INSIDE

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FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE

Things you should do to avoid Financial Stress

The secret of financial success is putting in place good habits early. This means avoiding traps. Below are the most common activities that can cause financial distress.

1 No familiarity with your finances
We are all guilty at one point of being less familiar with the investment mix of our super fund, or the interest rate on our loans. But checking on your finances on a regular monthly basis is a good way to check on things and make sure that they are moving in the right direction. If not, you can take action if they are not. This process should always involve all both members of a couple.

2 Prioritise investing over spending
All plans begin with a goal. And a strategy should be set to achieve that goal. Households often prioritise and plan for expenses such as a car or upgrade of the household white goods. The fact that a plan is in place means they will likely have those things. But such purchases should only be allowed after the real priority of saving has been taken care of.

3 Spend your redraw/equity
Get into the habit of paying extra into your mortgage. Redrawing or spending these funds regularly should be avoided.

By keeping all of your savings within your mortgage, or in an offset account, will save on interest. This could be considerable over time. Make sure that you set a budget to maximise your savings goals.

4 Make minimum repayments
Whether we're talking about credit cards or mortgages, making the minimum repayment is good, but you could do better. On credit card debt you can end up paying interest of 27% or more, potentially adding thousands of dollars annually to
your repayments. Even small increases in your regular repayments can cut years off the loan and save thousands of dollars in interest along the way.

5 Leak money to businesses
Many businesses are now moving to a subscription or regular repayment model, whether it is for holidays or even clothing, because it seems cheaper and causes less financial pain in the short term. The businesses become wealthy over time and you do not. Being aware of these regular outgoings, living a leaner lifestyle and stopping

any financial leaks can add several thousands of dollars to your annual savings.

Teaching kids about money can be one of the most important lessons you can pass on

Grandparents and parents do a great at teaching children the value of money. However, below are some tips from the experts.

Mathematics, not money

Professor Shawn Cole at Harvard Business School, made headlines[1] when he released the results of a study that there was no relationship between financial education and financial behaviour. When financial education increased in schools, the resulting financial behaviour of those students in adulthood did not change. But students who did additional mathematics courses ended up better at managing liabilities, had higher equity in their homes and earned a greater percentage of income from investments. Professor Cole reasoned, give people the ability to make sensible, balanced decisions rather than those based on emotion.

Explain the real cost

The cost of a product should be explained to children in clear terms that make sense to them. If they want an expensive toy, explain exactly how many days you would have to work to pay for it or how many weeks pocket money they would need to save. Don't say you can't afford it, as this creates a feeling of being out of control, leading to uncertainty and anxiety around the topic.

Let children learn from mistakes

Allow children some of their own money and let them do what they wish with it. This way, when they experience the negative consequences of a bad decision it may lead to smarter decisions next time.

Make it a lifelong education

Financial education decays over time. So don't assume that several sessions of intensive financial training will be all that a child needs. Constant learning (particularly mathematics – see point 1), modelling behaviour by parents, open and honest discussions about everything to do with money, and personal experience with money are all ingredients of long-term success.

1 http://www.wsj.com/articles/the-smart-way-to-teach-childrenabout- money-1422849602

Fun for the kids
Bankaroo

www.bankaroo.com

A family affair that began when two parents decided to teach their 11-year-old daughter about saving, Bankaroo now has thousands of members from around the globe and has begun partnering with schools. The attraction lies in its promise to engage kids in the saving process, whether it is with real or virtual money. In doing so it teaches them to be smart with money. Apart from its colourful and child-friendly layout, Bankaroo's power is in its simplicity. Set a goal to save for something specific, or watch as regular allowances add up to larger amounts. Parents can also choose to match their child's savings to help the balance grow more quickly.

When sharemarkets experience a downturn, it's easy to get nervous about the impact on your investments. But this kind of volatility doesn't always necessarily spell bad news – as billionaire entrepreneur Warren Buffett once said, "Be fearful when others are greedy, and greedy when others are fearful."

While it may seem strange to buy when everyone else is selling up, the fact is that even a declining market can present opportunities. The key is to choose a mix of investments that allows you to take advantage of both positive and negative market movements.

Here are some strategies that every savvy investor should keep in mind.

UNDERSTAND SHARE PRICE CHANGES

When markets are driven lower by negative sentiment, assets can potentially fall below their fundamental value. These conditions may then provide valuable opportunities for investors to temporarily buy shares at a discount.

This is because the value of an individual stock is the sum of the returns it can potentially generate over the company's lifetime. So while short-term shockwaves such as recessions or political events can affect the immediate share returns on an asset, they won't necessarily impact its intrinsic worth.

But be careful as this doesn't mean you should buy anything and everything that's on sale. For instance, a company's share prices may be falling because of other factors that will erode the long-term potential of those shares. And with any investment, you want to be reasonably confident that its value will rise in the future.

Investment managers and financial advisers work hard to identify undervalued assets and take advantage of market dips. That's why it's always important to seek professional advice before you make any major investment decision.

TAKE A LONG-TERM VIEW

A down market offers the potential to earn greater returns than an up market. This is because, theoretically speaking, the lower your starting point, the higher your stocks can move. However, this is usually only true if you adopt a long-term investment strategy that will help you ride out any future market fluctuations.

Despite periods of short-term fluctuations, historically share markets tend to move upwards, and shares are an investment vehicle designed to be held for periods of five years or more. So, whether the market is up or down, you may be wise to 'buy and hold' so you can increase your potential for strong returns in the long run.

DIVERSIFY YOUR PORTFOLIO

Even the most seasoned investor knows how difficult it is to time the market. Rather than trying to predict future movements, some say it helps to take a measured approach by investing regularly over months and years, regardless of how the market is performing. So if you continue investing consistently when prices fall, you'll be able to buy a larger number of shares for the same amount you usually invest.

It can also help to diversify your portfolio by investing in defensive assets such as fixed-interest investments and cash. These tend to be less dependent on market cycles, so they can provide stable earnings through periods when markets are on the move.

Most importantly, remember that a financial adviser can help tailor your investment strategy so you can make the most of market movements. Your adviser can also ensure your portfolio is robust and diversified, so you can protect your investments and keep your financial plan on course.

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We are always available to discuss any questions or concerns you may have.

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