# BRIDGES – REFERRAL PARTNER WEB CONTENT

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## FINANCIAL PLANNING



## What is financial planning?

The aim of financial planning is more than just managing your savings and investments. It's about helping you plan for a future lifestyle that is as good as it can possibly be. You work hard so why not make sure your money is working as hard as you are.

Whether you are in your carefree 20s, consolidating 30s, comfortable 40s or cruising 50s, the advice of a professional financial planner can be critical in helping you achieve your financial goals by developing a strategy that will work for you.

**To find out more about financial planning view the Bridges online videos?**

# How financial advice can help you

Financial advice can make a big difference at every stage of life.

A financial planner can help you with different investment strategies for different circumstances, such as:

- Managing your investments tax-effectively
- Saving for a home
- Planning for the costs of marriage and the benefits of combined income and savings
- Making your income go further by investing wisely
- Structuring your assets effectively if you are self employed
- Planning for a family and the loss of a regular salary whilst on maternity leave
- Helping you to make the most of your superannuation opportunities
- Planning your finances following a redundancy or when changing jobs
- Making the most of a maturing term deposit or a financial windfall, such as an inheritance
- Maximising your eligibility for Centrelink benefits
- Planning the retirement lifestyle you want

**To find out more about how financial planning could help you view the 'How a financial planner can help' online video?**

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## About Bridges

**<Referral partner>** is proud to offer you the services of Bridges.

Bridges is a leading and highly respected wealth management business which can provide you with advice on wealth creation, pre and post retirement planning, risk insurance, estate planning, margin lending, stockbroking services and much more. With over 60 offices and more than 160 planners, Bridges is one of Australia's largest financial planning and stockbroking groups, providing financial planning services to credit union and building society members since 1985.

Many people are aware that they need professional financial advice but are unsure of where to start.

The quest isn't simply to find a planner but more importantly, to find a planner you feel you can trust. A Bridges financial planner will provide you with advice that meets your needs and will continue to offer advice and service, long after the initial investment has been made.

**Visit the Bridges website to find out more about Bridges and the vast range of services available.**

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## Budgeting

Do you know how much you spend – each week, each month, each quarter?

If your money seems to disappear, try setting yourself a firm but achievable budget and start taking control of your money.

There are many ways to make your money work harder:

- identify your medium to long term personal goals and prioritise them
- take a hard look at your bills to see how you have been spending your money and work out where you can cut down
- identify debts that have the highest interest charge and pay these off as a priority
- consider having part of your salary regularly deducted from your savings account and transferred to an investment account
- create a realistic but firm budget to help determine your saving capacity
- reward yourself when you reach budget milestones.

Why not take a look at our budget planner which can help you get your finances in order. A Bridges financial planner can help you assess your individual needs, explain suitable investments and develop appropriate strategies.

**For more information on how a financial planner can help you view the 'How a financial planner can help' online video?**

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## Saving versus investing

The terms ‘saving’ and ‘investing’ are often used interchangeably but they are actually very different.

Saving is putting money aside for some short-term goals or as a back-up in case of an emergency. While relatively safe, savings are generally placed in a basic savings account earning relatively low rates of interest. The return on your savings may be outweighed by inflation, tax and account charges.

Investing, on the other hand, is putting your money to work strategically for the longer term, to build wealth and increase your financial security over time. Reinvesting dividends utilises the magic of compounding interest, making your money work even harder.

There are many factors that will determine the nature of the investments that are suitable for you. These include:

- your objectives – what do you want to achieve?
- your timeframe – how long do you have to invest?
- your risk tolerance – how comfortable are you with fluctuations in the value of your investment?

All investments carry a level of associated risk. Generally, those investments with higher rates of return over the long term have a greater level of risk over the short term. Similarly, those investments with lower risk usually have a lower long-term return.

Diversification is a strategy that spreads the ‘risk’ across a variety of different asset classes. Minimising the overall risk helps build the value of your portfolio.

There are many types of investments available to help you build your wealth:

- Cash
- Fixed interest
- Property
- Australian shares
- International shares

Why not take a look at our savings calculator which can give you an idea of how much your savings will be worth over time, so you can work out how much you need to save. Financial advice is not a ‘one size fits all’ approach. A successful financial plan is one that has been tailored specifically for you. Everyone’s situation is different and a Bridges financial planner can help identify appropriate strategies and investments just for you.

**To find out more about investing view the ‘Investment fundamentals’** online video?

## Tips to help build your wealth

- Consider having part of your salary regularly deducted from your savings account and transferred to investments with a higher rate of return
- Invest for the medium to longer term which will help smooth out the short term volatility of some investments
- Growth investments such as property and shares, although higher risk, generally offer a higher return over the longer term than lower risk investments such as cash and fixed interest
- Avoid investments that sound too good to be true, as this is often the case
- Consider investments that are more tax-effective, such as Australian shares
- Contribute more to super as this is one of the most tax effective investment structures available
- Diversification helps to reduce risk by investing across a range of asset classes

Why not take a look at our savings calculator which can give you an idea of how much your savings will be worth over time so you can work out how much you need to save. A financial planner can help you identify strategies to build your wealth and can provide advice tailored to your particular circumstances and goals.

**For more tips on how to build your wealth view the** Bridges online videos? They cover a variety of topics including ‘Getting to know your super’, ‘Investment fundamentals’ and ‘Protecting your assets’.

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## Superannuation

Superannuation is important because it may be your only means of financial support in retirement.

**A basic retirement versus a great retirement**

Wouldn't you like to enjoy your future without having to worry about money? Unfortunately most people have a huge shortfall in their retirement savings: the average Australian's superannuation balance at retirement is $292,500 for men and $138,150 for women*, not much considering a comfortable retirement can cost up to $42,962# pa for a single person and $58,915# pa for a couple.

Your employer's compulsory 9.5% Superannuation Guarantee (SG) contributions are unlikely to give you a comfortable retirement. But if you start contributing to your super now you can make more of your retirement later.

*ASFA Research and Resource Centre December 2015
# ASFA Retirement Living survey –September 2015

**Super tax advantages**
Superannuation is one of the most tax effective ways to save for your future.

Your contributions are taxed at up to 15%# which is much lower than most of the marginal tax rates. The tax paid on the fund earnings again is only up to 15% instead of up to 49%* on other investment earnings outside of super. If your super is then taken as a lump sum or converted to a retirement income stream there are further tax concessions.

Because of the concessional tax treatment enjoyed by super, there are limits on how much you can contribute each year.

Firstly, there are two types of contributions you can make to super; concessional (or pre-tax) contributions and non-concessional (or after tax) contributions.

# The contributions can be taxed an additional 15% if you are a very high income earner.
*Including the 2% Medicare Levy and the 2% Temporary Budget Repair Levy

**Concessional contributions**
Concessional contributions are made with pre-tax money and are limited to $30,000 per person per year ($35,000 if age 50 or over). This type of contribution includes the superannuation guarantee (SG) contributions made by your employer on your behalf (usually equal to 9.5% of your salary) and any additional salary sacrifice contributions you choose to make.

It’s important to remember that concessional contributions include SG, any personal deductible contributions or any salary sacrifice contributions you make. It will be important to monitor how much you contribute under these arrangements; if you exceed the limit, you could incur penalty tax.

**Non-concessional contributions**
Non-concessional contributions are those made with after-tax money and for the 2015/16 year, you can contribute up to $180,000 per person per year. The 2016 Federal budget has proposed implementing a lifetime cap of $500,000 on non-concessional contributions, effective 3 May 2016 and capturing all non-concessional contributions made since 1 July 2007.

**Receive a super co-contribution from the Government**
Do you earn less than $51,021, you may be eligible to receive a co-contribution from the Government. For every dollar you contribute to super, the Government will match it with a co-contribution of $0.50, up to a maximum of $500. The co-contribution reduces by 3.33 cents for every dollar of income over $36,021 pa and phases out completely at $51,021 pa.

**Salary sacrifice isn’t really a sacrifice at all**
If your employer permits it, a salary sacrifice strategy allows you to ‘sacrifice’ some of your salary to your super. The benefits of this are twofold:

- Firstly, your salary reduces by the amount you contribute to super, so you could end up paying less in tax and, depending on how much you contribute, you could even drop down a tax bracket
- Super contributions are taxed concessionally at up to just 15%* compared to your marginal rate, so you end up paying less in tax twice!

Any contributions you make to super under a salary sacrifice arrangement will be included as assessable income for the purposes of Centrelink and tax benefits eligibility.

Why not take a look at our salary sacrifice calculator which can give you an idea of how salary sacrificing could help boost your super. A financial planner can help you identify appropriate super strategies for you.

* A 30% contributions tax applies to contributions for high income earners.**For more information on salary sacrifice view the ‘Salary sacrifice explained’ online video?**

**Access your super while you are still working**
As long as you have reached your ‘preservation age’, a transition to retirement pension allows you to access your super while you are still working and can be used in one of two ways: either to give your super one last blast before you retire or to help you ease into retirement sooner.

By using some or all of your super to purchase a transition to retirement pension you can then make salary sacrifice contributions to your super and use the pension income to supplement your reduced salary. With the reduced contribution limits, it will be important to monitor the level of contributions you make.

Alternatively, if you are wanting to reduce your working hours and ease into retirement, you could simply use the transition to retirement pension income to supplement your reduced salary. It’s important to understand that this strategy will reduce your superannuation balance.

**For more information on transitioning to retirement view the ‘Transition to retirement’ online video?**

**Contribute on behalf of your spouse**

If you have a non working or low income earning spouse, you could contribute to super on their behalf and receive a generous tax rebate.

**Your super, your choice**
It is beneficial to understand where and how your super is invested because you do have a choice.

Eligible employees can choose the super fund to which their employer's compulsory SG contributions are made. With 'choice of fund', you may no longer need to change funds when you change employers.

**Investing super wisely**
It is also important to ensure your super is invested in line with your personal circumstances and objectives, including your risk profile, performance objectives and investment timeframe. Rather than simply investing in the default fund, you can select the way your super is invested. If your super is primarily in cash or other conservative investments you may be missing out on higher returns that could be generated from a larger allocation to growth investments (such as shares). If you have a longer time over which to invest you may like to consider more growth oriented investments.

Super is a long term investment and in times of downturn, it's important to remember the fundamentals of investing; share markets are cyclical and eventually value will be restored. History has shown that shares have the potential to outperform all other asset classes over the long term. Although shares have declined in value during the global financial crisis, it's also a time when opportunities may arise. Learn about the fundamentals of investing so you can make the most of your super investment, rather than missing out on opportunities.

A Bridges financial planner can help you implement an investment strategy for your super that not only meets your appetite for risk, but one that will also help you achieve your long term goals.

**Consolidate your super**
Do you have more than one super account, perhaps from changing jobs over the years? Consolidating your multiple accounts could save you money in fees and charges.

If you want to find out more about how to make the most of your super, make an appointment with a Bridges financial planner – your initial consultation is complimentary and obligation-free.

**For more information on super view the 'Getting to know your super' online video?**

**Small super funds**
If you want more control over your super and you have a balance of at least $300,000 to invest, there are two small super fund options you can consider – either a self-managed superannuation fund (SMSF) or a Small APRA Fund (or SAF). However, it's important to remember that with more control generally comes more responsibility.

**Self-managed super funds (SMSF)**
Self managed superannuation is a vehicle that gives you freedom of investment choice allowing you to take greater control of your retirement.

An SMSF, also known as a DIY fund, is a super fund with four or less members, where each member of the fund is a trustee or the director of a corporate trustee. Each trustee therefore controls the investment of their contributions and the payment of their benefits.

Over the last decade, the growth in SMSFs has been phenomenal and is one of the fastest growing segments of the superannuation industry. The impetus for this growth is threefold: the desire for more control by fund members, the advent of Super Choice and the increased focus on retirement planning. There are now over 555,000 self managed super funds registered with the ATO which hold in excess of $555 billion in assets. Over 1,500 new funds are being established each month.

Whether an SMSF is suitable will depend on your circumstances.

Part of the attractiveness of SMSFs is that they give you access to a large variety of investments not typically available through other superannuation funds. For example, you may invest in private assets such as artwork.

They also provide a way for family members (as the trustees) to combine their retirement savings in the one fund.

If you have your own business, an SMSF can be attractive because you can roll your business real property into the fund.

However, the changing legislation for SMSFs can be complex. Obtaining financial advice can help you understand what is required.

It is also important to note that an SMSF may involve a lot more administrative work for you and the compliance requirements can be onerous. You also need to ensure that the costs of running your SMSF do not outweigh the returns.

There are many things to consider before setting up an SMSF including:
- understanding how an SMSF differs from other super funds
- the roles and responsibilities of the trustees
- the establishment process for an SMSF
- how the fund is structured and what investments are permitted.

**For more information on super view the 'Self-managed super funds' online video?**

**Small APRA funds (SAFs)**
Like an SMSF, a SAF gives you freedom of investment choice but, unlike an SMSF, you don't have to shoulder the burden of compliance – a professional trustee does that for you.

A Bridges financial planner can explain these options to you in more detail and recommend a strategy that is appropriate for you.

Is there a gap in your retirement savings? Why not take a look at our retirement gap calculator which can help you compare how much you have and how long it will last, compared to the lifestyle you want. A financial planner can help you identify appropriate strategies to get you on track for a super retirement.

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## Retirement planning

Retirement is a time of life for you to relax and do the things you have always wanted to do. Therefore, careful planning can help ensure you are financially comfortable.

Prior to retirement, there are some important questions you need to ask yourself, including:

- What do you want to do in retirement?
- How much money will you need to do it?
- Do you need a regular income?
- Where will this income come from?
- When can you retire?
- How and when will you be able to access your super?
- What Government support will you be eligible to receive?

Planning ahead can assist you in making the most of what you have and help you achieve financial security, reduce uncertainty and enjoy your retirement.

There are many different options available to help fund your retirement. These include taking your super as a cash lump sum, purchasing an income stream product to give you a regular income or a combination of both.

**A regular income in retirement**

***Account-based pensions***
An account-based pension is purchased with super monies and provides a flexible, tax-effective, regular retirement income stream. It is not guaranteed, however the payments are flexible and can be any amount over the minimum limits set by the Government. Any capital remaining upon death is distributed to your estate or dependants.

***Annuities***
An immediate annuity on the other hand is an investment of a lump sum, usually with a life insurance company, that provides a regular guaranteed income for a specified period. The income will depend on the initial investment, frequency of payments and the prevailing interest rate. The income you receive is generally set at the time of investment and may be indexed.

Each type of income stream has different features. A Bridges financial planner can help you with these changes and your retirement planning by identifying income options that best suit your circumstances and goals.

Is there a gap in your retirement savings? Why not take a look at our retirement gap calculator which can help you compare how much you have and how long it will last, compared to the lifestyle you want. A financial planner can help you identify appropriate strategies to get you on track for a super retirement.

**For more information view the Bridges online videos?** Choose the ‘How much super is enough’ or ‘Retirement income options’ to find out more about planning for your retirement.

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# Insurance

**Building your wealth is important and so is protecting it**

What would your family do if something happened to you? Illness, injury and death can have a huge impact on your family and your finances. Most of us insure our car and home etc, but what about your most valuable assets: your life and your ability to earn an income. Make sure you look after your loved ones and protect them against these risks.

**Salary continuance insurance (income protection)**
Covers the loss of income, during an extended absence from work due to illness or injury.

**Trauma insurance**
Provides a lump sum payment as a result of a specified 'trauma', such as a heart attack, stroke etc.

**Total and Permanent Disablement (TPD)**
Covers the permanent loss of income through illness or injury that prevents your return to work.

**Life insurance**
Provides financial support for dependants in the event of your death.

**Business expense insurance**
Covers the costs of running your business in the event of extended illness or injury.

A Bridges financial planner can help you identify:
- areas where you may need protection
- appropriate insurance for your circumstances
- the level of cover required

**For more information on super why not view our 'Protecting your assets'** online video or contact us to arrange an appointment with a Bridges financial planner.

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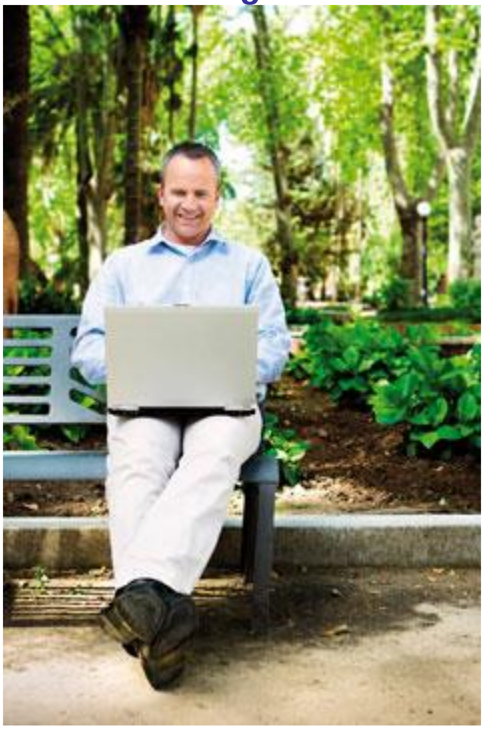
## Share investing



**Direct investments versus managed funds**
Investing your money is an effective way to build your wealth. You can choose whether you invest directly, indirectly (through a managed fund) or a combination of both.

If you prefer to control where your money is invested you can purchase shares directly. However, it is important to conduct thorough research before investing directly as there are many factors that will influence the performance of shares.

A Bridges financial planner can help you determine your risk profile and recommend appropriate investments.  You don't need a lot of money to invest in shares, you can start with as little as $1,000. If you are interested in creating a share portfolio, call Bridges today and make the most of the opportunities available.

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Alternatively, managed funds pool the money of multiple investors into a single investment vehicle with a common objective and strategy. Just as their name suggests, managed funds are managed by investment professionals for you. They give you an easy way to invest in one or multiple asset sectors such as shares, property, fixed interest and cash.

Financial advice is not a 'one size fits all' approach. Everyone's situation is different and it is important to work with a professional to identify which investments may be suitable for you. Bridges is one of the few financial planning groups that offers a full stockbroking service to help you with both direct and indirect investment options.

**For more information on super why not view our 'Investment fundamentals' online video?**

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## Redundancy

Redundancy can affect anyone from the chairman to the trainee. In this situation, there are many things to consider.

It is important to understand how you can manage a redundancy payment so you can make the most of it.

**Money to live on**
You need to assess how much money you require to live on and how much you will be able to put aside from your payout.

**Reducing the tax on your payout**
Part of your payout may be tax-free. There are also potential ways to reduce the tax you pay on the taxable component.

**Centrelink**
You may be eligible for some Centrelink support following a redundancy. The structure of your assets and income may increase your eligibility for Government support. However the receipt of a redundancy payment may impact your ability to access some Centrelink benefits.

Make sure you get the right advice so that your payout provides long-term benefits, for example you may choose to reduce your mortgage or invest it for the long term in growth assets such as shares or contribute it to your super.

Bridges financial planners can help you plan for redundancy to make sure your payout is used wisely. For more information contact us to arrange a complimentary, obligation-free initial appointment with a Bridges financial planner.

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## Tax-effective investing

Some investments are more tax-effective than others. Growth investments such as shares and property often receive more favourable tax treatment.

**Contribute more to super**
Salary sacrifice contributions to super can reduce the amount of tax you pay and build your retirement savings. The contribution is made prior to income tax being taken out of your wages. These contributions are taxed at a maximum of 15%* instead of your marginal tax rate which may be as high as 49%[1]. Remember though, that because of the concessional tax treatment there are limits on how much you can contribute; be careful not to exceed the limit, otherwise you could incur penalty tax. For the 2016/17 financial year, concessional contributions are limited to $30,000 per person per annum ($35,000 for people who are aged 50 or over).

Whilst your money is in super, the earnings are also taxed favourably at up to 15%, instead of your marginal tax rate.

**For more information on super why not view our [online videos?](#)** There are a range of subjects including 'Getting to know your super', 'Salary sacrifice' or 'Making contributions'.

**Investment loans**
Borrowing money to invest (gearing) may also be a good way to manage your tax. You can receive a tax deduction if the cost of borrowing exceeds the income generated by the investment.

If you have an investment loan you may be able to prepay the loan interest up to 12 months in advance and claim a tax deduction.

**Selling assets**
Timing the sale of assets can affect the amount of tax you pay. Try to avoid selling shares within the first 12 months of the purchase date. After this time only 50% of the growth in capital will be subject to capital gains tax.

An unused capital loss can be carried forward to a financial year when a capital gain applies therefore incurring less tax on that gain.

If you would like advice on tax-effective investing, please contact us to arrange an appointment with a Bridges financial planner.

* A 30% contributions tax applies for very high income earners.

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[1] Including the 2% Medicare levy and the 2% Temporary Budget Repair levy

# Estate planning

Who will look after your family when you have gone?  You have worked hard all your life, so don't let it all be for nothing.

Equally important as creating wealth is planning for the distribution of it to your loved ones after you have gone. First and foremost, this means having a current and valid Will in place.

Did you know that dying 'intestate' (without a Will) means that your assets (known as your 'estate') will be distributed according to a statutory formula which, perhaps, may not be in line with your wishes?

**The importance of a valid Will**

A valid Will is fundamental, but there is so much more to consider to ensure that your intentions are fully carried out after you've gone. Many life events such as marriage, divorce, the birth of children and the buying or selling of assets will impact your Will.  To account for such circumstances, it is important to ensure that you not only review your Will regularly, but your estate plan as well, to ensure that they both remain appropriate.

Have you considered who would manage your affairs if you were to become incapacitated?

A Power of Attorney is a legal document that allows you to appoint a person you trust to make financial decisions on your behalf.  A Power of Attorney however, ceases to have effect if you lose mental capacity.  An Enduring Power of Attorney on the other hand, will continue to have effect, whatever your mental capacity.

Whilst a person appointed under an Enduring Power of Attorney can make financial decisions on your behalf, an Enduring Guardian can be appointed to make personal or lifestyle decisions for you, such as where you should live, what doctor you should use and the medical treatment you should receive, particularly if you do not want your life artificially prolonged.

Estate planning not only ensures your wealth is managed and transferred according to your wishes, but also in the most financially tax efficient way.

When it comes to distributing your assets, it's hard to please everyone, particularly family members.    However, the right planning can minimise the likelihood of claims being made against your estate.

A trust created within your Will can provide significant flexibility, together with tax minimisation and asset protection, for those who will benefit from your estate.

You have paid tax throughout your life but you don't want your family to pay unnecessary tax once you have gone.   It is important to make sure your estate is structured appropriately to avoid paying unnecessary tax.

A testamentary discretionary trust, for example, is established within your Will as a structure that can hold your assets for your beneficiaries. As it does not take effect until after your death and is managed by a trustee, the distribution of capital and income can be made at any time and in any proportion, thereby providing flexibility for your beneficiaries. A testamentary discretionary trust could also provide some protection for your assets. As none of the assets are legally owned by the beneficiaries, to a certain degree, they are protected in the event of legal proceedings, such as marital breakdown or bankruptcy for example.

A testamentary discretionary trust structure can also provide other advantages for your beneficiaries such as tax-effective distribution of the income generated. Beneficiaries will pay income tax on their allocated share of income according to their marginal tax rates. Unlike other trust structures, beneficiaries under the age of 18 are taxed at adult rates rather than penalty rates, thereby allowing you to take advantage of a substantial tax-free threshold.

**For more information on estate planning why not view our 'Protecting your wealth' or 'What happens to super when you die' online videos?**

As legislation varies from state to state, a Bridges financial planner can help you determine which documents are appropriate for your needs. With an effective estate plan in place you can reduce your family's tax liability and maximise their benefits.

**Centrelink**

There are ways to reduce the impact of an inheritance on a beneficiary's Centrelink benefits.

A Bridges financial planner can show you how to preserve and manage your assets with an effective estate plan.   For more information, contact us to arrange an appointment.

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