WELCOME TO OUR AUTUMN EDITION OF FFP NEWS

Welcome to Future Financial Planning News - Autumn Edition.

There is certainly a lot going on in the world around us at the moment. As we continue to navigate living with Coronavirus, we also keep an eye on the evolving situation in Ukraine and the effects that Russia's invasion may have on the world.

We are also thinking of all our clients and friends in the flood affected areas of Queensland and New South Wales. We hope you are all keeping safe and our thoughts are with you as flood waters recede and the devastating task of cleaning up begins.

Inside this issue of FFP News we take a look at the things to be aware of when using buy now pay later services, the importance of thinking about insurance ahead of retirement and understanding the different insurance covers available .

Please also note our office will be closed on the following days
Monday, 14th March 2022 for the Labour Day public holiday;
Friday, 15th April 2022 for Good Friday public holiday;
Monday, 18th April 2022 for Easter Monday public holiday; and
Monday, 25th April 2022 for Anzac day public holiday.

We hope you all enjoy a safe and happy Easter break and we look forward to continuing to provide you with all your financial planning needs throughout 2022.

Kind regards,
Rhys, Michelle and Michelle

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6 things to know about buy now pay later services

Nearly 85% of financial counsellors in Australia have reported that half, most or all their clients now have some form of buy now pay later debt.

Often branded the modern-day layby, buy now pay later services essentially offer the same thing, but you get the product (which could be anything from a new outfit, pub dinner or airline ticket) upfront.

Below we explain what you need to know about buy now pay later services, noting 84% of financial counsellors said half, most or all their clients now have buy now pay later debt, up from 31% just a year ago[1].

1. What buy now pay later services provide

Buy now pay later services (Afterpay, LatitudePay, Openpay and zipPay to name a few) are offered by various retailers and give customers another option to pay when shopping online or in person.

Rather than pay for a product on the spot, buy now pay later services allow you to pay in instalments over a set period of time via a buy now pay later account, which deducts cash from your chosen debit or credit card.

Purchase limits generally apply and, depending on the provider, may vary according to things like how long you've been using the service and your payment track record to date.

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2. How buy now pay later providers charge your money

Many buy now pay later services are interest and fee free (if you pay on time that is!). If a payment is scheduled to be deducted and money isn't in your nominated account, late fees typically apply.

For that reason, it's important you have the right amount of money in your account when your instalments are due and that you're across any other charges that might be payable before signing up. These may include establishment fees, monthly account-keeping fees and payment processing fees.

Another thing to keep in mind is while buy now pay later providers mightn't charge interest on your purchase, the credit card that's being deducted to cover your instalments generally will. Likewise, if you're using a debit card and don't have enough money in your account, your bank could charge overdraw fees on top.

3. What buy now pay later groups don't know about you

Because buy now pay later services don't charge people interest, they aren't regulated under Australia's National Credit Code, like your credit card company or home loan provider will be[2].

This means there are generally no affordability assessments or credit checks, which makes it easy to access buy now pay later services, regardless of whether you can afford it and what your credit history might say. Fewer regulations mean there could also be issues if you need to negotiate financial hardship arrangements.

4. How users are spending money they don't have

While buy now pay later services can be handy if you have cash available and are able to pay on time, if you don't, little debts stemming from things like late fees could quickly turn into much bigger debts.

For this reason, it's a good idea to have a budget in place when it comes to buy now pay later accounts. This is important considering 61% of financial counsellors surveyed in Australia said most or all their clients with buy now pay later debt struggled to pay other living expenses, such as food, rent, utilities and medical expenses, with many prioritising buy now pay later repayments to keep their accounts open.

5. How your credit rating could be affected if you don't pay on time

Buy now pay later services might not check your credit history when they sign you up like other credit providers, but they're still able to report late or missed payments to credit reporting agencies, which keep files on your credit worthiness.

This is worth noting because if you have black marks on your credit report, it could make it hard to borrow money in future from other types of lenders who will assess your credit report.

6. How a customer dispute may be handled differently

Because you're not paying the retailer direct when using a buy now pay later service, customer disputes may be handled a little differently.

With that in mind, it's worth checking out your buy now pay later provider's dispute resolution policy, so that there are no surprises if something you purchased doesn't turn up, or you want to refund or return something that isn't quite right.

Where to go for more information

It's always important to check the terms and conditions before signing up to any new service provider to make sure you're across fees, charges and other policies that may be in the fine print.

In the meantime if you're struggling with buy now pay later debt or any type of debt, free financial counselling is available from the National Debt Helpline (https://ndh.org.au/) on 1800 007 007.

[1,2] - Financial Counselling Australia Report—It's Credit, It's Causing Harm and It Needs Better Safeguards: What Financial Counsellors Say about buy Now Pay Later - (https://www.financialcounsellingaustralia.org.au/docs/its-credit-its-causing-harm-and-it-needs-better-safeguards-what-financial-counsellors-say-about-buy-now-pay-later/)

Why it's important to think about insurance ahead of retirement

If retirement's on your horizon, you'll be keen to make sure your plans stay on track. It makes sense to concentrate on things you can control, such as insurance.

Paying for more insurance than you need can eat away at your retirement savings, at a time when they're more important than ever. Under-insure and one day you may find you need it and have to use savings or borrow money to help you get through hard times.

Cover for a changing life

If you're considering what insurance you may need in the lead up to retirement, a good way to get started is to think about what you really need, and what you don't.

Another approach is to make sure you're holding the right insurance for the lifestyle you want in retirement.

Here's a simple checklist that may help:
1. Ask yourself how much money your family would have if you were to pass away or become disabled.
2. Compare that with how much money your family might need in the same situation, including how they'd manage paying for day-to-day costs like mortgages or rent.
3. The difference between the two can help you work out how much insurance you may need.

Consider your existing cover

Dig out your existing insurance agreements, taking special note of when they're due to expire and your continued eligibility for the policies they hold.

An important area for many Australians is insurance held in superannuation. These policies can come as part of our super account, and often have an expiry date.

Insurance in super

Insurance in super can help us out when we really need it. Like any type of insurance, it works best when you have the right level of protection for your situation. As you head towards retirement and your life changes, so might your priorities.

As well as Life insurance which pays a lump sum benefit if you pass-away, you might have Total and Permanent Disablement (TPD) in your super. TPD cover may provide you with a lump-sum payment if you suffer a disability that prevents you from ever working again.

TPD could help you pay for ongoing medical expenses, alterations to your home to make day-to-day life easier and help provide future financial stability.

Total Salary Continuance (TSC), also known as income protection, is designed to pay a monthly benefit of up to 75% of your pre-disability regular income if you're unable to work due to injury or illness.

What to look out for:

There are pros and cons of insurance within super. Things to think about if you're approaching retirement include:
- Cover through super may end when you reach a certain age (usually 65 or 70). That's generally different to cover that's outside a super account.
- Taxes may be applied to TPD benefits depending on your age.
- Claim payments may take longer, as the money is normally paid by the insurer to the trustee of the super fund before it's paid to you or your dependants.
- It's a good idea to make sure your super balance isn't being reduced more than it needs to be by your insurance.

Don't double up and stay flexible

As part of your review, it's also a good idea to check insurance you hold in super against other policies you might have outside super.

Then compare your cover, check whether you have any insurance double ups - if you have more than one super account with the same type of insurance, you may be paying for more insurance than you need. In particular, for TSC, you'll most likely only be able to claim up to 75% of your pre-disability income (offsets may apply), regardless of how much you're insured for or whether you hold it in two accounts.

As well as comparing the level of cover you get, consider any exclusions, such as the treatment of any pre-existing medical conditions, and waiting periods. Remember that if you do cancel your insurance, you might lose access to features and benefits and may not be able to sign back up at the same rate, or at all.

If you're applying for or reinstating your insurance, or are looking to make a claim, it's also important to disclose your situation to your insurer honestly. Otherwise, the insurer may be entitled to refuse your claim.

Any changes in life calls for flexible thinking, whatever age you are. The lead up to retirement is a great time to review your insurance and adapt to changing circumstances.

Understanding Insurance

Insurance can be considered as one of the most important aspects of planning for and protecting your financial future. Not many people consider how their family would cope financially if they die, become disabled or suffer a major trauma event.

Many people do not consider the consequences if they were suddenly unable to work and their income stopped and the impact this would have on financial commitments such as mortgage repayments and other miscellaneous expenses. These expenses do not necessarily stop when your income does.

You can protect yourself and your family by insuring yourself which will ensure that you can clear your debts, make up for lost income, cater for funeral costs or medical expenses and pay for ongoing rehabilitation. There are many different insurance policies allowing you to choose a level of cover that reflects your specific needs. For example, a 25 year old single male with a car loan would need a different insurance policy from a 35 year old man who is married with three children and a mortgage.

It may also be important to insure yourself even if you do not earn an income. Your contribution to activities such as home maintenance and childcare may be greatly affected if you became unable to perform these tasks.

There are various types of insurance that can protect your financial future:

- Life insurance
- Total and permanent disablement insurance
- Trauma insurance
- Income protection insurance

The above types of insurance may be offered inside or outside of superannuation.

If you would like more information or assistance understanding different insurance policies available or working out what your insurance needs may be, please call us today on 03 5622 3005.