
# September 2017

Welcome to the latest 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

* Money mistakes people make in their 50s and 60s
* Should you lend money to family?
* Six traits of Australians living the dream

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

All the best,

The team at Hanmoore

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# Money mistakes people make in their 50s and 60s

Avoid these common money traps to make sure you have enough put aside for a comfortable retirement.

When you're in your 50s and 60s, you know you've worked long and hard for what you've achieved in life and probably have a fair idea of how you want to live in your future retirement. But it's important not to become complacent and ignore the warning signs of not having enough money for retirement.

Here are some common money mistakes and suggestions on how to avoid them:

## 1 Accessing super too early

One of the most common mistakes people make is to start using their super too early, such as when they reach their preservation age. This can leave a significant shortfall in retirement savings when you need it most.

To avoid falling into this trap, ask yourself:

- How long am I going to need to live on my retirement funds?
- How much money do I have saved in my super now, and is it enough?
- What other sources can I draw on to supplement my income?

If you're not sure about the answers to these questions, you can access the how much super do I need article from the AMP website.[i] Use the AMP super simulator to work out how much you could save by making extra contributions to your super.[ii]

## 2 Underestimating retirement

Another common oversight is not preparing well enough in advance for retirement. Learn about how to prepare for retirement and then start thinking about ways you can boost your retirement savings now.

One way to save more for retirement is to consider a transition to retirement strategy. If you are aged 55 or over and still working, you can either work less hours for the same income or work the same hours to give your super a tax-effective boost. Talk to us to find out if this strategy is right for you.

## 3 Counting on the Age Pension

Some people think they will be able to survive on the Age Pension, but this will only provide a basic standard of living in retirement.[iii] If you want to be able to afford a few luxuries, such as a new fridge or the occasional holiday find out about saving for a comfortable lifestyle in retirement.

## 4 Not claiming on entitlements or government benefits

Be aware of any entitlements or what you can claim to stretch your dollar further in retirement. Find out now if you will be eligible for government benefits or other payments and visit the AMP website to find out how to make the most of your retirement entitlements.[iv]

## 5 Being unaware of investment risks

Just because you're nearing retirement doesn't mean you should put your retirement savings at risk for the sake of higher returns. Make sure you have a diversified portfolio and are aware of things to watch out for when you are investing and retirement investment risks.

## 6 Supporting adult children and aged parents

People in their 50s are sometimes referred to as the 'sandwich' generation where they're tasked with looking after their own children, as well as their elderly parents. Visit the AMP website to read about how not to put your retirement plans at risk when the kids won't leave home[v] or to fund aged care options.[vi]

## 7 Prioritising home loan debt over other debt

It's no use building savings, if you still have financial pressure from other debts hanging over your head in retirement. Think about prioritising other debts before tackling your home loan debt, or consolidate all your debts into a home loan with a lower interest rate.

## 8 Not having a valid, current and legally binding will

Having a valid, current and legally binding will removes the burden on loved ones and avoids any confusion after your passing about how you want your assets to be distributed. If you decide to make your own will, make sure it is checked by a solicitor, otherwise your beneficiaries may not be entitled to receive any of your estate.

Also, check your appointed executor knows exactly where your personal documents are kept and that they are aware of their responsibilities.

## Still need help?

If you'd like help with any of these areas, speak to us to discuss your personal circumstances.

i https://www.amp.com.au/personal/super-and-retirement/education/understanding/how-much-do-i-need
ii https://www.amp.com.au/super/supersimulator/index.html#!/
iii http://www.superannuation.asn.au/resources/retirement-standard
iv https://www.amp.com.au/news/2015/june/make-the-most-of-your-retirement-entitlements
v https://www.amp.com.au/news/2015/october/will-kids-leave
vi https://www.amp.com.au/news/2016/january/avenues-in-aged-care

# Should you lend money to family?

## What you should consider before handing over your hard earned savings

You're probably fairly used to helping your family out with a little extra cash here and there. Whether it's pocket money for doing chores, or money to pay phone bills, go see a movie or buy clothes, for example.

But what happens when they put their hands out for help to buy the big ticket items? They might want some money to buy a car, pay for a holiday or even get a deposit together to buy their first home.

The question is, even if you can afford to help your family financially, should you? It could provide them with a helping hand that'll really make a difference, but you also must ensure your needs are looked after and you're not leaving yourself short.

### Here are some things to think about:

- Discuss how the money is going to be used. Is it something they could save up for or do they genuinely need your help?
- Decide if you want the money back. Even if you can afford it now, think about whether you might need the money for other expenses or commitments later.
- Agree on the terms of when and how the money will be repaid. If you decide on a loan, discuss how and when the loan could be repaid by, plus whether you will impose any sort of penalty (such as interest), if it's not repaid on time.
- Write it down. This might sound overly formal, but it sets the ground rules for making a true commitment to repay the loan.
- Talk early and often to identify potential issues as they come up. Don't wait until minor issues, such as late payments, become more serious.
- Give them a refresher on managing money. This is a good way to really embed the principles of needs versus wants. Ask your family to work out how much they could put aside by using the AMP savings calculator.[i]
- Ask for advice. If you're lending a significant amount of money, you might want to check with your solicitor if there could be legal repercussions, including what happens to the loan if your child gets married or is in a de facto relationship.

### Providing financial support in other ways

#### Gifting

It's a great, tax-free way of helping your family when they need financial help.

Just make sure you think carefully about whether your gift will put a dent in your retirement savings and if you'll have enough for the lifestyle you want to lead when you wind down from work. Try the AMP retirement simulator to find out how much you'll need.[ii]

Also consider the impact on your Centrelink entitlements. If you're receiving benefits, such as the Age Pension for example, a loan or gift to your child may impact on your payments and your financial security. You must tell Centrelink about any gifts or transfers within 14 days of when they have occurred.

#### Going guarantor

This is one way to help your family own their tomorrow whether it's buying a car or first home, but be careful not to put your own home or lifestyle at risk in the process. Make sure you only go guarantor for an amount that you can comfortably afford to pay if your family defaults on payments.

#### What else to consider

Whatever option you choose to help support your family:

- Make sure the loan or gift is within your budget and won't affect your everyday lifestyle or retirement.
- You and your family might be interested to know that the new AMP Bett3r Account can help you manage your money with pay, save and spend accounts.[iii]
- Consider taking out insurance to cover you, or your family member, in the event of unforeseen circumstances.
- It's a good idea to get in contact with us if you would like to discuss your circumstances.

i www.amp.com.au/personal/tools-and-calculators/savings-calculator or budget calculator at www.amp.com.au/personal/tools-and-calculators/budget-planner-calculator

ii www.amp.com.au/amp/info/systems/calculator-updates#!/

iii www.amp.com.au/personal/banking/products/everyday-accounts/amp-bett3r-account

# Six traits of Australians living the dream

Almost one in four Australians (23%) believe they are definitely or mostly 'living the dream', according to recent research from the Financial Planning Association.[i] Here are six traits that have helped them to achieve their dreams.

## 1. Strong personal habits

Australians living the dream are family oriented, spending more quality time with their family during the week than the average Australian. And they're five times more likely to meditate or engage in spiritual activity.

## 2. Dream about the future

Australians living their dream life dream more about the future than others. Four in five (82%) often or always dream about their future, compared to just 61% of those who say they are not living the dream.

## 3. Plan ahead and stick to the plan

These people are planners. They're almost five times more likely than the average Australian to plan and stick to the plans they've made (23% compared to 5%). They are more likely to act quickly on their plans (71% compared to 41%), turning their vision for the future into reality.

## 4. Have high levels of self-belief

High self-belief correlates strongly with those who are living the dream. Almost all Australians (96%) who are living the dream believe in their ability to create the life they want, compared to just 54% of those not living the dream.

## 5. Seek out advice from others

They make their financial decisions in consultation with others and are nearly three times more likely to seek advice from a financial adviser when making financial decisions (24% compared to 9% of those not living the dream). Nearly half (45%) are currently receiving or have received advice from a financial adviser, compared to just 22% of those not living the dream.

## 6. Have fewer regrets

They are less likely to have regrets in life than those who are not living their dream life. A quarter (26%) say they have no regrets at all. Those who do have regrets mostly regret not saving enough (24%) or making poor decisions (19%).

## The outcome is less financial stress

Australians who are living the dream have the lowest levels of financial stress. More than one in three (34%) are not at all stressed about their finances (compared to 11% of those not living the dream).

## What it means to live the dream

Australians believe living the dream means having the lifestyle of their choice.

Most of the measures we attribute to 'living the dream' are linked to success in the area of personal finance.

Australians in 2017 define the 'Great Australian Dream' as the ability to have the lifestyle of their choice and move forward each day towards greater financial independence. They place strong emphasis on their ability to create safety and security for their family, own a home, pursue hobbies, and free up time with those they love – all without fear of regret.

i FPA 'Live the dream' 2017 National Research Report, August 2017

'Live the dream – research into Australians living a successful life' an independent publication based on a McCrindle Research national survey commissioned by the Financial Planning Association of Australia of 2,635 Australians aged between 23 and 71 gathered from 2-13 June 2017.

## What does 'living the dream' mean to you?