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FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE

5 tips for a stress-free conversation about your Will

No one likes unpleasant surprises. Talking about your Will with your family can be stressful, but it can also help to avoid a worse situation when you are gone.

Contemplating one's own death can be hard and in many families, talking about money or inheritances is taboo. Some parents worry that letting their children know how much they stand to inherit may cause a sense of entitlement or encourage them to become less productive. Others fear the chat could stir up jealousies, insecurities and feuds among family members.

But no matter how stressful that conversation is, not talking about what's in your Will could cause confusion, bitterness, far bigger family feuds and even legal battles after you're gone.

Having a transparent and open talk about its contents could help your family understand the reasons behind your decisions and ensure their expectations are realistic. It can also reduce their anxiety. After all, it's often the unknown that stresses us the most.

The talk may also allow you to express any special wishes you have that are not specifically included in your Will. And, you may gain better insight into what different family members value and want. A conversation about your finances and wishes will help to clarify who to contact, and how to pay for basic expenses, as well as your funeral, when you pass.

One of the most contentious aspects of settling an estate can be the distribution of personal property like family jewellery, art or special collections, whether worth a lot or just of sentimental value.

Here are five ways to reduce the stress of these conversations:

#1: Identify potential hotspots

Think very carefully about what you plan to do with your assets and why. Do your research and speak to your lawyer about what's possible and what's not. Identify areas that could be touchy subjects.

For example, do you have a child you plan to leave more to than others? This could be because that child has a disability that requires additional financial assistance or because that child is a single mother on a low income, whereas her sister is a lawyer married into a wealthy family.

Are you planning to make certain arrangements to protect your heirs? Perhaps one has a drug problem or can't manage his or her financial affairs very well. Or, another is in a rocky marriage and you don't want your hard-earned money being split with that child's spouse.

It's important to plan how you will broach these topics in your discussion with your family, if at all.

Giving good reasons for these decisions and getting buy-in now from everyone could avert problems later on, if they only hear about your plans when you are gone.

#2: Have a game plan

Decide whether you want to talk to each child separately, rather than addressing everyone as a group. If you choose the group route, will it be one discussion or a series of discussions?

Consider who should be involved in these meetings. In addition to your adult children, should you include adult or teenage grandchildren? Should spouses also be invited?

Proper planning can go a long way to keeping peace. Before the talk, determine the goals and objectives you want to achieve from the discussion. Draw up a meeting agenda and some talking points.

Choose a neutral venue for the chat, one that will make everyone feel comfortable and secure.

Consider having your solicitor, accountant or a trusted family elder or friend at the meeting – someone who could step in if things get heated and steer the discussion back on track.

#3: Communicate

Carefully explain why you have made the choices you have, especially if you are leaving more to one child than another or if you want sentimental items to go to specific people. Simple explanations can go a long way towards avoiding bad feelings.

Explain the principles, history and values behind your decisions. Let family members ask questions and provide feedback on your plans.

Listen and be open. Give everyone a chance to express their views. This will encourage a healthy dialogue and a common understanding of what different family members want.

#4: Keep the peace

Speak in a calming tone. Don't shut down or lash out if things aren't going the way you want.

Remember that talking about your passing can be a very emotional conversation for your children.

Try to stay focused on the topic at hand and not let other family issues get in the way. Remind everyone that relationships matter more than money and things.

No matter what is said, you have the power to choose how you would like your assets distributed. If a family member doesn't agree with you, let them know they have been heard, but don't feel pressured to change your plan.

#5: Follow up

After the discussion, draft a simple summary of your estate plans and distribute it to your heirs for final input. This draft could also include information such as where your important financial documents are located and what you'd like for your funeral.
It's important to ensure that everyone has understood what was discussed and is on the same page.
Still think that a conversation with your loved ones about your Will is too uncomfortable and troublesome? Start by writing a letter to share your thoughts, reasons and wishes. Maybe you could even film yourself reading out. And remember while the conversation might be based around money, it's really about values.

Source:
https://www.moneyandlife.com.au/family/5-tips-stress-free-conversation-will/

Watch the video below to learn more about what a Power of Attorney could mean for you.

What is a power of attorney?

Fortify your Finances - A Recession Survival Guide

In the ever-fluctuating world of economics, recessions are an inevitable part of the financial cycle.

While they can be daunting, understanding their nature and preparing for their impact can make a significant difference in weathering the storm.

Understanding Recessions

At its core, a recession represents a period where economic activity contracts, often reflected in consecutive quarters of negative GDP (Gross Domestic Product) growth. This contraction is not just a statistic on a chart; it resonates through various facets of the economy.

Employment opportunities might become scarcer, leading to job losses or reduced working hours. Households might witness a dip in their income levels, which in turn affects their purchasing power. Consequently, consumer spending, a significant driver of the economy, takes a hit.

The onset of a recession can occur for various reasons, and often it's a combination of several factors, rather than just one event.

High inflation rates, for instance, can reduce the value of money, prompting consumers to cut back on spending.

Additionally, rising consumer debt can be problematic. While borrowing can boost economic growth in the short term, too much debt can lead to payment defaults, affecting both households and the banks they borrowed from.

Moreover, unexpected events, such as a global health crisis, can interrupt business operations and reduce consumer demand, leading to economic downturns.

It's the mix of these local and global factors that highlights the intricate nature of recessions and the importance of understanding them.

Preparing Everyday Expenses for a Recession

1. Budgeting: The cornerstone of financial resilience is a well-planned budget. Track your monthly income and expenses, prioritise necessities, and cut back on luxuries. This will not only help you save but also give you a clear picture of where your money goes.
2. Debt Reduction: High-interest debts can cripple your finances. Focus on paying off high-interest debts first, like credit card balances. Consider consolidating your debts or negotiating with lenders for better terms.
3. Emergency Fund: An emergency fund acts as a financial cushion. Aim to save at least three to six months' worth of living expenses. This fund can be a lifesaver if you face job loss or unexpected expenses during a recession.

Fortifying Your Savings for a Recession

1. Automatic Savings: Set up an automatic transfer to your savings account each month. This ensures you're consistently saving, making it less tempting to spend that money elsewhere.
2. Diversify Your Savings: Don't put all your eggs in one basket. Consider diversifying your savings across different accounts or financial institutions. This can protect your money from bank failures or other unforeseen events.
3. Liquidity is Key: In uncertain times, having access to your savings can be crucial. While long-term deposits or high-yield accounts might offer better interest rates, ensure a portion of your savings is in easily accessible accounts, like a regular savings account or a money market account. This ensures you can quickly access funds without penalties or waiting periods should the need arise.

Navigating Investments During a Recession

1. Review Your Strategy: Recessions are not the time for hasty decisions. Re-evaluate your investment strategy in light of the current economic climate. Ensure your portfolio aligns with your long-term financial goals.
2. Seek Professional Advice: If you're unsure about your investments, consult a financial adviser. They can provide insights tailored to your situation and help you make informed decisions.
3. Avoid Impulsive Moves: It's natural to feel anxious during economic downturns. However, making impulsive investment decisions based on fear can lead to significant losses. Stay informed, be patient, and remember that recessions are temporary.

Recessions, while challenging, are a natural part of the economic cycle. By understanding their nature and preparing in advance, you can not only survive, but thrive, during these times.
Remember, the key is to be proactive, stay informed, and make well-considered financial decisions. With the right strategies in place, you can navigate any economic storm with confidence!

Discovering Your Financial Mindset: The Key to Unlocking Financial Success

In the quest for financial stability and success, we often focus on tangible elements like earning more money, saving diligently, or investing wisely.

But have you ever stopped to consider the role your financial mindset plays in achieving your financial goals?

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Understanding financial mindset

Your financial mindset is a set of beliefs and attitudes you hold about money — how you earn it, save it, spend it, and invest it. This mindset largely influences your financial behaviours, decisions and ultimately your financial success.

Each mindset carries a unique perspective about money, influencing your financial decision-making process.

There are four common financial mindsets:

1. **The Spender** enjoys the thrill of the present, often overlooking long-term financial security for immediate gratification. If you frequently find yourself making impulsive purchases, or your credit card balance perpetually outweighs your savings, you may identify with this mindset.
2. **The Saver** is characterised by frugality and a steady focus on long-term financial security. If you diligently maintain a budget or feel a sense of accomplishment when growing your savings, the Saver mindset most likely resonates with you.
3. **The Avoider,** often plagued by financial anxiety, tends to shy away from money matters. If you find bills and bank statements overwhelming, or frequently procrastinate financial planning, you likely have an Avoider mindset.
4. **The Investor** sees money as a tool for wealth creation. If you appreciate the potential of assets and are willing to take calculated risks for future returns, you are most likely aligned with the Investor mindset.

Identifying Your Current Financial Mindset

So how do you uncover your financial mindset? It begins with self-reflection –

- Do you often worry about money, or do you feel confident about your financial situation?
- Are you comfortable taking calculated financial risks, or does the thought of investing scare you?
- Do you view money as a tool for achieving your dreams, or a necessary evil to be managed?

Examining your feelings and behaviours around money can provide valuable insights into your current financial mindset. This process is beneficial because it sets the stage for potential shifts in perspective that can improve your financial life.

Once identified, you can analyse your money behaviours, uncover potential blind spots, and take action to optimise your financial decision-making. For instance –

- If you identify as a **Spender**, incorporating a budget and automating savings can provide some balance to your financial outlook.
- **Savers** could benefit by introducing an element of investment to their financial strategy, allowing their savings to work harder for them.
- **Avoiders** must confront their fears and actively engage with their finances, perhaps by seeking professional guidance.
- While **Investors** generally have a positive approach, ensuring a balanced portfolio to mitigate risks is essential.

Transforming your financial mindset requires commitment, patience, and time. Take it slow and make gradual changes as you grow more comfortable with your changing perspective on money.
It's not just about money; it's about your attitude towards it. Adjusting your financial mindset means transforming both how you see money and how you engage with it, paving the path to financial success.

Remember, the journey to financial success starts in your mind!

Sources:

https://www.canstar.com.au/budgeting/money-personality/, 'What is your money personality? (22 November 2021)

One in four Aussies won't have enough super to retire

More than 4.5 million Australians could be forced to keep working beyond retirement age because they won't have enough money to draw upon in order to get by, new research conducted by comparison website Finder has revealed.
In a survey of 1063 Australians conducted by Finder in September, 23% of respondents said they wouldn't have enough in their superannuation or other investments come retirement, while a further 27% said they weren't sure if they would.
In fact, just 28% of those polled thought that they would have the money in their super - or other investments - to retire comfortably without having to cut back.

'Too little, too late'

"Superannuation is something many Australians, including the younger demographic, don't engage in enough," says Sarah Megginson, money expert at Finder.

"It can be a sad case of 'too little too late' for many who realise that by the time they reach retirement age, their super balance will fall well short of the amount of money they will need."

Unsurprisingly given the gender gap between super balances, the research also found that women (27%) were more likely to be anticipating a retirement shortfall than men (18%).

How much super do Australians need to retire?

Coming up with a single figure that prospective retirees will need to accumulate before packing work in for good is difficult. After all, people will have varying lifestyle and financial needs throughout retirement.

The equation is also made more complicated by whether or not someone owns their own home, as the cost of renting throughout retirement adds to the amount required.

According to the Association of Superannuation Funds Australia (ASFA) Retirement Standard though, in order to live a comfortable retirement at age 67 a couple will currently need $690,000 in superannuation while a single will need $595,000.

Those figures are based on the assumption that the retiree or retirees are eligible for a part age pension and already own their own home.

For a modest retirement though, ASFA calculates that both singles and couples will need a super balance of $100,000. This assumes that they own their own home, but that they will also be eligible to receive the full age pension.

How can Aussies improve their super balances?

While making up any shortfall by retirement will be more difficult for some, Megginson says that there are a range of ways that people can improve their superannuation situation - especially for those who act sooner rather than later.

"First, it's essential to know how much you have in super and to consolidate your funds. You pay fees for each fund you have - it's like having your savings split across three savings accounts and paying account keeping fees on all of them.

"It makes so much sense to bring it all together and spend less on fees, so more money stays in your name, working towards building your wealth."

How is yoursuper fund performing?

Megginson also recommends checking in on your current fund to see how competitive it is. You can check out the Australian Tax Office's YourSuper comparison tool which compares MySuper products on fees, performance and net returns, or Money's own superannuation comparison page.

"Make sure you aren't stuck in a fund charging exorbitant fees and check regularly that your employer is paying your 11% Superannuation Guarantee contributions on time," Megginson says.

And for those looking to top up their superannuation balances beyond the contributions their employers are making, Megginson argues that personal contributions could be an option worth considering.

"Obviously once you put the money into super you can't get it back out so start small - but even $100 a month would make a difference thanks to compounding interest."

Source:

https://www.moneymag.com.au/aussies-not-enough-superannuation
https://www.moneymag.com.au/women-outpace-men-on-superannuation-growth
https://www.superannuation.asn.au/resources/retirement-standard
https://www.ato.gov.au/YourSuper-Comparison-Tool/
https://www.moneymag.com.au/super/funds/compare
https://www.moneymag.com.au/how-to-boost-your-super-according-to-your-age

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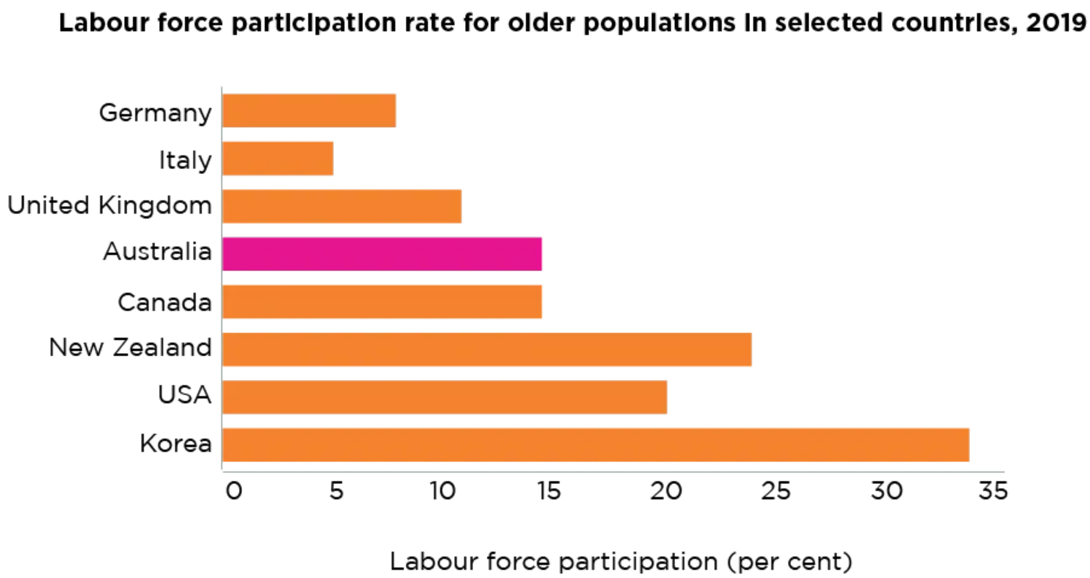
Stepping back into the workforce

The life cycle of work has traditionally ended with retirement. Yet news of an emerging phenomenon suggests a growing trend towards 'unretirement' is turning the idea of retirement on its head. Making the decision to return to work is a significant one and, just like retiring, requires some consideration and planning.

Is returning to work as simple as it sounds?

In Australia, older people have been deterred from re-entering the job market due to several reasons including age discrimination, erosion of pension income entitlements, perceived skills deficit, and lack of suitable jobs – just to name a few. This accounts for a lower workforce participation rate for people over

65 in Australia (15 percent of the workforce) compared to some other countries such as New Zealand (24 per cent)(1). But times may be changing.



Source: https://www.aihw.gov.au/reports/older-people/older-australians/contents/employment-and-work

Why are retirees going back to work?

Often, it's not one factor in isolation but a range of factors that's prompting the decision. A report by National Seniors Australia surveyed almost 4,000 people aged 50 and over about their perspectives on working after retirement(2). Around half (52 per cent) cited financial reasons with well-being and social factors also high on the agenda.

Financial well-being

For some retirees, particularly those relying on the aged pension, returning to work is a financial necessity with cost-of-living pressures a common precursor in recent times.

The Association of Superannuation Funds of Australia (ASFA) 'Comfortable Standard' suggests $70,806 per year is needed for a couple to live comfortably in retirement. For singles the amount is $50,207.3 The death of a partner, or other unexpected expense may be another precipitating factor. Self-funded retirees who had planned carefully for retirement may find themselves in need of additional income to support their later life.

If you're contemplating a return to the workforce, it's important to investigate the financial implications it may have on your super or pension before making the transition by seeking appropriate advice. Taking the middle road and opting for semi-retirement (where available) can be a good interim measure whether you're moving from full-time work to retirement or vice versa.

Money isn't the only reason retirees want to return to work. For some it's a choice driven by the many other benefits associated with working.

Physical well-being

Pandemic aside, more people are living well from midlife to older life, often bursting with a desire to "do more". We've long been told about the health benefits of good work, and for good reason.4 Science tells us that continuing to learn and develop new skills is a protective measure against dementia and other diseases. Depending on the role, the routine of going to work helps to ensure mobility and physical activity, thereby supporting cardiovascular and bone health.

What happens to my super if I return to work?

This is not entirely straightforward with different conditions depending on your age. Special conditions of release apply to people below the age of 65, but for people aged 65 and above, their super can be accessed whether they are retired or not. This means that they can keep working (full or part time) or retire and re-enter the workforce later.

If I return to work, what will happen to my pension?

Relaxing the pension income test has been an ongoing debate with organisations such as National Seniors Australia calling for older Australians to be able to earn more before their pension entitlements are reduced. This issue was a focus of discussion at the Federal Government's recent Jobs and Skills Summit aimed at addressing the nation's current labour workforce shortage.

Pleasingly there was a positive outcome with the Albanese Government agreeing to relax the pension income test, boosting the income threshold from $7,800 per year to $11,800. The two-year time limited measure will also ensure retirees are not removed from Centrelink if they earn more than the fortnightly threshold across 12 continuous weeks.5

Not yet retired? There are things you can do now to prepare for the retirement you want.

Educate yourself

It's a good idea to develop a greater awareness on general financial well-being, in addition to retirement issues. ASIC's website moneysmart.gov.au is a great place to start; you'll find an excellent range of financial education-based resources, including tools like a budget planner and superannuation and retirement calculators.

Consider flexible working hours

Flexible working benefits all employees, especially older workers who may not want the demands of working full time or have other commitments. And due to COVID-19, many organisations have now adopted flexible working policies which help to support the needs of older people.

Having the option to work fewer hours, or even part-time (semi-retirement), can be an appealing way for some to transition to full retirement.

Get the right advice if you need it

Google is no substitute for good retirement planning advice. Everyone has different goals in life and therefore, retirement planning can be very personal. Getting advice from a qualified financial adviser can help bring you closer to achieving the retirement you've always dreamt of.

Contact your financial adviser for further information, they can help you map out a practical path to meet your goals as well as help you boost your super balance with tax-effective strategies.

Generational risk management

Personal risk management is a critical foundation stone of any financial plan. The key personal insurances are:

- Life insurance. This pays a lump sum benefit when you die.
- Total and permanent disability insurance (TPD). A lump sum is paid if you meet the policy definition of being totally and permanently disabled.
- Income protection (IP) insurance. If, after the selected waiting period, you are unable to work due to injury or illness, depending on your policy you will receive a regular income either until you can return to work or the end of your selected benefit period.
- Trauma insurance. Also called recovery insurance, trauma insurance pays out a lump sum if you suffer from one of the medical conditions specified in your policy.

Each of these insurances plays an important but different role in protecting you and your family from the financial consequences of death or disability, and the appropriate mix of cover depends to a large extent on where you are on your journey through life.

Carefree 20s

Good job, no kids or other dependants? Why do you need insurance? Well, even in your 20s illness or injury can strike, and any prolonged periods off work can have a huge impact on your current lifestyle and financial future.

Income protection is the key insurance in the 'carefree' 20s. Trauma and TPD could be useful add-ons. But as soon as you have children, or significant debt, life insurance should also be considered.

Indebted 30s

Typically this is the decade of buying a home and starting a family. Life and income protection insurance remain the top priorities. However, trauma and TPD insurance should now be seriously considered, particularly for full-time homemakers who are not eligible for income protection cover.

It's also worth exploring if young children can be added to a parent's policy to provide serious illness cover. This can help if a parent has to give up work to care for a child (income protection insurance doesn't cover this), and also assist with meeting out-of-pocket medical expenses.

Consolidating 40s

With years to go before the mortgage is paid off, and young children turning into expensive teenagers, the same risk management priorities apply as to the Indebted 30s. A homemaker returning to employment should spark an insurance review.

Fabulous 50s

The mortgage is under control, the kids are becoming independent (hopefully) and you're starting to build a serious investment portfolio. However, with this decade often being the peak earning period it remains important to protect your biggest asset – your ability to earn an income. And until you reach the point of true financial independence, life, TPD and trauma insurance should all be part of the mix. It's important to keep in mind that as you get older the likelihood of claiming against your insurance increases significantly.

Another important issue to consider: do your now independent adult children have adequate personal insurance cover? If not, should they become ill or disabled, you may end up having to help them out financially, thereby impacting on your future plans. If they are unable to pay for adequate cover themselves, a better option might be to assist by paying their insurance premiums.

Triumphant 60s

You've made it! While we are working later into life the 60s remains the popular decade for retirement. It delivers financial independence to many, and it may seem that there is little justification for maintaining personal insurance cover. However, many policies are renewable until age 65 or 70, and with the growing risk of death or serious illness, maintaining some level of cover may provide additional peace of mind. With premiums often ramping up rapidly later in life, it's a matter of finding the right balance between the cost and the potential benefit.

While age has some bearing on personal insurance priorities, individual circumstances must also be taken into account. Your financial adviser is ideally placed to help you design the risk management plan that's right for you.

Sources: **Life insurance:** https://www.moneysmart.gov.au/insurance/life-insurance

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Should you wish to discuss any aspect of the information contained in this document, please contact your Financial Planner.

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