

Christmas Credit Control

Some simple strategies can ensure a merry Christmas...minus the New Year financial hangover.

A few extra glasses of champagne, a little more Christmas pudding, and a few last minute gifts purchased on the credit card – the festive season is synonymous with overindulgence. But along with some unwanted kilos, Christmas can also leave us lumbered with bloated credit card debt.

The pre-Christmas spending season traditionally sees Australians give their credit cards a solid workout. Last yuletide we collectively spent \$3 trillion more on our cards in both November and December than in any of the previous ten months. It's not until the card statements roll in the following February that the legacy of this spending spree hits home.

Rather than undo all the healthy budgeting efforts made during the year, some simple strategies can help you keep credit under control over the festive season.

Maintain a sense of perspective

The final quarter of the year is a lot of fun with a happy mix of social engagements and a building sense of bonhomie. It's also a period that can shape how you'll fare financially over the next 12 months. Rather than getting swept up in a frenzy of festive season spending, aim to keep up your regular financial regime. Pay a bit extra off the mortgage each month, stick with your dollar cost averaging strategy for super or other investments and when possible pay off credit cards in full throughout November and December.

Follow Santa's lead

It's when we hit the shops over Christmas that caution tends to fly out the window. To avoid overspending especially with a high interest credit card, take a tip from the big man in red himself. Make a list. Then check it twice.

Allocate a spending limit for each person you plan to buy a gift for and consider whether you really need to lavish big sums of money on distant relatives or acquaintances. A simple bouquet of flowers or bottle of wine can bring as much joy as an expensive dust collector.

Shop smart

Hit the stores early to snare the best deals on gifts. Doing your gift shopping online is an easy way to make cost comparisons – always allow for the time and cost of shipping, and check the retailer's refund policy.

Online auctions can be serious money savers. In late September for instance, Grays Online (graysonline.com) were selling cases of French champagne for less than \$300 – a low cost way to add sparkle to your Christmas lunch.

Cash is king

If you're buying big ticket items this Christmas, aim to pay with cash and don't be afraid to ask for a discount. You may be surprised how many retailers will shave off a few dollars or throw in a sweetener when you pay with cash.

Using cash may mean dipping into your savings, but it makes a lot more sense than paying with a credit card charging 15%. You can always rebuild savings. Debt can be far harder to pay off.

Better still, think about delaying big ticket buys. The post-Christmas sales could see the same item available for a fraction of its pre-Christmas price.

With your finances in good shape and card debt under control, you're well placed to celebrate the festive season knowing you can take advantage of investment opportunities in 2012.

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A Self Managed Superannuation Fund (SMSF) in simple terms is a favourably taxed structure in which you invest for retirement. A SMSF is a small superannuation fund established for one to four members. The members are individuals, families and business partners that want to grow and manage their future wealth by creating their own super fund.

SMSFs are typically attractive to people with over \$200,000 in superannuation assets and who require the additional choice, flexibility and control offered by SMSFs.

The key things to remember are:

- The money in a super fund is held in trust for the members of the fund (you)
- A super fund and its assets are controlled by trustees (you)
- The fund must be run in accordance with the legislation
- The fund receives contributions and rollovers and the trustees (you) decide how the money is invested
- When a member (such as you) is allowed to access their super, the trustees (you) pay money as a lump sum or as a pension

Setting up your own SMSF has its advantages, but it is not for everybody. If you have less than \$200,000 in super then the administrative costs would probably make the venture uneconomical.

A SMSF has many features which make it appropriate to your needs.

These include:

- Flexibility to make regular contributions or invest a single lump sum into the SMSF Accumulation Account (personal, employer, spouse and co-contributions)
- A vast array of investment options in accordance with legislation and the fund's investment policy statement; direct shares listed on the ASX, Term Deposits, hybrids, managed funds, direct property, etc
- The ability to make binding death nominations, which ensure that your benefits are paid as per your wishes in the event of death

The benefits of a SMSF:

- Reduced fees
- Consolidated benefits
- Consolidated reporting
- More control and flexibility over asset allocation and strategy

Your fund can be tailored to meet your retirement needs in conjunction with any immediate needs that may arise as a result of disability or death of a member.

An added advantage is investment flexibility and the ability to choose from a wide range of investments, including some that may not be accessible through mainstream superannuation structures. In fact, recent statistics released by the Australian Taxation Office show that 75% of all SMSF assets are invested in just four direct investment types. These include cash and term deposits, shares listed on the Australian stock exchange, and direct property, both residential and non-residential.

In certain circumstances, SMSFs may invest in more unique investment opportunities such as shares in private

or unlisted companies, and to make commercial loans to businesses, including a business related to the members, subject to specific limits and guidelines. Some SMSFs are also known to have invested in collectibles including artwork and antiques, although the rules around such investments have recently been tightened.

Any investments made by a SMSF require care and caution and must be made in accordance with the SMSF's Investment Strategy; a document that outlines the broad investment guidelines for each SMSF.

Risks and Disadvantages of a SMSF:

- The SIS laws weigh heavily on the trustee of the fund and as a result, the trustee may need to consult a specialist SMSF adviser to ensure compliance with the laws. There are significant financial penalties for breaching the laws
- The cost of running a SMSF is not particularly expensive, although there may be additional costs for professional fees paid to a specialist adviser
- Benefits in a superannuation fund are part of spouse property and may be split in event of divorce
- Generally, any money held within superannuation is not accessible until retirement on or after reaching preservation age and meeting a condition of release
- When you die, the proceeds from your superannuation fund may be subject to a lump sum tax if they are paid as a lump sum to non-dependants, as defined for tax purposes.

Source | Investment Strategists Pty Ltd



Top Tips for Self Managed Super



WHY YOU NEED LIFE INSURANCE

Most of us do not hesitate to insure our car, house and other possessions; however, we often neglect to insure our most valuable assets, ourselves and our partners. Around 6.3 million Australians are protected by life insurance policies, with claims in excess of \$1 billion being paid by life insurers annually. **

There are compelling reasons to cover ourselves, because we can guarantee in life there will be injury, illness or mortality.

FACTS AND STATS:

- 50,000 Australians have heart attacks every year¹
- One third of women and a quarter of all men will suffer cancer at some stage in their lifetime – over 60% of whom will live for longer than five years after diagnosis²
- 43,000 people died from cancer in 2010³
- 70% of small business people are doing business without income protection (even though it's tax deductible)⁴
- Over 1600 people die on Australian roads every year, the majority of whom are aged between 26 - 59 years⁵
- There is a one in three chance you will need to be off work for three months due to illness or injury before you turn 65⁶

How would your life change if you had a sporting or work injury or if you were diagnosed with cancer? How

would you pay your medical costs or keep up with day to day bills? Not having insurance would erode your savings or worse, result in a financial crisis.

Generally, there are two types of life insurance products: lump sum payments and monthly income streams.

LUMP SUM:

- Term life cover: can provide a lump sum payment in the event of death or terminal illness
- Total and permanent disability cover: can provide a lump sum payment if sickness or injury leaves you totally and permanently disabled
- Trauma cover: can provide you with a lump sum payment in the event you suffer a serious medical condition (such as cancer, stroke or heart attack)

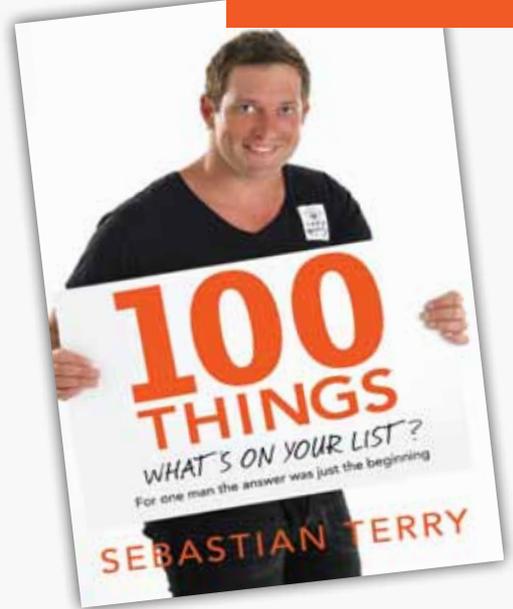
MONTHLY INCOME STREAM:

- Income protection cover: can provide a monthly income stream to help you meet your financial commitments if you are unable to work due to sickness or injury

Life insurance can be the safety-net to your financial wellbeing. In times of need, life insurance can assist with your day to day financial commitments (mortgage repayments and living expenses), which will give you time for your emotional and physical recovery and most importantly, enable you to spend time with your loved ones.

Source | NobleOak

¹ Heart Foundation, Australian Facts 2004: Heart, Strokes and Vascular diseases 2004
² Cancer Council: (www.cancer.org.au), Cancer in Australia: an overview, 2008 Australian Institute of Health and Welfare (published December 2008)
³ The Cancer Council Australia, www.cancer.org.au, April 2009
⁴ IFSA media release, Consumer guide to smarter insurance, 3 November 2006
⁵ Australian Government, Road Deaths Australia 2007
⁶ Institute of Actuaries of Australia, 2000: Interim Report of Disability Committee
 ** IFSA media release, Getting the edge with manage funds: Be prepared, December 2004



100 Things Sebastian Terry

Everyone has at least one thing they have to do before they die. Some even have a list. But how many goals and dreams on this list are actually achieved? At the ripe-old age of 26, Sebastian realised that like most people, he had not achieved anything on his ultimate wish list.

The death of a close friend combined with a naturally abstract view on life sparked a moment of clarity. In the midst of an overseas trip, Sebastian decided to put pen to paper and re-create a list of 100 things. His goal: to tick off everything.

It was the start of a crazy, no-holds-barred adventure that continues to see Sebastian travel to the ends of the earth on a quest to prove that anything is possible, including true fulfilment.

Along the way, Sebastian strives to raise \$100,000 for Camp Quality, an organisation creating happiness for children and families affected by cancer. Support for the journey has been unexpected and has come from every quarter of the world, even the most unlikely places.

100 Things is a humorous, action-packed adventure dedicated to anyone who's ever worried about life slipping by, or dreamt about living every day like it was their last.

Available from November through Random House. Also publishing as an ebook.

More at 100things.com.au

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