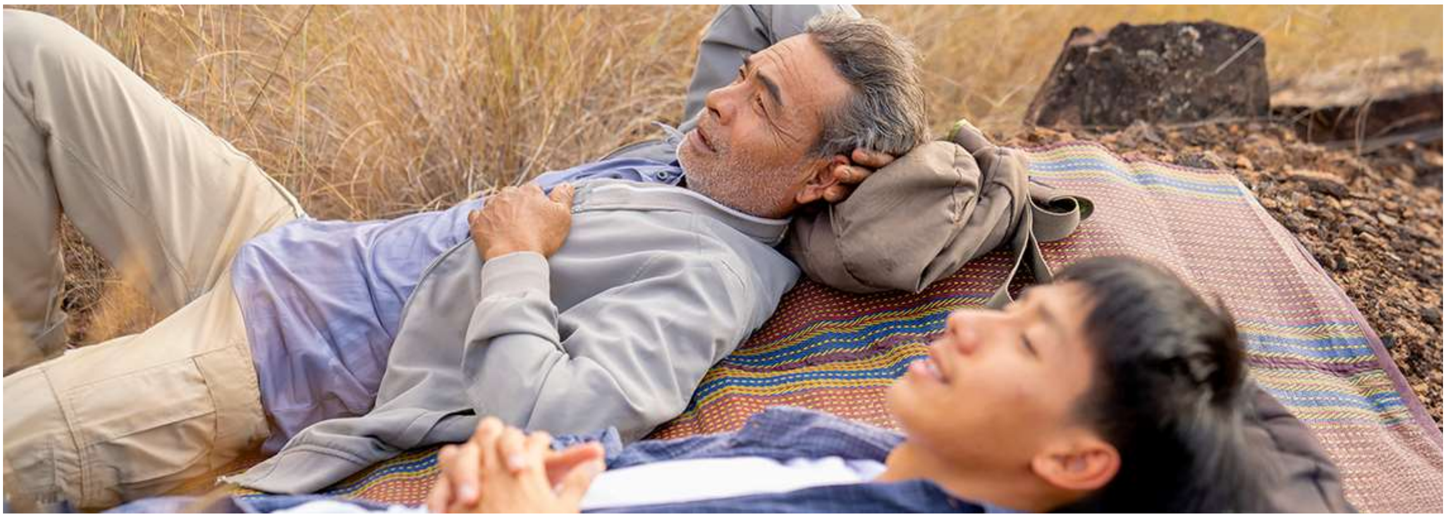
Advant Plus



Newsletter - November 2024

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.

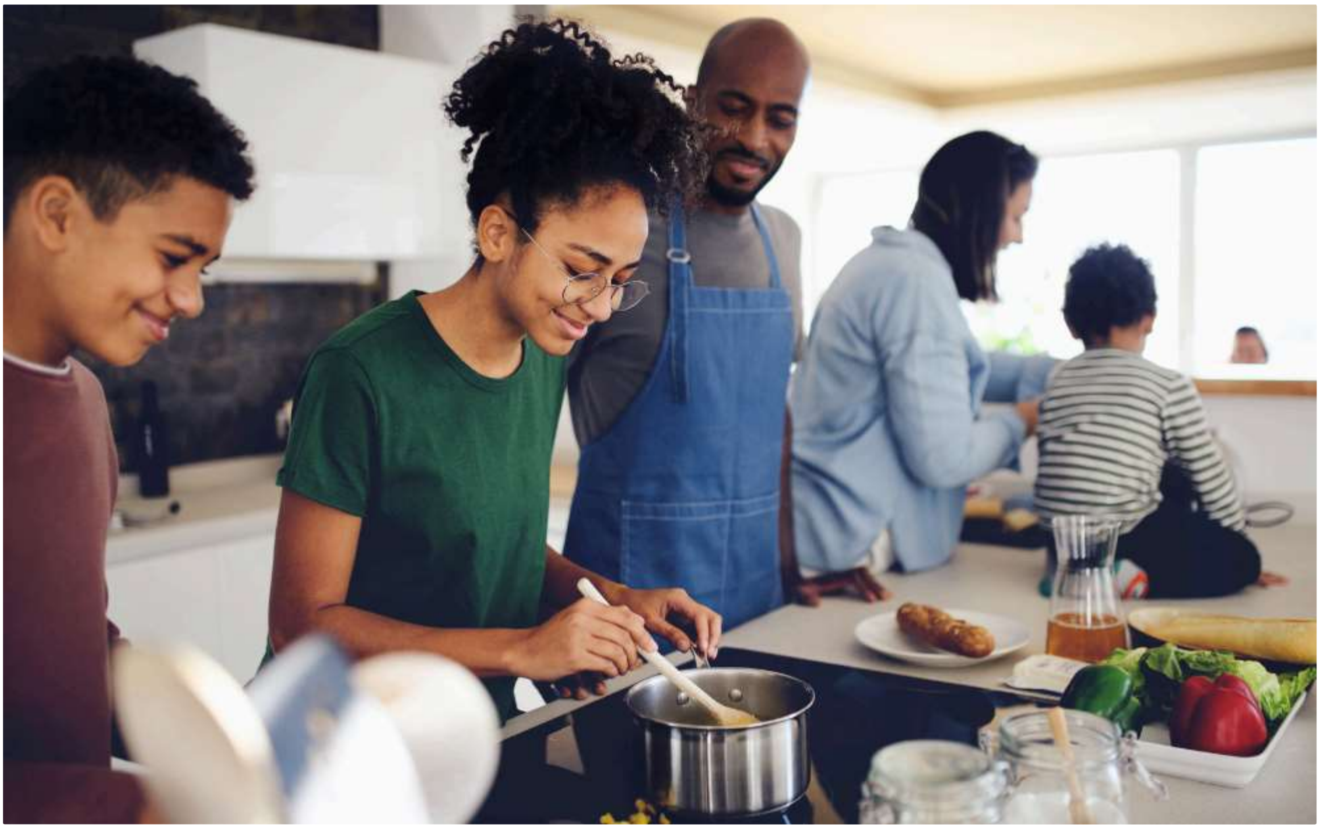
In this edition we discuss "Managing the rising costs of raising kids" and provide you with information on "Importance of Emergency Funds" and "Guideline of Preparing Financially to start a family".

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



Managing the rising costs of raising kids

It is a special feeling to welcome a new child or grandchild into the world and watch them grow. Sharing their joy as they reach new milestones is priceless.

Of course, there is a real cost – raising a child is expensive, particularly now as the cost-of-living spirals higher. Estimates vary widely from the few studies completed but it is fair to say that over a child's lifetime families can spend hundreds of thousands of dollars on living, medical and schooling expenses for their children.

So, having a financial strategy in place to cover the costs and taking advantage of government support where available can make a big difference.

Taking care of the basics

The first step is to update your Will to nominate guardians for your children in case the worst happens. You may also consider life insurance and income protection to ensure your family is protected.

Next, a savings and investment plan will help you navigate the years ahead with more certainty. Adding small amounts of money regularly to an account for education and other expenses can help to ease financial stress. The MoneySmart savings goals calculator shows what can be achieved. You could consider fee-free high interest savings accounts or your mortgage offset account as a way to save cash for short-term needs.

Meanwhile, some longer-term investments such as shares, exchange traded funds or listed investment companies may provide financial support for later expenses. They can offer the possibility of capital growth and diversification for a relatively low cost.

Super splitting

Keeping an eye on the future also means thinking about your superannuation. If one partner is staying at home to care for the children, the other partner can split their super contributions with them. You will need to check if your fund allows it, whether they charge a fee and complete some paperwork.

There are also some tax considerations, so it is important to make sure you understand the implications for you.

Government support

Take the time to discover the government payments and supports available for families. For example, the Paid Parental Leave Scheme provides support for mothers for up to three months before the birth.

A recent change to Parental Leave Pay and Dad and Partner Pay sees these two payments combine into one payment that is available to both parents for up to two years after the child's birth.

You will need to meet income and work tests and claim within certain timelines.

Even if you are not eligible for parental leave pay, you may still be able to apply for both the Newborn Upfront Payment and the Newborn Supplement.

Then there is the Family Tax Benefit, a two-part payment to help with the cost of raising children. To receive the benefit, you must have a dependent child or a full-time secondary student aged 16 to 19 who is not receiving any other payment or benefit such as a youth allowance, care for the child at least 35 per cent of the time and meet an income test.

Grandparent gifting

Grandparents who are keen to help out their families financially can gift money to their children or grandchildren. Be aware that Centrelink has gifting rules for those receiving an age pension. You can give $10,000 in one year or up to $30,000 over five years without your pension being affected. If you give more, the amount will be treated as though you had retained it in your own accounts.

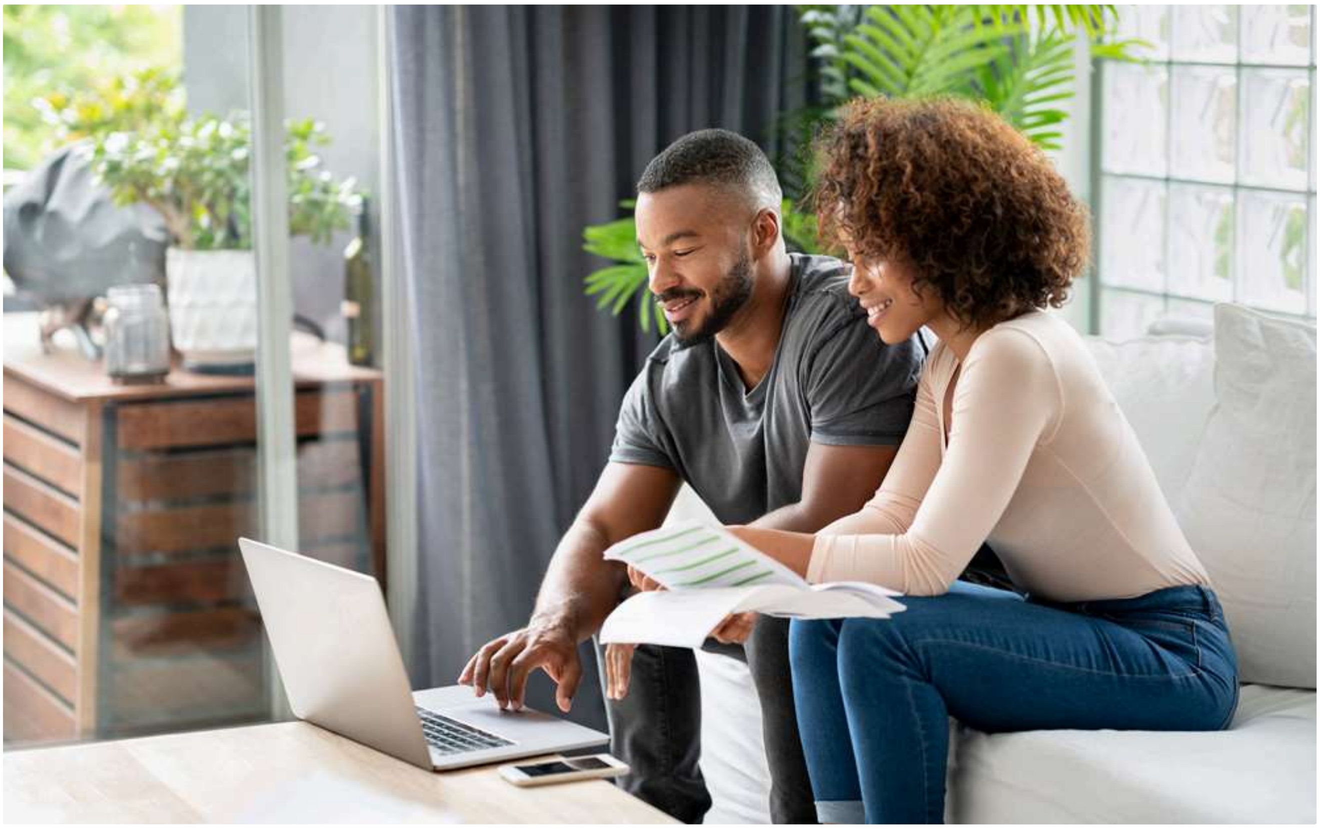
However, gifts and inheritances are generally not considered as income for tax purposes. The ATO says neither the donor nor the receiver will pay tax on a gift if:

- it is a transfer of money or property.
- the transfer is made voluntarily.
- the donor does not expect anything in return.
- the donor does not materially benefit.

Tax may apply in some cases where property or shares are gifted.

The joys of raising a little one are many, and having a plan to manage the financial implications can let you enjoy the journey. Get in touch with us to create a plan to secure your family's future.

Current as at October 2023



Why an emergency fund delivers peace of mind

When life tosses up an unexpected event – such as retrenchment, a medical emergency or even just a big bill to fix the car – it can be nerve-wracking worrying about how to deal with the crisis. And, if funds are short, that just adds to the stress.

But imagine that you have a secret cash stash – an emergency fund – that will cover the costs, giving you the mental space to deal with the problem.

In fact, an emergency fund is the basis for a strong financial strategy and provides a crucial safety net. It makes sense regardless of your age or income because the unexpected can happen to anyone.

Without a cash reserve, you may have to rely on credit cards or loans, which can put a further strain on your financial situation and your mental health.

An emergency fund gives you the peace of mind to be able to weather the storms that come your way without racking up unwanted debt and interest payments.

How much is enough?

Of course, it can be tough to save when inflation is eating away at your income. Rising interest rates, rents and the cost of groceries is putting a big strain on households. The Australian Bureau of Statistics reports that household savings have been declining for more than a year as people contend with increased mortgage payments among the other rising costs.[i]

Nonetheless, by putting aside even a small but regular payment into a separate fund you will slowly accumulate enough to cover emergencies.

The size of your emergency fund depends on your own circumstances but an often quoted target is enough to cover between three and six months of living expenses.

It may differ if say, you are planning on starting a family and need funds in reserve to cover the difference between parental leave payments and a salary; you have children in school and want to be able to cover school fees for a year or more, no matter what happens; you need to take time off work to care for a family member; or you need to make an unplanned trip.

On the other hand, if you have retired, it can be helpful to have a buffer against market volatility. If there is a downturn in the markets and your superannuation is not providing your desired level of income, a year's worth of living expenses in an emergency fund can make all the difference to your lifestyle.

The main thing to remember is that if you need to raid your emergency fund, start work on rebuilding it as quickly as possible.

Building your fund

Putting together a budget can help you to analyse how much you can afford to put away every week, fortnight or month. Then, consistently saving until you reach your goal is the key, no matter how small the amount.

It is best to keep your emergency fund separate from your everyday transaction account to reduce the chance of you using your saved funds for regular expenses. One option is to pay yourself first by setting up a direct debit, so your emergency fund grows automatically with no extra action needed from you, and to avoid the temptation to withdraw your savings.

The type of account you choose for your emergency fund is important. It should be readily available so, while shares and term deposits may offer higher returns, they are not quickly accessible when required. Shop around for a bank account that offers the highest interest to get the most out of your hard-earned income.

Building an emergency fund is an essential component of a strong financial plan, providing a safety net should something unexpected arise. If you are unsure of the best way to set up an emergency fund, we encourage you to reach out to us. We can provide guidance on the best options for your unique financial situation and help you take steps towards building a strong financial foundation.

i https://www.abs.gov.au/media-centre/media-releases/economic-activity-increased-05-cent-december-quarter

Current as at Sep 2023

How to prepare financially for starting a family

Starting a family is exciting, but it can also mean big changes to your lifestyle and your finances. As expecting parents, it's natural to have questions around family finance planning.

One of the main questions you may have when starting a family is "how much do babies cost?" According to research, it costs an average of $140-170[i].

It could help to plan and have a family budget in place to help you better manage new financial responsibilities. These family budget tips may help you better plan for the future.

Tips for managing family finances

Medical expenses

Whether it's ultrasounds, birthing classes, vaccinations or regular check-ups, one of the biggest expenses you may come across when having a baby is the medical costs. Many private health funds also have waiting periods before you can claim on pregnancy and birth-related costs, so it may be worth considering this as well when you're planning your budget. Whether you choose to have your baby in a public or private hospital, it's worth investigating if there are out-of-pocket costs, even with Medicare or private health insurance.

Likewise, consider doing some research if you want your child to be covered under a health insurance policy, as a single or couple policy may need to be extended to a family policy.

Other upfront and ongoing costs

Other costs that come with having a baby, are:

- car seat and stroller
- cot and mattress
- change table and high chair
- baby clothes
- food, nappies, bottles and formula
- childcare

Research your employer entitlements

Many organisations have their own parental leave policies, which may include various paid and unpaid parental leave entitlements for new mothers and fathers.

Speak to your employer to see if there is a scheme in place, and what they offer. Find out if you're eligible for any annual, long-service or regular unpaid leave if you're planning to take time off work.

Check the company policy around superannuation. Super generally isn't paid when you're on parental leave, so you might want to consider whether you'll make additional contributions while you're still working.

Government's paid parental leave scheme

If you meet certain eligibility criteria, you may be able to receive additional support from the government's paid parental leave scheme, which can be helpful if you are trying to balance your finances.

With the paid parental leave scheme, primary carers of newborn or adopted children can apply for parental leave payments from the government, which provides the national minimum wage for up to 20 weeks[ii]. These payments can be received in addition to any payments your employer pays under its own parental leave policy if you're eligible.

Investigate other government assistance options

You may also be entitled to other assistance such as Dad and Partner Pay[iii], which provides up to two weeks of government-funded pay, or the Family Tax Benefit, which helps with the cost of raising children. The government also provides assistance with childcare fees for certain eligible families.

Go to the Department of Human Services website to see what options are available.

Create a family budget

After you've considered the expenses you may have when you start your family, as well as any entitlements you may be eligible for, you can start a budget.

Account for existing day-to-day expenses, such as utility bills, groceries, petrol, insurance, rent or home loan repayments, and other debts you may be paying off.

Factor in any additional sources of income (such as investments), and whether family could assist to minimise expenses, such as childcare.

Prioritise your existing debts

If you have existing debts, like credit cards, personal loans or a home loan, consider how you can reduce these debts as much as possible before the baby arrives, as you may encounter some unexpected expenses along the way.

It might also be beneficial to think about:

- credit card fees
- consolidating debts into one if it means you'll pay less in fees and interest charges
- pay off your home loan faster or refinance to reduce the loan payment amounts
- higher interest rates and added fees can affect monthly repayments, so shop around

Your will and broader estate plan

Starting a family is a big responsibility, and it means that you may need to put more thought and planning into what will happen to your little one if the unexpected happens.

Estate planning can be a good idea if you want to protect your family's future. Estate planning includes more than just your will – it includes decisions around who will look after you and your child if you're ever in a situation where you can't make decisions for yourself, as well as documenting how you want your assets (which may include insurance and super) to be distributed should you pass away.

Money isn't everything

It's exciting to welcome a new addition to the family, but it can be expensive and overwhelming.

While it may be tempting to invest in the most expensive pram, baby clothes, or day care centre for your little one, it's worth considering that it's your love for your child, not the amount you spend on them, that matters.

i https://www.finder.com.au/life-insurance-and-the-cost-of-raising-children
ii Parental Leave Pay - Services Australia
iii https://www.servicesaustralia.gov.au/parental-leave-pay

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