



WELCOME TO OUR SPRING EDITION OF FFP NEWS

Welcome to Future Financial Planning News - Spring Edition.

It's fair to say 2020 hasn't quite panned out the way any of us thought it would. From local bushfires, a global pandemic and market volatility it's been a rollercoaster of a ride.

And now as Victoria faces a second wave of COVID-19 cases and the return of Stage 3 & 4 Restrictions/Lockdowns, this unprecedented and continually evolving situation is certainly difficult and challenging for all of us.

Our number one priority during this unsettling period of time continues to be our staff, clients and local community. Our office doors continue to remain open, however we will continue to adhere to social distancing and mask wearing guidelines. If you are unable to attend our office we are also able to respond to any queries via telephone and email.

As we settle into a new financial year, inside this edition of FFP News we take a look at beneficiary arrangements for your super fund, some ways to use your tax refund for a stronger financial future and 5 ways to help prepare your finances for a recession.

We hope you are all well and stay safe as we continue to navigate our way through this difficult time, and we look forward to speaking with you in the near future.

Kind regards,

Rhys, Michelle and Michelle

Office Closure: Tuesday, 3rd November 2020 for Melbourne Cup Public holiday.



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Beneficiary arrangements for your super money

For many people, their superannuation investment represents one of the largest portions of their assets. Therefore, it makes sense to ensure it is appropriately allocated to loved ones to ensure your wishes are properly reflected in the event of your death.

Most super funds allow you to choose from binding or non-binding nominations which you can change at any time.

A binding nomination is a written direction to fund trustees and gives them no discretionary power, providing your nomination is valid. A binding nomination must generally be renewed every three years, unless it is a non-lapsing binding nomination.

A non-binding nomination acts as a guide for the trustees. In many cases your nominated beneficiaries will receive your benefit but the trustees have the final say. Non-binding nominations do not expire so it is wise to review them regularly.

What to do

To ensure you have appropriately nominated beneficiary arrangements in place for your super money:

- Check your super fund offers beneficiary arrangements that suit your circumstances;
- Check those who you're nominating are eligible;
- If you plan to nominate your legal personal representative, make sure your will is up to date;
- Complete and sign a nomination of beneficiary(s) form and send the form to your fund; and
- If your nominations are lapsing, make sure you **review and renew them before they expire.**

When you're considering who you're going to leave your super to, it's important to think about the people who matter most and how tax implications may affect the amount they could receive.



Some ways to use your tax refund for a stronger financial future



By AMP Life Limited, originally published on 30th July 2020 on amp.com.au/insights

Not sure what to do with your tax refund? Strategic financial decisions for your tax refund begin with a strong plan.

Whether you breeze through tax time or dread the extra admin, receiving a tax refund makes the effort worthwhile. For many of us, getting a financial boost will be even more welcome this year, and you might be looking around for the best ways to use it.

These simple actions can help you figure out how to make a plan for your tax return. And if you're looking for inspiration for how to spend it, we suggest some ideas to consider, too.

Plan to succeed

Never underestimate the power of a well-crafted plan - it's easy to watch funds dwindle when you haven't given them a clear direction. Recent research has revealed that 81% of us admit to splurging an average of \$1,430 annually as a result of comfort spending¹ and that one in six Australians struggles with credit card debt².

Like any goal, your ambitions for this year's tax return can be more easily realised if you have a concrete plan in place. In fact, studies have found that taking the time to write down your goals and plans can actually improve your chances of making them happen³.

Once you've lodged your tax return, you should have a decent idea about the amount of your refund. Use the time before you receive the money to give yourself a financial check-up and decide exactly where you plan to put your tax refund to avoid excitement spending once it lands in your account. This includes any money you're hoping to use for a holiday or other splurge - work it into your financial plan to avoid spending beyond your means.

Anticipate your upcoming living expenses

When making your plan, you might want to consider your upcoming living expenses, particularly any large, irregular bills such as car insurance and registration costs, utility bills and general home maintenance.

Putting aside some of your tax refund as a cushion for upcoming expenses or in an emergency fund helps you avoid reaching for other financial support - such as personal loans and credit cards - when the bills start to build up.

Reduce outstanding debt

If you have some debt to pay down, you're not alone: the average Australian household debt-to-income ratio is around 190%, meaning we owe almost twice as much as we earn each year⁴. Putting your tax refund towards any outstanding debts, including mortgage repayments, personal loans and any credit card debt may help reduce an interest charges.

Invest in growing you wealth

If you don't need the money for immediate expenses, paying off debt (or the occasional luxury), you might be looking to make a long-term investment with the extra money. You might consider contributing some or all of your refund to boost your super, or add it to a term deposit or savings account.

The Australian Government's new HomeBuilder grant means that home renovations are on many people's minds. If you're thinking about home improvements that will add value to a property, experts say that repainting rooms, updating kitchen and adding a bathroom are among the most profitable upgrades and home improvements⁵.

Make tax-deductible purchases

If you've been holding off buying specific equipment for work, such as a new laptop or desk, now could be a good time to make the purchase. For purchases over \$300, tax deductions are calculated on the depreciation of the 'effective life' of the item⁶. If you purchase them at the beginning of a financial year, the item has almost a full year to depreciate before you do your next tax return.

Donate to a charity

Although this has been one of the most difficult years in living memory, Australians have shown extraordinary generosity by donating to bushfire appeals and other charities. If you plan to support a charity or not-for-profit organisation, don't forget that any donations over \$2 to eligible organisations in Australia are tax deductible⁷. Just remember to keep a receipt for when you start preparing next year's tax return.

¹ Mozo: (<https://mozo.com.au/credit-cards/articles/comfort-spending>)

² ASIC: (<https://asic.gov.au/about-asic/news-centre/find-a-media-release/2018-releases/18-201mr-asic-s-review-of-credit-cards-reveals-more-than-one-in-six-consumers-struggling-with-credit-card-debt/>)

³ Forbes: (<https://www.forbes.com/sites/markmurphy/2018/04/15/neuroscience-explains-why-you-need-to-write-down-your-goals-if-you-actually-want-to-achieve-them/#594005fd7905>)

⁴ Reserve Bank of Australia: (<https://www.rba.gov.au/speeches/2019/sp-ag-2019-03-20.html>)

⁵ Domain: (<https://www.domain.com.au/advice/which-renovations-offer-the-best-return-when-you-sell-20160223-gn1awa/>)

⁶ Australian Tax Office: (<https://www.ato.gov.au/Individuals/Income-and-deductions/In-detail/Decline-in-value-of-depreciating-assets/>)

⁷ Australian Tax Office: (<https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Other-deductions/Gifts-and-donations/>)



5 ways to help prepare your finances for a recession

By AMP Life Limited, originally published on 25th June 2020 on amp.com.au/insights

If you think storms may lie ahead, it makes sense to prepare your craft for choppy waters. With Australia facing continued economic uncertainty, it may be time to take stock of your finances and get in the right shape.

First the good news. The Australian economy fared better in the first quarter of 2020 than many other countries¹. To the end of March, the economy only contracted 0.3%, compared with 2.0% in the UK and a whopping 9.8% in China.

More challenging times may lie ahead. A century on from the last global pandemic, this looks like a downturn unlike any other in living memory. Back in 1990, Treasurer Paul Keating lamented the “recession we had to have”. This time around, we’re trying to thaw an economy that’s been deliberately placed into hibernation. It isn’t something we’ve seen before, so lessons from previous recessions may not apply. However, if you’re worried about the threat of redundancy, your investments or your retirement plans being disrupted, there are things you can do to secure your financial lifeboat.

1. Revise your budget

A realistic budget helps you get a clearer view of what you can and can’t afford.

If you don’t have one already you can create a view of your total income and expenses on a weekly, fortnightly, monthly or yearly basis. There are many free options available, such as a simple spreadsheet or taking advantage of apps or online tools like AMP’s budget planner calculator.

AMP customers can access MyAMP which has the AMP’s Money Manager tool that allows you to add data from over 200 different financial institutions via a secure and encrypted online site. You can also generate graphs of your income, expenses and cash flow.

2. Decide what matters most to you

Reassessing your budget helps you decide what’s essential and what you can put on hold, or perhaps ditch altogether to lessen the strain on your household finances.

Essentials might include your mortgage or rent, utilities or car insurance if you need to keep running a vehicle. Remember that even if something is essential, you might still be able to make a saving on it.

Look for a better deal on comparison sites like Finder, which can help you find potentially preferable offers on everything from car insurance to shopping.

Low interest rates are likely to remain for some time, so this might be a good time to approach a mortgage broker to see if there’s an alternative that’s right for you.

3. Pay down and consolidate debt

Debt consolidation is one way to take control of your finances and potentially pay off your debts sooner.

This means combining or consolidating your debts into one loan with, ideally, a lower overall interest rate. Assuming you can cover your repayments, the lower interest rate means you’ll pay less interest and pay off your debt sooner, as long as you continue to make the same repayments on the original debt. Otherwise the consolidated debt is spread out over the life of the bigger loan.

This approach might also help you simplify your finances by reducing multiple repayments for credit cards, store cards and a car loan for example, into one monthly payment.

Fees and conditions may apply. Check your existing loan terms to see if any early termination fees apply. If you’re applying for a new loan, confirm the application fee costs and eligibility criteria.

Keep in mind that debt consolidation will only be effective if you’re disciplined about making your repayments. And before making a decision, you might like to speak to a financial adviser.

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Getting help with debt

If you're finding it hard to keep up with your repayments, help is available. Call your providers as soon as you can to let them know you're experiencing financial hardship. They can assess your situation and see if alternative payment plans may be able to assist you during difficult times.

You can access free financial help via:

- The National Debt Helpline (<http://www.ndh.org.au/>) on 1800 007 007
- Free legal advice (<https://www.moneysmart.gov.au/managing-your-money/managing-debts/free-legal-advice>) from community legal centres and legal aid agencies in every state and territory, and
- Emergency relief (<https://www.moneysmart.gov.au/managing-your-money/managing-debts/trouble-with-debt/urgent-money-help>) if you're in crisis.

Avoid payday lenders

Payday loans, also known as short-term loans, provide fast cash so they may seem like a quick fix for money troubles. However, you could end up paying back more than you borrowed in higher fees and interest².

These loans don't tend to address the root cause of debt problems and can potentially trigger borrowers to spiral into deeper debt distress.

4. Do the hustle

While you sort through your budget, you might do the same for your house. Garages or spare rooms can be a treasure trove, from forgotten kids' games to clothes you'd only ever need if you get invited to a 90s theme party.

You might be able to turn these into ready cash on eBay, Gumtree or by taking a stall at your local market.

If you'd rather trade your skills than your Friends boxset, you might be able to earn extra income via sites like hipages or Airtasker.

The gig economy (<https://www.seek.com.au/employer/hiring-advice/gig-economy-changing-world-work>) means there's more readiness than ever to use short-term contractors for all types of white collar work. These might even present new contacts and jobs you've not previously considered - and lead to more permanent opportunities. You can register online via sites like Freelancer to get started.

5. Keep your eyes on the horizon

As with most investment and super strategies, it helps to look long term rather than thinking only of the next few weeks or months. It's easy to get discouraged when many forms of media concentrate on negative or shocking news.

Finally, as AMP's Head of Investment Strategy and Economics and Chief Economist Shane Oliver points out, anyone who got too negative for the long term in the last major pandemic of 1918-19 might have missed out entirely on the 'roaring twenties', a decade of economic growth and widespread prosperity.

Staying informed

As we saw with the JobKeeper payment, new initiatives may emerge to help your job search, your savings or your business, so it pays to be as well informed as you can. Listen to experts you can trust such as the ATO and other government sites.

The Insights hub of the AMP website is also useful whether you're working, retired, or in-between jobs. Here's where to find regular market outlooks from Shane Oliver.

AMP Bank's **managing money** section can help you learn more about good money habits.

Mental health

Remember, if you're feeling overwhelmed or need to talk to someone about how you're feeling right now, you can access free services anytime including: **Lifeline 131114**, **Beyond Blue 1300 224 636** or **Mental Health Line 1800 011 511**.

¹ ABC News, Australia in its first recession in 29 years as March quarter GDP shrinks (<https://www.abc.net.au/news/2020-06-03/australian-economy-gdp-recession-march-quarter-2020/12315140>)

² Moneysmart.gov.au (<https://moneysmart.gov.au/loans/payday-loans>)

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