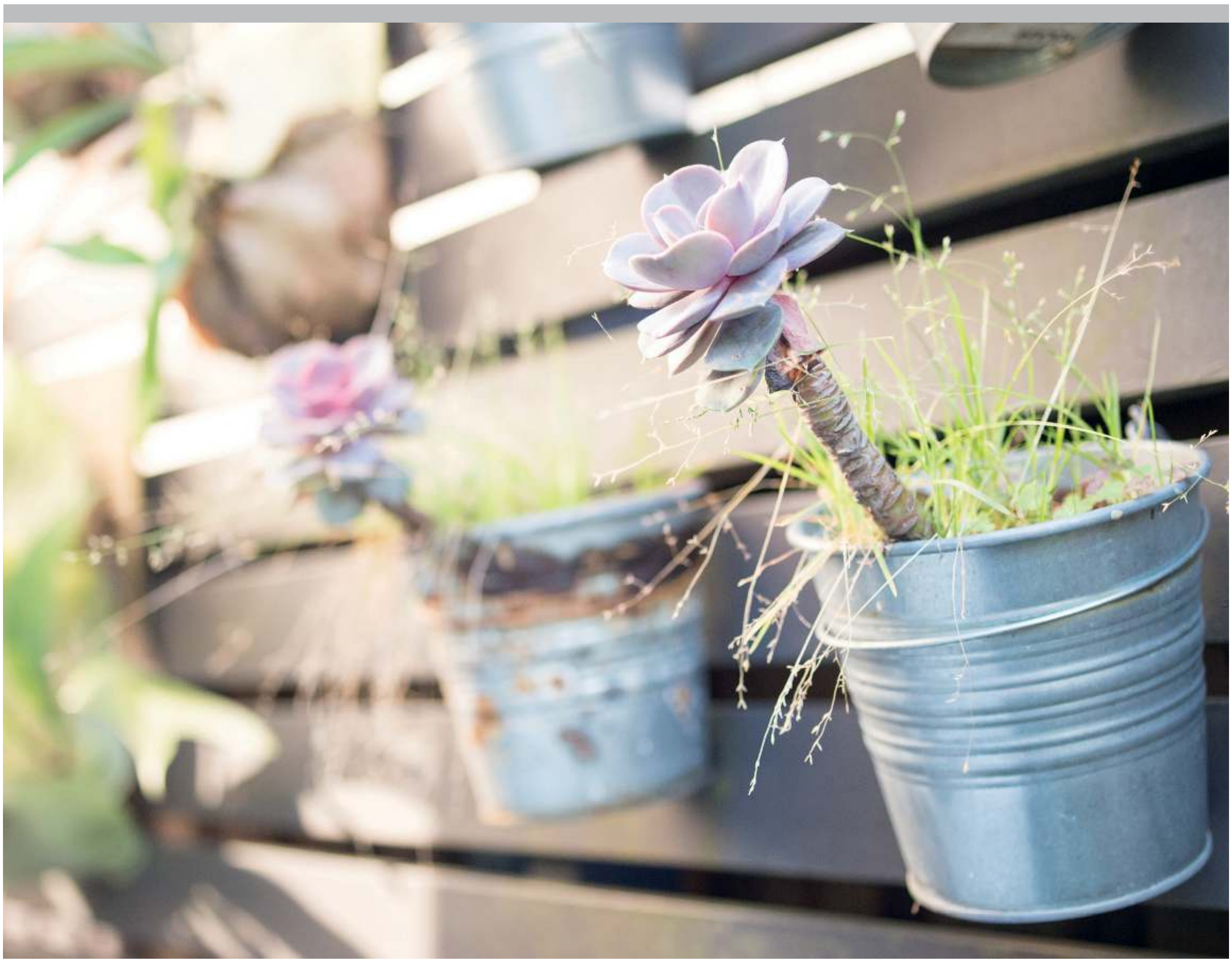
Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we discuss How to Grow your Superannuation Fund in the New Year and provide you with information on How to Choose right Investment options for your Super Fund and Creating Realistic Financial goals.

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.

All the best,
Planet Wealth

Planet Wealth
54/195 Wellington Road,
Clayton VIC 3168
P 1300 004 254
E info@planetwealth.com.au
W www.planetwealth.com.au
Facebook Planet.Insurance.Australia
Twitter alisplanet



Grow your super in the new year

Making an extra voluntary contribution now might improve your lifestyle once you retire.

A new year's as good a time as any to make plans. How about a gift to your future self by maximising your retirement contributions?

It's not as far-fetched or self-absorbed as it might seem.

If you think of this as investing in your future self or your loved ones, it could make good sense. We're used to spending on education and training, which are also investments in tomorrow. And which really matters more, upgrading to a flashier car today, or buying a jetpack* a few years down the line?

There's no time like tomorrow

There are a number of ways you can contribute more to your super, to take advantage of time and the magic of compound interest.

These include salary sacrificing, and a range of tax-deductible, spouse and downsizer contributions, as well as government co-contributions.

Things to keep in mind

What you do right now affects how well you can live in future. So, before you decide to gift your future self, think carefully about the right course for you.

If you're thinking about making extra contributions towards your retirement, make sure you're across the super contribution rules.

For instance, if you go over the super contribution limits, additional tax and penalties may apply.

Remember that the value of your investment in super can go up and down. Before making extra contributions, make sure you understand and are comfortable with any potential risks.

The government sets general rules about when you can access your super, which means you typically won't be able to access your super until you retire. If you're over 65 and making contributions, you generally need to satisfy work test requirements and be under age 75.

Extra contributions may also affect any rainy day savings you set aside for emergencies, so do your homework before you commit to your future self.

The not-so-silly season

Many of the presents we buy for ourselves and loved ones date quickly – that new smartphone isn't new for long. Increasing retirement contributions may delay gratification but pay dividends down the line.

If you have some years to go before you retire, you may even be able to retire sooner if you increase your contributions now.

If you need assistance in topping up your super to maximise your contributions we can help.

*jetpacks not guaranteed

Super investment options – what's right for you?

When it comes to superannuation, most funds offer a range of investment options.

If there's one thing certain in life it's change. And generally your attitude towards saving and investing will change as you get older.

How your super is invested when starting your first job may not be the right approach when you're approaching retirement. Luckily you can change your investment options at any time and this could make a real difference to how much money you have when you retire.

There are usually several different investment options to choose from. If you haven't selected an investment option, you're probably invested in your fund's default option, which will generally take a balanced approach to risk and return.

To get up to speed on your super investment options, we've answered three common questions: how your money is invested, the different options available, and how your stage of life may influence your preferences.

What do super funds do with my money?

Typically, no less than 9.5% of your before-tax salary (if you're eligible) is paid into super, which is then taxed at a maximum of 15%. Your super fund will invest this money over the course of your working life, so you can hopefully retire comfortably.

Your super fund will let you choose from a range of investment options and generally the main difference will be the level of risk you're willing to take to potentially generate higher returns.

If you're not sure what you're invested in, contact your super fund. You may also be able to see your current investment option by logging into your super fund's online portal – this may also give you a current balance and other information such as your projected super savings over a lifetime.

What are the super investment options I can choose from?

Most super funds let you choose from a range, or mix of investment options and asset classes. These might include 'growth', 'balanced', 'conservative' and 'cash' but the terms can differ across super funds. Here's a small sample of the typical type of investment options available:

- **Growth options** aim for higher returns over the long term, however losses can also be notable when markets aren't performing. They typically invest around 85% in shares or property.
- **Balanced options** don't tend to perform as well as growth options over the long term, but the loss is also less when there are market downturns. They typically invest around 70% in shares or property, with the rest in fixed interest and cash.
- **Conservative options** generally aim to reduce the risk of market volatility and therefore may generate lower returns. They typically invest around 30% in shares and property, with the rest in fixed interest and cash.
- **Cash options** aim to generate stable returns to safeguard the money you've accumulated. They typically invest 100% in deposits with Australian deposit-taking institutions, such as banks, building societies and credit unions.

Super funds may have different allocations, so it's important to read your super fund's product disclosure statement before making any decisions. It could be a good idea to consider factors such as your current stage in life, and future plans and goals before choosing the super investment option that's right for you.

What's the right investment option for me?

Choosing the most suitable investment option generally comes down to your goals for retirement, your attitude to risk and the time you have available to invest.

If you're young, you may have more time to ride out market highs and lows, and therefore be willing to take on more risk in the hope of achieving higher returns.

If you're closer to being able to access your super, you may prefer a conservative approach as a share market crash could be harder to recover from than if you're 20 years away from retirement.

While many people put off thinking about super, being informed and engaged from a young age and throughout your career may make a big difference to the returns generated and your final super balance.

How to create realistic goals… and stick to them

Whether it's finances or fitness, spending time on setting your goals can reap rewards.

When it comes to the big things in life we all have our goals. Getting promoted at work. Educating the kids through school. Saving for a comfortable retirement.

It's important to aim high. But if the goals you set are overambitious, with no checkpoints along the way, you could be setting yourself up for disappointment. So it may be a good idea to make sure your goals are realistic and achievable.

One area where setting goals can be beneficial is health and fitness—whether it's losing a few kilos at the gym or aiming for a PB at the next half-marathon.

Think short, medium and long term

Your finances could benefit from the same treatment as your fitness. When you're saving and investing your money, you need to know what you're aiming for.

Think about how much you earn and how much you spend. Are there any ways you could cut down your spending to allocate more money towards your goals?

It could also be a good idea to make your goals and timeframes realistic, and set interim targets. Let's say you're saving $25,000 for a new car[i]:

- You could set yourself a realistic short-term target of saving $5 a day by going without a coffee or bringing lunch to work, and set up automatic debits to a high interest savings account.
- You could set a 'trigger' amount for the medium term—say $1,000—and when you reach it you could consider rolling your savings into something that may generate higher returns, such as a term deposit or a diversified investment option.
- You could start planning your next long-term challenge once you reach the magic number of $25,000 and achieve your goal—after rewarding yourself, naturally.

And different goals could benefit from different approaches.

When you're putting money aside for retirement, superannuation could be an effective tax-friendly option to boost your savings, depending on your circumstances.

But with super, your money is locked away until your preservation age. So if you're looking at achieving a more short-term goal—like saving up to buy a new car—you may need to investigate other options where you could access the savings sooner.

Six steps to creating your financial goal checklist

- **Big picture.** Think about your overall long-term goal—this may not necessarily be financial but more about how you want to live or how you want your family to live.
- **Magic number.** Work out how much money you'll need to achieve your goal.
- **Small steps.** Look at the incremental steps you need to take to achieve your goal—you may feel more motivated to achieve bigger goals if you set checkpoints along the way.
- **Write it down.** Try this…just for a second. Close all your apps, put down your smartphone, pick up a pen and paper…and write it down. It's amazing the effect that putting something down on paper can have on your motivation, especially in a digital age. Sure, you can then get on to your laptop to set up some useful spreadsheets and reminders. But you've got a written record to remind you.
- **Back on track.** Here's the thing. You might initially fail. As a wise man[ii] once said, 'Ever tried. Ever failed. No matter. Try again. Fail again. Fail better.' While there might be ways you can stop yourself going off piste—such as transferring a set amount to your savings account when your pay cheque comes in—it's a good idea to work out how you're going to get back on track when you (inevitably) fall over.
- **You deserve it.** As humans you can say we're hardwired to expect a reward. So you might want to treat yourself when you reach your goals—every step along the way.

i The case example is illustrative only and is not an estimate of the investment returns you will receive or fees and costs you will incur.

ii Irish novelist and playwright Samuel Beckett.