We all want to be debt free, have money saved and be able to live a comfortable lifestyle when it comes to retirement. Sometimes, our decisions or unexpected events may occur which make that dream seem unachievable. With a few considerations that dream doesn't have to be unachievable. Get help early on, be prepared for the unexpected and keep your finances on track.

Smart spouse investing

There are a number of potential benefits in taking a coordinated approach to savings and investing, as well as day-to-day budgeting that spouses should consider.

There is a rise in couples thinking about this approach in part, because of the lowering of superannuation contribution caps, the new $1.6 million pension transfer cap and a proposal to increase the maximum number of members in a self-managed superannuation fund (SMSF).

Wealth management

Whether a joint approach to money works in the interest of both spouses, depends on personal circumstances.

Potentially, the benefits of such an approach are that couples are working together to achieve mutually set financial and personal goals.

By contrast, spouses with an uncoordinated approach may be unintentionally pulling in different directions. They may not be making the most of opportunities to save and invest, and perhaps have no realistic impression of how far their savings will stretch in retirement.

Consider making a list of at least the fundamental ways that you and your spouse can harmonise your finances. It is then beneficial to discuss the list with an adviser.

Your list may include: budgeting together, setting shared long-term goals, coordinating investment and saving strategies to achieve those goals, and setting appropriate asset allocations and diversification for portfolios held jointly and individually.

Other critical matters to add to your list include: deciding whether your family has enough life, disability, income-protection and medical insurance; minimising investment costs that handicap investment success; and undertaking coordinated estate planning.

An estimated two-thirds of Australian couples are typically in a marital relationship at retirement ages. As actuaries, Rice Warner comments in a research paper, “it simply makes sense" for them to take a synchronised stance to managing their wealth.

Age pension eligibility and payments are based on "singles" or "couples", adding to the case for couples to take a coordinated approach.

Raising a family

Couples with a coordinated stance to managing their money typically improve their chances of catching up on their super contributions while one takes a few years off work to raise children. For instance, the partner remaining in the workforce could increase their super contributions if possible or split their contributions with a spouse taking time out of the workforce.

Superannuation caps

The lowering of the contribution caps and the introduction of the $1.6 million pension transfer cap provides further incentive for a couple to combine and coordinate their savings efforts.

The indexed $1.6 million pension transfer cap is the maximum transferrable from an accumulation to a pension account from 1 July 2017. Further, members with total super balances (in accumulation and pension accounts) greater or equal to the transfer cap can no longer make non-concessional (after-tax) contributions without exceeding the contributions cap.

Self-Managed Superannuation Funds

Rice Warner has observed in the past that most SMSFs are set up by spouses who then mostly "co-mingle the assets" in what is "effectively a joint superannuation account with each partner's share identified".

From July 2019, the Government proposes to increase the maximum number of members in an SMSF from four to six. As the *Australian Superannuation Handbook 2018-19*, published by Thomson Reuters, comments, “the proposal seeks to provide greater flexibility for large families to jointly manage their super”.

Finally, a core benefit for spouses taking a joint approach to family finances is that both should gain a better understanding of their family finances.

Climbing health care costs squeeze retirees

Australian retirees are feeling the financial pinch as they face increases in the cost of health services, transport and clothing, according to research from Australia’s peak superannuation body.

According to figures released by the Association of Superannuation Funds of Australia (ASFA) Retirement Standard for the June 2018 quarter, couples aged around 65 who aim to live comfortably in retirement will need to spend $60,604 per year and singles $42,953, both up around 0.5 per cent on the previous quarter.

Couples targeting a modest lifestyle (defined by ASFA as better than the Age Pension), but still only able to afford fairly basic activities, will need to spend $39,442 and singles $27,425. This is up about 0.2 per cent on the previous quarter.

Coping with financial crisis

Debt stress can occur for a number of reasons. Whether it be from life throwing you a curve ball such as the loss of a job, a partner or an unexpected medical emergency which leaves your savings depleted and struggling with debt or from the rising costs of living, credit card debt at an all-time high or mortgage rates set for an increase.

Is it any wonder many Australians are struggling with debt?

Whatever the cause, don't bury your head in the sand. Seeking assistance is the first step towards solving your financial woes and easing debt stress.

The first thing you must do is put a stop to any new spending. As tempting as it may be to think putting a new purchase on your credit card will alleviate your troubles, believe me, retail therapy won't help you and you'll soon be hit by buyer's remorse. So, cut up that card and settle back to get a real picture of your financial situation.

Start by doing a budget and writing down your income and all of your expenses to get a clear picture of your finances. Use your bank, credit card statements and utility bills to get a full understanding of what you are spending, where and when.

Once you know what you're spending, it's time to prioritise. Make a list of your outgoings. How many are wants rather than needs? What are the necessities (rent or mortgage, utilities, credit card payments, food) and what are the luxuries? Is there any potential to cut back expenses to make savings?

Do we really need Netflix, Stan and Amazon Prime or could we just have one streaming service or maybe even none? What about that daily coffee or lunch? Could you pack your lunch or switch to bringing coffee from home?

Don't wait until you are behind in payments to try to sort things out. Ignoring the problem won't make it go away.

If you're having problems making your payments start by contacting your bank or service provider and explain you are experiencing hardship. Usually it is possible to adjust your loan or bill repayments to a level that is manageable for you.

It can be tempting to look for a quick fix – such as increasing the limit on your credit card, consolidating your loans or declaring bankruptcy – but don't do anything rash.

The value of protecting your families Income

Most of us think 'it won't happen to me'. And if you are very lucky, it might not. Chances are many of us will have our lives interrupted by an accident, illness or inevitably, death. So, if you're not one of the lucky ones, wouldn't you prefer to be one of the smart ones with a plan to help you and your family during those difficult times?

The importance of protection

Taking out a protection plan and maintaining it can help you and your loved ones to negotiate life's curveballs. The great thing about having this plan in place is that if you are unable to work due to sickness or injury, this plan can help you or your family by removing some of the financial burden these events can cause. How long could you live on the current assets you have?

Comparing the costs

Putting a protection plan in place to minimise these risks for you and your family, is comparatively affordable, when you can consider a daily cup of coffee from a café can cost up to $98 a month.

How can I make protection more affordable?

Here are some things you may want to discuss with me.

Reduce Cover—instead off insuring for a full 75% of your income, insure for a 'minimum must-have' amount to meet the most important financial commitments.

Change Payment Frequency—Premium frequency options include monthly, quarterly, half yearly or annually.

Increase the Waiting Period—The longer the Waiting Period, the cheaper the premium

Reduce the Benefit Period—The shorter the Benefit Period, the cheaper the premium.

Indemnity—Switching from an Agreed Value policy to an Indemnity policy will reduce the premium.

Stepped Premium—Moving from level premium to stepped premium could reduce premiums.

Check on smoker status—if you have stopped smoking for more than 12 months, and complete a non-smoker declaration, your premiums will reduce.

Replacing your insurance policy

If you are considering replacing your income protection policy, it is important that you are fully informed before you act. Make sure you talk to your financial adviser to ensure your protection needs are fully looked after.

As your adviser, I am here to help. By tailoring specific advice, creating a financial plan and investment strategy, I can help you meet your life goals – not just your financial goals.

194 Magill Road, Norwood SA 5067
P. 08 8332 5044 E. admin@affinityadvisers.com.au
www.affinityadvisers.com.au

AFFINITY
WEALTH ADVISERS