

Your money Your future

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Small steps today can take years off your mortgage

For many Australians, mortgage repayments are a big (and getting bigger!) part of the family budget.

But with just a few focused strategies, you can potentially save thousands of dollars and make a huge difference to the timeframe of your loan:

- **make more repayments** – definitely easier said than done. But even small amounts will add up over the long run.
- **switch to fortnightly repayments** – rather than making 12 monthly deposits, make 26 fortnightly ones. You'll effectively make the equivalent of 13 monthly repayments.
- **take out a 100 per cent offset account** – any earnings deposited to your account will be treated as a deduction from the principal when interest is calculated, reducing the interest accruing.
- **consider a line of credit** – channel additional funds directly into your home loan, reducing the principal and the interest charged. A credit card with an interest-free period can be used to meet monthly expenses, which are then repaid from the line of credit at the end of the month. But take care – discipline and a high degree of organisation are essential for this kind of product.

For more information on reducing your debt, speak with your financial adviser.



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Eyes on the prize – how to set and achieve financial goals

Do you ever find that life seems to get in the way of your financial goals? You make the plans, have all the best intentions in the world and then something unexpected happens to bring you back to square one.

We asked psychologist and executive coach Jacky Dakin for some tips on how to better set and achieve realistic financial goals.

Share the load

Jacky says that one effective way to increase your chances of success is to share your goals with family and friends.

“Family and friends can gently remind you of your long-term ambitions when short-term temptations get in the way. Friends can also support you by acting as an informal coach, joining you on the journey or sharing their own tips for success.”

Jacky also suggests looking forward and anticipating obstacles that will get in the way of progress. For example, consider what consequences will result if you break your budget and purchase unnecessary items on impulse. If you've tried unsuccessfully

to meet a goal before, reflect on what went wrong last time and how you can avoid the same mistakes.

See the future every day

Another tip that Jacky recommends is placing visual reminders where you can see them. This will ensure you've got a constant and readily visible source of inspiration. “Try a collage of your proposed holiday trip in your office, a photo of your desired new car. A vision of what you want, or don't want, can help keep you on track,” she says.

Importantly, your goals must be realistic, measurable and achievable. A good example is when people say they just want to ‘get rich’. But what does this really mean? Creating a successful wealth plan means understanding exactly what you want to achieve and then building small bridges, step by step for each stage of the journey.

Jacky says, “It's fine to start with big, grand goals, but try breaking your plan down into small steps. A home renovation, for example, can easily be broken down into

manageable steps, making it more realistic and achievable. And, importantly, reward yourself when you complete each stage.”

Celebrate the journey

“Don't forget to celebrate your successes along the way. This, above all else, will keep you motivated. After reaching a milestone, treat yourself to a small reward” says Jacky.

For more information on how you can build a plan to get you on the path to a successful financial future, speak with your financial adviser.



Turn sacrifice into super success

Most people automatically balk at the idea of sacrifice because it usually means they'll have to give something up. But there's one kind of sacrifice that can result in you receiving more – salary sacrifice.

Salary sacrifice is a popular strategy for boosting retirement savings. Its big incentive is the tax savings that result from putting pre-tax salary into superannuation.

And what makes salary sacrifice even more attractive right now is the tax breaks that take effect from 1 July 2008. Because of these, many Australians may be in a position to boost their superannuation savings without affecting their everyday financial budget.

Case study – Melissa sacrifices take-home pay to take more later

Working as a vet in country NSW, Melissa has taxable income of \$80,000.

As a result of the new tax cuts coming into effect on 1 July 2008, she can expect to pocket an extra \$500 each year. However, if Melissa asked her employer to salary sacrifice this tax saving on her behalf, an

additional employer contribution of \$730 per year would be made (equivalent to \$500 after tax (31.5 per cent) = \$730).

The \$730 salary sacrificed into superannuation will be taxed at the concessional rate of 15 per cent, resulting in her superannuation fund receiving a boost of \$620.

Melissa has been able to convert a \$500 ‘take-home’ saving into a \$620 ‘take-later’ superannuation increase.

How to salary sacrifice

The first step to starting a salary sacrifice strategy is to ask your employer to make pre-tax contributions from your salary into your superannuation fund. Note that salary sacrifice may not be available to some employees. Ultimately, your employer needs to endorse your salary sacrifice activity.

Salary sacrificing will mean you receive less take-home income, and it will be considered a preserved benefit within your superannuation fund. However, the pay-off is two-fold:

- Firstly, provided that your marginal tax rate is more than 15 per cent, you will effectively reduce the total amount of tax you pay, because superannuation contributions are generally taxed at 15 per cent.
- Secondly, the tax saving means you're able to inject more funds into your superannuation fund. Over the coming years, it will benefit even more as the money it invests compounds.

For more information on how to salary sacrifice, speak with your financial adviser today.

