Newsletter September 2015

Welcome to the latest edition of our 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.

In this edition we discuss strategies to help you focus on long-term wealth investment, the power of creating and tracking your income and expenses via a budget and considerations in trying to maintain a work life balance.

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.

All the best,
The team at Hanmoore

Hanmoore Financial Solutions

10-12 Chapel Street Blackburn VIC 3130
P: 03 9878 4444

58-60 Napier Street Essendon Vic 3040
P: 03 9370 4088

E info@hanmoore.com.au
W www.hanmoore.com.au
Facebook hanmoorefinancialsolutions

Four tactics to build an investment portfolio that supports your retirement wishes

by Jeff Rogers, Chief Investment Officer, ipac Investment Management

Learn strategies to help you focus on long-term wealth accumulation, so you can fund your aspirations for retirement.

An increasing number of Australians are hitting retirement age, and more people are now seriously addressing the question of how they actually want to spend their retirement and how they will fund those aspirations.

If you already have investment strategies in place to cover your needs and wants, you have the capacity to grow your excess capital either for your own use later in life, to leave a legacy for your family or contribute towards philanthropy.

The strategies supporting the attainment of these goals should focus on long-term wealth accumulation. There is also scope to adopt less liquid strategies which are typically less suited to provide for shorter-term needs.

Below are four key tactics to consider when seeking to fund your long-term vision:

1. **High-growth long horizon strategy:** Focus on the delivery of long-term compound growth without becoming too concerned with short-term price volatility.
2. **Unconstrained strategies:** By taking an unconstrained approach, investors can capitalise on opportunities that would normally be ignored in the interests of not deviating too far from peer groups or benchmarks.
3. **Diversification:** Diversification across high return investment strategies leads to more reliable growth and increases the capacity to sustain the strategy in a challenging market environment.
4. **Opportunistic investment approach:** The investment strategy should be flexible to capitalise on emerging 'blue-sky' opportunities, anchored by medium-term trends and themes that have the potential to support wealth accumulation over the long-term.

Final thoughts

As people approach retirement, income from wages, salaries and business activities tend to be replaced by income from superannuation, investments and/or government pensions.

There is a lot to consider when it comes to calculating how much you will need to maintain your lifestyle in retirement. It requires a comprehensive process where your individual circumstances and lifestyle expectations play a significant role.

While the whole issue of retirement planning can seem overwhelming, it should encourage contribution towards a more secure retirement, where income and capital growth will be adequate to meet you're your essential needs and your discretionary wants.

The power of budgeting

A budget can help you work out what you're spending money on and when

Are you aware you need to change your spending habits, but not sure where to start? A budget can help you get back to basics and work out what's going where and when.

Whatever your plans, a budget can help you to:

- get more organised with your finances
- cut down spending in areas you have a tendency to overspend, like clothes shopping or eating out. This can significantly help you cut your debt.
- save for a specific goal, like going overseas or buying your first property.

Once you've set up your budget, it makes it easy to keep track of your spending, change your habits and reallocate your funds to achieve different goals.

How to build a basic budget

First, work out your income. Include your salary, plus any bonuses and investment income. Then, divide your money into seven main 'buckets':

1. Living expenses—include rates, utilities, telephone, groceries, medicines, clothes, education, pets, child care and home maintenance.

2. Transport—include petrol, vehicle registration, repairs, parking, public transport fares and taxi fares.

3. Loans, credit card and store accounts—include home loans and personal loans.

4. Taxes, fees and charges—include taxes on any investments and fees/duties.

5. Insurance/superannuation—include life, health, super, home and contents, car, business and any other insurance.

6. Leisure/entertainment—include holidays, eating out, takeaways, sporting memberships, newspapers, books, music, gifts.

7. Savings—if you want to save money on a regular basis, for holidays, investments or a rainy day.

For each bucket, indicate how much and how often you need to pay—weekly, fortnightly, monthly or annually.

Managing and sticking to your budget

Then, once you've crunched the numbers, you can start looking at areas you can make savings.

You don't have to do it all by hand. There are plenty of tools out there to help you manage your finances:

- A simple online tool like AMP's Budget Planner Calculator (https://www.amp.com.au/calculator/budgetplanner) can help you tally up your expenses and work out how much you have left over.
- There are even apps like MoneySmart's TrackMySPEND (https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/mobile-apps/trackmyspend) that allow you to track your personal expenses on the go.

Need a hand?

Let us help you to use the power of budgeting to achieve your financial goals.

Working to restore your balance

In our fast-paced world, the desire for a better work/life balance is a common goal. It affects everyone from young professionals working long hours to get ahead, dual income households juggling inflexible jobs and children, and older workers wanting more time to help care for grandchildren or ease into retirement.

While some people want to increase their working hours, the more common reason for pursuing work/life balance is to reduce working hours. Let's face it, who hasn't wished for more hours in the day to pursue interests or hobbies, spend more time with the kids, care for elderly parents or to volunteer?

Traditionally it has been professional women leading the push for part-time work as a way to balance the competing demands of a career and parenting.

Now, greater numbers of men are considering flexible working arrangements that allow them to balance paid jobs with time taken out for parenting duties, sports careers, to improve their health or to do volunteer work.[i]

Need for time out

Recent statistics show that 29 per cent of men under the age of 35 have given serious thought to quitting an organisation that does not extend workplace flexibility.[ii]

Currently, 16 per cent of Australian men work part-time compared to 44 per cent of Australian women. Economists have calculated that a woman taking time out to care for children will, over a lifetime, suffer an average 17 per cent fall in her income.[iii]

If you are considering cutting back your working hours, you need to consider the impact on your take-home pay and weekly expenses. While some expenses, such as childcare, may decrease, others still need to be covered. Thought should be given to maintaining contributions to superannuation, income protection insurance and investments for future spending needs.

In addition to a drop in income, there is evidence that part-time work is less secure and predictable than full-time work. This underscores the need to plan carefully for the financial consequences of opting for greater job flexibility.[iv]

Plan your finances

Among the factors that need to be calculated when making a switch to part-time work are the impact on your taxation status, credit and other debt, especially large borrowings such as a home mortgage, plus your eligibility for government benefits.

Your adviser can guide you through the implications of transitioning to a part-time job and help build a financial plan that will avoid disadvantages that can flow from reducing your hours at work.

For instance, if you are over the age of 55 and you decide to work fewer days, you may be eligible to withdraw income from your super to top up your pay.[v] This is called a superannuation transition to retirement strategy.

Such a strategy could be useful if you want to care for grandchildren on some days, while not retiring entirely. This helps your adult children to remain in work and reduce childcare costs.

Consider your options

If you have considered going part-time to help restore some work/life balance but do not really want to leave your full-time position, there are other options.

For instance, instead of cutting back on work hours you could outsource some of your household's unpaid but time-consuming duties, such as cleaning, gardening and even cooking. Not only will this buy you more time for leisure at the end of a hard day's work, it can improve the wellbeing of the whole family.

A structured plan to restore your work/life balance is possible without compromising your finances or your career. We can help you with financial strategies to achieve your personal and financial goals.

i http://museumvictoria.com.au/about/work-opportunities/volunteering/

ii April 27, 2015, AFR, Fiona Smith: Why these men have decided to stop being workaholics. http://www.afr.com/leadership/careers/why-these-men-have-decided-to-stop-being-workaholics-20150427-1mu6uw

iii Adda, J., Dustmann, C., and Stevens, K. (2010). The career cost of children. Paper presented at the 10th World Congress of the Econometric Society 2010. Retrieved from http://www.eswc2010.com/

iv Page 4, WGEA perspective paper, Parenting, Work and the Gender Pay Gap. https://www.wgea.gov.au/sites/default/files/2014-03-04_PP_Pay_Gap_and_Parenting.pdf

v https://www.ato.gov.au/Individuals/Seniors-and-retirees/Transition-to-retirement/