December 2015

Welcome to the latest edition of our client newsletter,

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.
In the meantime stay safe and we hope you enjoy the read.

All the best,

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Go easy on the plastic over Christmas

With the silly season fast approaching, it's time to start planning how you pay for Christmas. From gifts to food, the tab can add up quickly.

If this year is anything like last Christmas, on average we'll each spend an extra $1,079 over the December/New Year period, and that's on top of regular expenses.

That makes now the time to draw up a Christmas budget. In addition to working out how much you'll spend, give some thought to how you'll pay for all those festive season purchases.

Cash is always the cheapest option, however there is still time to lay-by big ticket items and avoid unwanted interest charges.

If you have to put purchases on a credit card, think carefully about whether you'll be able to pay off the items in full when your next statement arrives. Last December Australians collectively racked up $27 billion in card purchases, and any lingering debt can attract interest rates as high as 21%.

If your credit card is already sagging under the weight of previous purchases, it could be worth switching to a cheaper card.

At the moment, according to one of the comparison sites, the average credit card rate is a whopping 7.43%. Yet there is a selection of cards charging rates below 10%, so it's possible to almost halve your interest charges by shifting to a less expensive card.

Balance transfer deals, where you pay zero interest for a set period, can provide breathing space to get ahead with card debt though there can be strings attached.

With a wide selection of balance transfer deals available, the zero interest "honeymoon period" can last anywhere from six months to 15 months. The thing to watch for is the revert rate. This is the rate that will apply to any remaining debt once the interest-free period expires, and in some cases it can be up to 19.99%.

Along with sensible spending, do be mindful of card security when you are out shopping or celebrating. Commonwealth Bank figures show as many as one million credit cards may be lost or stolen over the festive season. If this happens to you, contact your card issuer immediately and take a good look at your card statements for any unfamiliar transactions. The card issuer will generally refund fraudulent purchases if they are reported promptly but it can take time and it's a hassle none of us need over the busy holiday period.

Christmas money tips

- $ Draw up a budget
- $ Pay in cash or layby to avoid paying credit card interest
- $ Consider switching credit cards to get a cheaper rate
- $ Be mindful of card security

Insurance through my super

Am I better off buying insurance through my super?

When it comes to arranging insurance it's important to decide what types of insurance are available to you and what you'll need for your particular life circumstances. From here you'll need to consider whether you should keep it inside your super fund or set it up separately.

What are the benefits of insurance through super?

1. Get more for less

It can be cost effective to buy insurance through super. That doesn't mean you won't find cheaper cover outside your super fund. But it's likely you'll be better off because tax benefits mean you could end up paying less overall and group buying power—which normally comes with insurance through super—often gives you more for less.

2. Boost cash flow

In super you can pay for your insurance using before-tax money rather than dipping into your take-home pay, which can also be a tax-effective way to pay your premiums. Or, you can simply have the premiums deducted from your existing account balance. Be sure to keep an eye on your super balance though—less super may affect your lifestyle in retirement.

3. Access government help

You could make after-tax contributions to your super and use these to pay for your insurance. If you do, you may be eligible for a government co-contribution.

4. Be covered more easily

You'll usually be granted insurance cover automatically when you buy through super. Outside of super you may have to submit an application, undergo medical examinations and wait for approval.

What are some of the downsides?

1. Tax on claims

Depending on your circumstances, you may pay tax on disability claim payments when your insurance is held through super. And certain beneficiaries may be subject to tax on death benefit claims they receive.

2. Limited beneficiaries

Payments (following death) can only be paid to superannuation dependants. If you have insurance outside of super there are generally no restrictions (unless your insurer specifies otherwise).

3. Longer timing on payments

When it comes to payments for some policies, including life insurance, total and permanent disablement and temporary salary continuance, the money will normally be paid by the insurer to the super fund first. The trustees can then pass it to you or your beneficiaries in accordance with the fund's rules and the Superannuation Industry Supervision Act—this means payments can take longer.

4. Restricted types of cover

Cover provided through super can be more limited than a policy held outside super. For example, trauma cover is generally not available through super, but a number of funds make it easy to link the cover you have inside and outside super.

What now?

After you've considered the pros and cons of holding insurance inside super, you need to determine the level of cover you need. Our insurance calculator can help you work out how much may be right for you. Regardless of how you choose to buy your cover, be sure you have the right type and amount for your needs.

Let us know if you would like some help with this.

It must be true, I saw it on the news

"Good evening and welcome to the evening news. Our top story – the All Ordinaries rose by one point on limited trading with little economic data of any consequence released today".

That's a line viewers are unlikely to hear when they flick on the 6pm news. It's not very dramatic, and it's not bad news. A more realistic lede might include details of "billions wiped off the value of shares" or "fears for mum and dad investors". You'd be lucky to hear details of a seemingly insignificant share market recovery outside of the briefest of updates squeezed in somewhere between the latest Kardashian crisis and the cute Panda story from China.

Bad news sells

Firstly, why bad news? Why can't we have a break from stories of refugee crises, badly behaved footballers or surfers providing sharks with a tasty afternoon snack?

Several publishers and broadcasters have put this to the test over the years – most recently in 2014 when a Russian news site known as *City Reporter* decided to report good news to its readers for an entire day. Bad news was reported, but it was given a positive angle i.e. "deposed Prime Minister looks forward to spending more time with the family". The result was a potpourri of sunshine, unicorns and positivity – that absolutely no one wanted to read. The City Reporter lost two-thirds of its normal readership that day, according to a post by one of its editors on Facebook. "If it bleeds, it ledes," according to an old newsroom adage.

An avalanche of news

Newspaper readership and patronage of free-to-air nightly news has been steadily declining for decades – the introduction of digital devices and media, the change in people's lifestyle and work patterns, myriad distraction for a slice of our leisure time, inflexible business models and an inability by media proprietors to embrace the world of 'new media' are just some of the reasons. But the irony, at least for a TV news perspective, is that there is more news being shown each day than at any time in broadcasting history. News is both cheap to produce and can be repeated many times each day without losing its currency or relevance.

Advertising as news

The other conundrum for media operators and users alike is that newspapers and broadcast newsrooms are producing more content than ever with increasingly few staff. How is this possible?

Just take a look through your daily paper or favourite news website – in addition to a handful of stories sourced by reporters, you'll find content from media releases dressed up as news, unsubstantiated rumour lifted straight from social media and, worst of all, reams and reams of comment pieces to whip up public fervour and generate a few extra desperate clicks on the operator's website. For generations, the nightly news was a trusted and generally reliable source of information but that's no longer the case.

But, returning to our initial point and the money issues that impact these invisible "viewers" every day, how can this source remain trusted in the face of increased competition, particularly from sites and blogs that can and do specialise on topics covering the smallest niches imaginable, and decreasing resources. It's simple – it can't. We can help you pick through the mountain of information available and take the time to review it with you and discuss the relevance to your specific financial situation.