SUPER INFO

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What's inside:

It's not size of your pay packet that counts – it's what you do with it! Here we look at ten ways to make your money work harder.

Source: Mercer

We are a nation of spenders. Our already high ratio of household debt to income continues to grow by 2%.

(Trends in household debt, ABS August 2014)

At the most basic level, growing wealth is not so much about *earning* money as *saving and investing money*. Let's face it, the high-income earner with nothing more to show for it than a (leased) boat is a stereotype that's all too real.

There are no shortcuts when it comes to building wealth (unexpected inheritances aside). Financial success is almost always the result of planning and hard work. Let's look at ten basic things you can do to improve your financial situation.

1. Know thyself (and thy spending)
If you want to sort out your finances, you need to start by understanding how much you earn and how you spend it. The earning part is easy, the spending part takes work.

Fortunately, you need track your spending for only a month to get a feel for where your money is going. You can do this manually or by using one of the many programs that are available online. Some banks even have software that enables you to break your credit card and EFTPOS debits down by category, which makes this easier.

Once you understand what you are spending, you'll be in a much better position to identify where you can make changes and start to build your wealth.

2. Here comes the B-word
The sooner your cash flow is under control, the sooner you can get down to the business of realising your financial goals. Which means you need a budget. The budget should allocate income to various categories of expenditure, while maintaining enough flexibility to accommodate real life. You should review and tweak your budget regularly to ensure it stays relevant.

Changing your spending habits can be hard at first, but you'll soon get into the habit of thinking before you open your wallet/purse. Focus on the fact that the **only money that's growing your wealth is money that's going towards repaying debt or investments.** A good trick is to ask yourself whether a particular item or experience is worth three times as much as it's going to cost (because if you invested the money for around ten years instead, that's what you'd have even after inflation).

3. Ready, set your goals

Goal setting is absolutely crucial for financial success. Goals not only give you a destination – so you can plan your route – but they provide rewards along the way to keep you motivated. Set financial goals for the short term (one to two years), medium term (five to ten years) and long term (ten years plus).

Your financial goals should reflect your life's ambitions. A plasma TV isn't a goal; having time to watch movies with your family is. Do you want to travel, buy a home, get married, do a PhD? All these things need to be paid for, which means they need to be planned for (unless winning Tatts is part of your plan).

Set a timeframe for each goal, as opposed to "sometime in the next ten years". This sharpens your planning and makes it more likely you'll get there.

4. Do the sums

Once you've set your goals, estimate their cost. For example, you may want to take an overseas holiday in two years' time that you estimate will cost about $5,000. You have 24 months before your trip and get paid monthly. If you save $210 a month for the next two years, you will save enough to cover the cost of the trip, without going into debt or scurrying to save at the last minute.

By mapping out your goals, you will have definite idea of whether these goals are realistic or whether you may need to revisit the timing or cost. This approach also gives you a concrete plan for achieving your dreams at a definite time in the future, increasing your likelihood of success.

11% of households earning over $100,000 have no savings.

(RBA)

5. Expect the unexpected

Don't let unplanned expenses throw you off course. Everyone should have cash in the bank to cover emergencies like root canals and blown head gaskets.

A good rule of thumb is to have three months' salary in the bank at all times.

6. Ensure you insure

An essential part of any financial plan is safeguarding your income. What would you do if you were ill or injured and couldn't work?

Income protection cover is usually available (and cheaper) from your super fund. Generally, your Fund has negotiated more generous terms that you may be able to access through a retail insurer.

In the case of the SA Metropolitan Fire Service Superannuation Scheme, Income Protection benefit is generally provided as part of your membership of the Scheme. Please contact the Manager for more details.

Making sure you have the right amount of cover can be an excellent investment in itself. Recent natural disasters have shown just how suddenly and tragically the unexpected can happen.

7. Banish 'bad' debt

Paying off your 'bad' (non-tax deductible) debt is a good idea for two reasons: it stops you wasting money on interest and it frees up money to invest. Credit card debt is a classic example of bad debt: it gives you nothing and it costs you a fortune to service.

Analyse your bad debt, and if possible find a way to consolidate it and refinance at a lower interest rate. Alternatively, try to pay off bad debt quickly.

8. Read the fine print

To minimise bad debt in the first place, always shop around for the best deal on any loan before you commit.

Long periods of interest-free credit available through retailers are a classic trap. As a rule, once the interest-free period expires, high rates of interest (up to 26% p.a.) can apply, resulting in very expensive credit indeed.

9. Pay yourself first

Napoleon Hill, author of *Think and Grow Rich* advocates allocating part of your pay to investments *before* you start spending it. This is the opposite to what most of us do, which is to consider saving only if there's money left at the end of a pay period.

Setting up a salary sacrifice or automatic regular payments towards your investments is a great way to 'pay yourself'. Once you are in the habit of not having that money to spend, it will become easier to live on the remaining cash.

10. Super is super

You've heard it ad nauseam, but the earlier you start socking super away, the more you'll have when it comes time to retire. Compound interest makes super a great long-term investment. Super also offers tax advantages and concessions that you can't access through other types of investments.

What's compound interest?

Compounding basically means that your investment earns interest, and then your investment plus interest earn interest. It's not just the initial amount that continues to grow. The longer you invest, the more you can benefit from this "compounding" effect.

Need more information?

Please contact the Manager for more information about the your benefits in the Scheme.

If you want detailed or broader financial advice, you'll need to speak with a licensed financial adviser.

The Moneysmart site, **www.moneysmart.gov.au** has great tools for managing your credit card, comparing loans, and investment basics.

Interest rates. **Where to from here?**

Interest rates are never far from the headlines, particularly since reaching record lows. Stories on interest rates often go hand-in-hand with stories on spiralling house prices, but they have wider implications for the economy – as well as opportunities.

What is affected by a lower dollar?

The Reserve Bank of Australia lowers official interest rates to make borrowing cheaper. With people borrowing more, businesses are established, more is consumed and more is invested – building a stronger economy.

However, did you know that low interest rates are usually associated with a lower dollar? That's because low interest rates often mean less foreign investment as global investors search for the highest returns for their money.

Whether it's the effect on the Aussie dollar or the surging demand for housing, there are both winners and losers from low interest rates.

Winners	Losers
Borrowers – mortgage holders and property investors benefit from lower repayments on loans.	Savers – reducing interest rates means lower returns on savings, affecting those who rely on interest for their income, particularly retirees, while also reducing the incentive to save.
Exporters and tourism operators – the lower dollar makes holidays and Australian made goods cheaper.	Importers and online shoppers – buying goods overseas is more expensive with a lower Aussie dollar.
Investors in overseas markets – international earnings benefit from a lower Aussie dollar.	Insurance companies – as insurance companies invest your premiums long-term, they are now facing lower returns which can put pressure on premiums.
Investors in the share market - because of the very low returns on fixed-interest investments, investors put more money into the share market, particularly those companies who pay dividends, such as banks.	First home buyers – sky high house prices mean buying a first home just got harder.

What can you do to take advantage of low interest rates

There are a number of ways to benefit from lower interest rates, depending on your financial situation.

Repay your mortgage faster

Lower interest rates means your minimum monthly repayments amount goes down. Putting these savings back into your home loan can save thousands in interest repayments. The following table shows just how much:

Extra repayments on a $400,000 loan[1]

Extra repayments per month[2]	$0	$50	$100	$200	$400
Interest saved over life of loan	$0	$56.167	$12,721	$23,615	$41,326

1 Based on a 4.25 per cent interest rate over a 25 year term
2 Assumes extra repayments begin in fifth year of loan

Refinance

If you originally took out your loan at a higher interest rate, consider refinancing your loan at a lower rate.

Pay down your credit card

Interest rate cuts on credit cards are usually tiny, if at all! While your home loan hovers under five per cent, credit cards are usually closer to twenty per cent so make sure they are paid off first.

Take another look at your mortgage

Low interest rates won't last forever. Consider locking your mortgage into a fixed-interest rate. Fixed rates are often less than one per cent higher than variable rates, however keep in mind, usually the closer the variable and fixed mortgage rate, the more likely (in the bank's opinion) interest rates will drop again. And check the terms of the loan - some fixed rate loans don't allow extra repayments.

Set up regular payments and save

If you're saving money because of lower interest rates, extra money in your pocket lets you invest more for your future. Set up a rainy day fund – for whatever purpose you like.

Payment instructions before Christmas

Please note that our administrator, Mercer, will have reduced staff from 21st December to 4th January.

If you have any benefit payments requests at this time, to ensure payment before Christmas please ensure you submit the required form and certified identification to the Manager by Thursday 17th December 2015.

Important check list reminders

1. **Change of address**

   Have you advised the Scheme of your change of address?

2. **Nomination of Beneficiary form**

   Is your nomination of Beneficiary form up to date?

3. **Leave without pay**

   Are you going on Leave without pay?
   If so, all your insurance cover may cease.

4. **Long term sick leave**

   Members under age 60, is your sick leave due to run out?

5. **Maternity leave**

   Are you going on maternity leave and when will wages cease – as your insurances will be affected.

6. **Working less than 15 hours per week**

   For Defined Benefit Members working less than 15 hours per week, your insurance cover will be reduced to Death insurance only.

   Death insurance will cease if you are working less than 10 hours per week.

   *Please advise the Scheme on any of the above and contact the Manager, Mr Alan Kent on **8204 3826** for any clarification you may require. Information is also available in the Member Benefit Guide on the website **www.samfs.superfacts.com**

   Note: If you are on extended leave at any time, you can always access the Super Info on the website **www.samfs.superfacts.com**

7. **Salary sacrifice forms**

   Please ensure you send in **original** signed Salary Sacrifice forms to this office. We cannot process faxed or scanned copies. We need the originals to be signed off by the employer before forwarding to Shared Services.

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