Insight
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INNOVATIVE FINANCIAL SOLUTIONS (QLD) PTY LTD

Getting Financially Prepared To Start a Family

Thinking of starting a family in the next couple of years? Make sure your finances are in order first. See our Family Finance Update on page 4.

In This Issue...

Brought to you by Innovative Financial Solutions

Helping you achieve financial success and peace of mind by providing you with a personalised financial strategy

Welcome to our latest edition of Insight

Welcome to the Autumn edition of Insight, through this newsletter we hope to provide you with relevant insight into the areas which affect you and those around you.

It has been an exciting start to the year here at Innovative Financial Solutions, we have been spending time reviewing our client communication and engagement process and are getting closer to developing and releasing some exciting new innovations in the way we engage with and communicate with our clients. This is an ever evolving area and we are committed to deliver our services in a way that is relevant and convenient to our clients, so they can maximise their experience with their adviser. With this in mind your feedback is crucial to help us continue to innovate and improve so please don't hesitate to contact us with any feedback you think would be helpful.

Also in the coming weeks keep an eye out for our communication regarding this year's federal budget. This will be Malcolm Turnbull's first budget as Prime Minister and we have already heard some of his potential ideas and it looks like he is starting to "think outside the box" in comparison to years gone by. Whether this materialises into anything substantial in this year's budget remains to be seen, however as soon as details are available we will be assessing these and addressing any areas that may affect clients whether they be positive or negative.

Lastly, I would like to introduce you to our newest staff member Nikki Bogosavac. Nikki has recently joined our customer service and administration team and will be working closely with clients and our advisers.

We're excited to have Nikki on board and I'm sure you will hear from her next time you contact our office.

Don't forget as we move closer to the end of the financial year, if you have any questions or would like to review your current situation please don't hesitate to contact your adviser.

Thank you for your continued support.

Kind Regards
Chris Hockey
Director
Innovative Financial Solutions (QLD) Pty Ltd

SUPERANNUATION INSIGHTS

A brighter financial future for women

The Government is set to focus attention of women's long-term financial security in retirement, which means changes could be underway to help improve it.

When it comes to achieving a comfortable retirement, having financial security is crucial. While there are strategies you can use to help you get there, many women can face unique challenges along the way.

These challenges include the 17.9% gender pay gap[1] and the fact that women are generally more likely to take time out from the workforce to care for family and raise children.

What's more, recent research by Colonial First State Global Asset Management (CFSGAM) found that some women[2] are less inclined to invest in growth assets such as equities. While growth assets are generally considered to be riskier than defensive assets like cash or fixed interest, they offer the possibility of higher returns and can potentially help your money to grow over time.

"This lower appetite for risk is important when placed in the context of lower super balances and the gender pay gap, which has widened post-GFC, and lower financial literacy, in general, compared to males," says Belinda Allen, CFSGAM Senior Analyst, Economics and Market Research.

"As women already face retirement with average super balances which are substantially less than their male counterparts, an aversion to higher risk investment strategies may hold them back from the opportunity of achieving higher long term returns from growth assets."

To help women boost their retirement savings, the Commonwealth Bank made a number of recommendations to the Senate Standing Economics Committee's Inquiry into the Economic security for women in retirement including:

- ✓ Changing the super contributions limits for those people who take time out from paid work, so they can put more into super when they're able to.
- ✓ Making financial advice more affordable.
- ✓ Continuing to improve Australians' financial literacy through the National Financial Literacy Strategy.
- ✓ Extending the Federal Government's Paid Parental Leave Scheme to include superannuation payments.

Regardless of any changes that could be in the pipeline, there are plenty of ways to take control of your super now, such as:

- ✓ Bringing all your super together to save on administration fees[3].
- ✓ Putting more into super – even a small contribution makes a difference.
- ✓ Getting help from a financial adviser.

For further information about your options to get your retirement savings on track speak to the team at Innovative Financial Solutions.

1. Gender pay gap statistics factsheet, wgea.gov.au, September 2015.
2. Aged 35-49 years and non-advised.
3. Before consolidating your super you should consider fees, whether you can replace any insurance cover you may lose upon consolidation, costs for withdrawing from your other super funds and any investment or tax implications.

Getting Financially Prepared To Start a Family

Thinking of starting a family in the next couple of years? Make sure your finances are in order first.

Before you start choosing names and browsing for strollers, here are **seven steps** to prepare you for the financial commitment of having a baby.

STEP ONE

Calculate your time off work

To start, figure out how long you and your partner want to take off work to care for your little one. Consider whether you're planning to drop down to part-time hours during your baby's first years.

STEP TWO

Know your entitlements

Next, look at what kinds of financial support you're eligible for. If you're going to be the child's primary carer and you fit other criteria, you could be entitled to up to 18 weeks' paid parental leave from the federal government – even if you're a seasonal employee, a contractor or self-employed.[1]

Other income support schemes for families include the Parenting Payment and Family Tax Benefits. Find out what you're entitled to, based on your financial circumstances.

STEP THREE

Sort out your health insurance

Next to education, healthcare could be one of your biggest expenses, so make sure you and your partner have the right level of health insurance. Some couples realise too late that their policy doesn't cover pregnancy-related expenses, and then they have to face a waiting period of up to 12 months after they increase their cover.

STEP FOUR

Make a budget

Once you've decided how much time off you're likely to take and the extra income support you can expect, make a household budget. Work out your current expenses and add in the additional costs of raising a child. Then, compare it with how much money you'll have coming in. If there's a difference, you'll need to start putting away some extra money now.

If you're going to be the child's primary carer and you fit other criteria, you could be entitled to up to 18 weeks' paid parental leave from the federal government.

STEP FIVE

Don't forget personal insurance

To protect your family financially, consider taking out income protection insurance. That way, if you get sick or injured and have to take time off work, you could still have money coming in while you get back on your feet. Another important one is life insurance, which could pay your family a lump sum if you pass away or become terminally ill.

If you're worried about the added expense of insurance premiums, don't despair. You can take out both life and income protection insurance through your super, so you don't have to cover the costs from your household income.

STEP SIX

Start saving

It's never too early to start saving for your child's future. You're bound to have some extra expenses in the short term, so it could be worth opening a higher interest savings account or term deposit to help save for those.

You might also want to talk to a financial adviser about longer-term saving and investment strategies – especially for big-ticket costs down the track like your child's education. Options may include investing in shares or managed funds, or paying more off your mortgage now to free up your money later.

STEP SEVEN

Boost your super

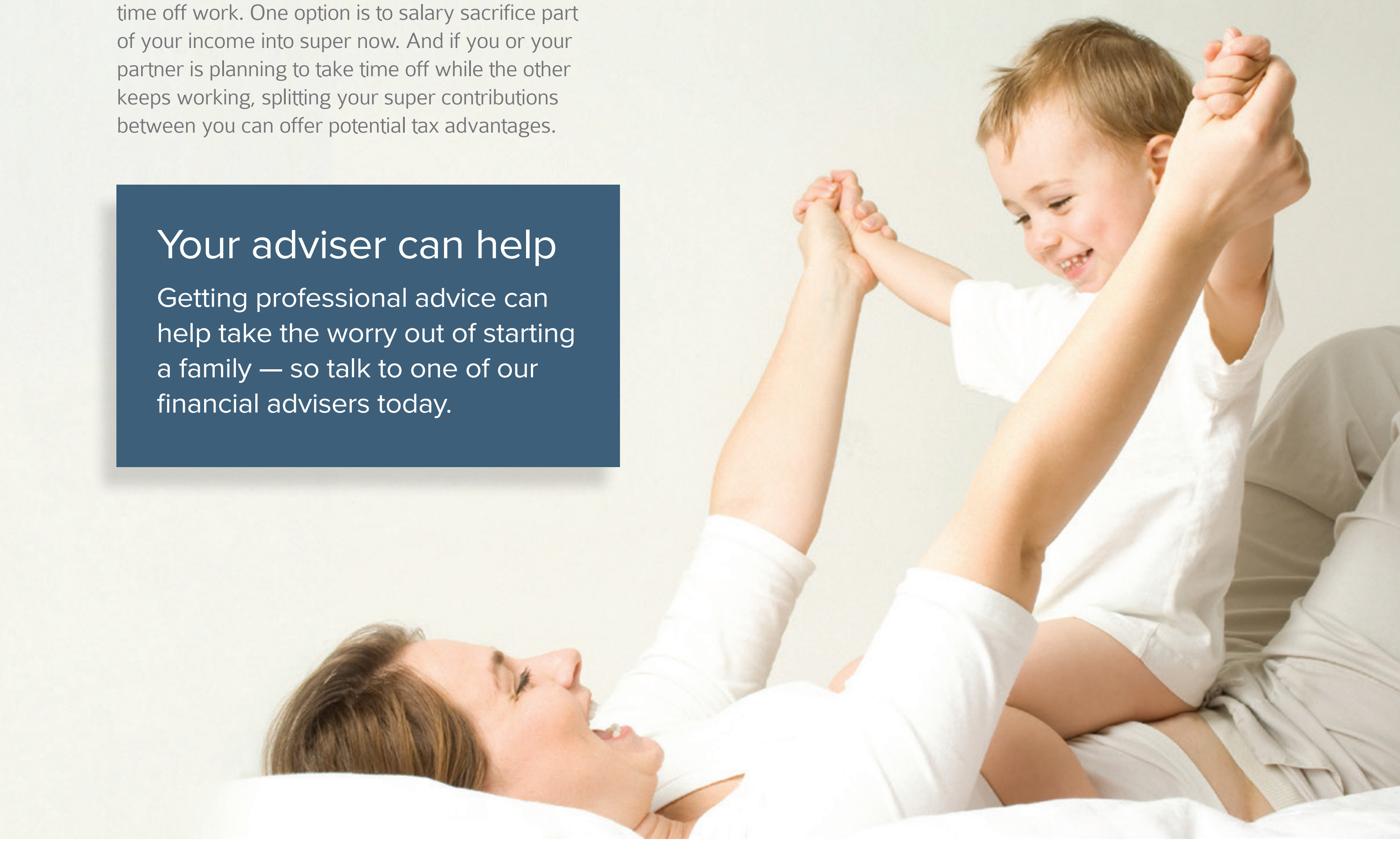
That brings us to a very important consideration — how to keep building your super if you're taking time off work. One option is to salary sacrifice part of your income into super now. And if you or your partner is planning to take time off while the other keeps working, splitting your super contributions between you can offer potential tax advantages.

Your adviser can help

Getting professional advice can help take the worry out of starting a family — so talk to one of our financial advisers today.

DID YOU KNOW?

If you're going to be the child's primary carer and you fit other criteria, you could be entitled to up to 18 weeks' paid parental leave from the federal government.



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Bubble trouble?

Are property and shares approaching bubble territory?

Here's our tips to help reduce the impact of a potential downturn on your investment portfolio.

Many Australians who invested in managed funds, superannuation or residential property (particularly in Sydney) in early 2012 would have seen the value of their initial investment rise by over 25% in the three years since^.

Whether or not this means property and shares are in bubble territory, and in danger of bursting or quickly deflating, remains to be seen, but it's good to know there are strategies to help reduce the impact of a downturn on your investment.

1. Focus on the long term

Growth assets such as property and shares can be volatile, but that's part of their appeal. Over time, they've provided higher returns than defensive assets like cash and fixed interest, and therefore a better financial outcome for many investors. Cool-headed investors tend not to let the market dictate terms, by instead focusing on the long term and trying to keep calm when markets fall. With investments moving in cycles, generally a bad time to sell is when markets are falling as you could miss a subsequent recovery.

2. Spread your risk

While property and shares can provide higher returns over the long term – with the associated higher level of investment risk – it doesn't mean they're a guaranteed way to achieve financial success. If someone invests purely in property or shares, and either or both markets fall, then their financial position could be jeopardised.

The good news is that different asset classes tend to perform better at different times, so it's possible to reduce volatility by spreading your money (or 'diversifying') across, and within, the different asset classes. In this way if your property reduces in value, gains in other assets within your portfolio may help to offset your losses.

3. Review and re-balance

Failing to re-balance your portfolio in line with your original investment strategy is a common reason for coming unstuck.

For example, let's say you originally committed to a portfolio mix of 60% growth assets and 40% defensive assets. If, over the next two years, your shares outperform cash and fixed interest, your portfolio could become a mix of 80% growth and 20% defensive assets. If you continued with this mix instead of re-balancing it back to its original position, then in the event of a downturn you'd find yourself in a substantially riskier position than planned.

4. Invest regularly

There's a strong case for continuing to invest in volatile times. Not only can it offer the chance to buy quality assets at bargain prices; it may also allow you to reap the benefits of a strategy known as 'dollar cost averaging'.

Dollar cost averaging helps take some of the risk out of investing in volatile markets because you invest a set amount on a regular basis, no matter if the market is up or down.

This happens automatically with your regular super contributions. When the market is up, your contributions purchase fewer units but your existing holding may be worth more. When the market is down, the value of your existing holding may reduce but new units become cheaper to buy.

Let's assume you invest an extra $200 per month into your super fund with the following hypothetical unit prices:

Month	$Invested	Unit price	Units	Value
JAN	$200	$0.50	400	$200
FEB	$200	$0.48	416	$391
MAR	$200	$0.41	487	$534
APR	$200	$0.38	526	$695
MAY	$200	$0.33	606	$803
JUN	$200	$0.37	540	$1,100
JUL	$200	$0.44	454	$1,508
AUG	$200	$0.49	408	$1,880
SEP	$200	$0.55	363	$2,310
OCT	$200	$0.61	327	$2,761
NOV	$200	$0.57	350	$2,779
DEC	$200	$0.53	377	$2,784
TOTAL	**$2,400**		**5,254**	

With dollar cost averaging, your total investment of $2,400 would have grown to a final value in December of $2,784. If you'd stopped investing in May, at the unit price's low point, you would have invested $1,000 for a total value of $803. That's a loss of nearly $200 (excluding broker fees), with less opportunity to benefit from the upswing later in the year.

Dollar cost averaging doesn't guarantee a profit but, with a sensible and long-term investment approach, it can help smooth out the market's ups and downs.

Speak to one of our financial planners about your options. We can help you understand the various strategies available.

^Residential property: 6416.0 - House Price Indexes: Eight Capital Cities, Dec 2012-14; Managed funds: Morningstar top performing managed funds (3 year performance); Super: Chant West performance tables (3 year performance)

INSURANCE INSIGHTS

Is your family a potential charity case? See why.

How would your family survive financially if you weren't around or able to work?

While no-one likes to think about being unable to take care of their loved ones, it's important to plan for all eventualities. Securing your family's financial future, no matter what happens, is essential. Here's how to start...

1. Get assurance through insurance

A recent Lifewise/NATSEM Underinsurance Report, revealed that 95% of families aren't adequately insured, which means if the breadwinner becomes ill or dies, they can be left to rely on government assistance. Making sure you are adequately insured is one of the smartest ways to provide for your family. Insurance doesn't just give peace of mind: Life cover can protect your family's financial security, giving them one less thing to worry about in difficult times.

2. Do it sooner rather than later

Insurance isn't just for people who have partners and children. If you are young, fit and single, it can pay for your care if you are injured, in an accident or become seriously ill.

Taking out life insurance when you are younger can also make good financial sense. Policy costs increase as you get older, so it might be possible to lock in more affordable rates when you're young and healthy.

Plus, if you take a policy out when you are strong and in good health, it has to remain in place even if you become seriously ill and difficult to insure. So, unless you are wealthy and have the means to cover your family's financial needs if you aren't there, it makes sense to be adequately insured.

3. Unpick the policies

Understanding the different types of insurance, and which ones are right for your circumstances, is a great start point:

- **Life Cover:** Pays beneficiaries an agreed amount of money if the insured person dies.
- **Total and Permanent Disability cover or TPD:** Helps pay the costs associated with care and debt repayments if you are permanently injured.
- **Trauma cover:** Helps with the cost of treatment for a long-term illness or injury.
- **Income protection:** Provides money to replace income if you can't work because of an injury or illness.

Even if you're young, fit and single, insurance can pay for your care if you are injured, in an accident or become seriously ill.

4. Count the cost

Now you know the different types, there are two things to consider when working out the cover you should take out:

A. How much can you afford?

There's no point in getting into financial difficulties trying to pay high premiums. Work out your budget and how much you can divert into insurance. If you need help, contact your financial adviser.

B. How much money will you or your family need if you end up having to make an insurance claim?

List your crucial bills and financial commitments to give you an idea of how much your family will need to live comfortably. For example:

- Mortgage
- Childcare fees
- School fees
- Council rates
- Strata fees

5. Tick the legal boxes

Finally, if your insurance policy has to be used, it's important to smooth the process by making sure your Will is current.

While you can use a lawyer to draw up your Will, the Public Trustee in each state also provides a Wills service. Fees vary from being free in Queensland to being based on a sliding scale depending on the capital of your estate in NSW.

The Public Trustee can also help you with arranging power of attorney, which can be as important as having a Will.

Power of Attorney means you give an attorney the legal authority to look after your financial affairs on your behalf if you are no longer able to do so, eg, if you are too ill or injured to make decisions. It means someone can still access your funds and activate your insurance policies to make sure money is released to provide for you and your family.

At Innovative Financial Solutions (QLD), our aim is to help you achieve financial success and peace of mind by providing you with a personalised financial strategy.

About us

We are a boutique financial planning practice providing strategic financial advice solutions for clients in areas such as wealth creation, superannuation, risk management and retirement. We strive to provide you with a plan that will create and protect your wealth over the long term, while dealing with your day to day financial needs.

We are committed to service excellence and ongoing adviser education. All of our advisers are qualified, financial experts with the experience to ensure the best financial out come for you. Our quality financial advice puts you in control.

Our advisers

Our highly accessible and expert professional advisers are the key to our first-class client service. They will provide clearly communicated, tailored solutions and practical recommendations to ensure you grow and succeed in today's challenging environment.

Their capability is constantly improved through training, professional development and workplace programs.

The value of advice

Making the right decisions about your finances has never been so important. A financial planner can help you do this by understanding your financial situation and helping you develop a financial plan to meet short and long-term goals.

The right financial planner has the potential to provide outstanding value for money - creating a benefit that reaps rewards far in excess of the cost involved.

Of course, 'value' often goes beyond dollars and cents. It can be the peace of mind and security that comes with being prepared for the future. Or it may be the helping hand that arrives at a time of personal upheaval. Sometimes it's the clear sense of direction an expert can provide when we arrive at one of life's crossroads.

Whether you have definite personal goals, like saving for retirement or funding your children's education, or you're facing a raft of financial challenges, a financial planner can make a difference. Put one of our financial planners to the test and you will be offered sensible, achievable solutions that identify opportunities and help you avoid costly mistakes that could derail your future plans.

Our Services

Personal insurance
Superannuation

Retirement Planning
Investment Strategies

Small Business Planning
Estate Planning

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