Australian Shareholders' Association

OWN YOUR FINANCIAL FUTURE

wInvest workbook

NAME: ____________________

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What are you going to learn?

There's so much information about finance and investing freely available. All you have to do is google 'finance' or 'investing' and you will be inundated with information.

This workshop cuts through the jargon and helps you focus on and understand the underlying important principles. Grasp and implement these and you will be well on your way to becoming financially savvy.

We keep things simple so that you can be equipped with sufficient financial literacy to feel comfortable in discussing your financial goals and your financial plan with your professional advisers, family and friends. We provide examples, templates and suggestions on actions that you can take to control your own financial future. This workshop will:

- Help you understand what a financial plan is
- Clarify the different options for managing your super – do you know where your superannuation is and who manages it?
- Introduce you to investment concepts – don't be scared off by complex sounding or jargonistic terms!
- Become familiar with the sorts of questions financial professionals are likely to ask
- Learn how to source a professional adviser – we provide you with a range of resources
- Develop the confidence to talk to the financial professionals and family and not be bamboozled!

Disclaimer

The views written in this workbook and presented in this workshop are intended only for discussion and education. They are neither intended to be, nor are they suitable to be, acted upon as investment advice.

It is advisable to obtain investment advice from a licensed adviser before making any investment decisions based on the contents of this course. The Australian Shareholders' Association is not a licensed investment adviser.

Contents

1 Why don't we talk about money?

Sometimes those in the finance and investment professions like to make money and finance more complicated than it needs to be but this workshop is all about keeping things simple and providing you with the knowledge and tools to start having those important money conversations.

Did you know? … As females we talk about money less than men do!

Often money is considered a taboo subject so while we are able to talk about 'emotional eating' with our friends we are very unlikely to talk about money.

Women can find it very difficult to talk about:

- emotional spending
- how we spend our money
- how much debt we have
- how much money we have in the bank
- what is going to happen to our money if something happens to us
- our plans to save money
- our plans to spend money in the future
- our plans to give more money to one family member than another

Some of the reasons we don't talk about money with the people you trust might be because we:

- consider it impolite
- are concerned that we might be judged
- can't trust the people that we talk to about money

This workshop is all about providing a **safe and non-judgemental environment** where you can learn about some basic money concepts and give you an idea of what a financial plan might be, what a financial plan might mean to you and how you can have a discussion about these topics.

It is important to understand that to get the most out of your workshop experience we all must agree to two very important rules:

- Nothing that is said in the workshop will be shared outside of the room
- There will be no judgements on anything that is shared

The workshop is all about learning – hopefully by sharing some our own money mistakes we can all learn from each other in an environment where there is no judgement.

2 Developing a financial plan

The good news is that to most women, a financial plan isn't a new concept! Let's explore that statement a bit more.

Did you know? ... Studies show that women control over 75% of all household expenditure!

While men might make the money for a family, women actually are the main planners and often the sole decision makers when it comes down to how the money is spent.

Money is always about prioritising and as women, we've always been very good at knowing that because we've got some long-term plans (e.g. sending the kids to private school) and some medium-term plans (e.g. to go on that holiday!) that there is something we can't have right now. As women we are very good at figuring out what those priorities are.

So the idea of financial planning isn't at all new to most women – you just may not know it by the title.

"You can have it all.... you just can't have it all at once"

Oprah

2.1 Why is a financial plan important?

We all need a financial plan otherwise we tend to drift along from one decision to the next without any clear direction.

Financial planning helps you determine your short and long-term financial goals and develop strategies to reach those goals

When you have a financial plan, it's easier to make financial decisions and maintain a disciplined approach to managing money so that you stay on track. A financial plan also provides a feeling of security which can lead to less stress about financial matters. Finally, a financial plan provides a framework to increase your wealth over a period of time.

2.2 What is financial planning?

Financial planning is simply the process of understanding your financial situation and goals, knowing when you will need to use your money, and what you will be using it for and then laying out a plan of action with specific steps you need to take to achieve your financial goals. A financial plan is simply a document that provides you with a road map for your finances

The job of a financial planner is to find the least riskiest path to get you from where you are now to where you want to get to. To develop a financial plan for you a financial advisor would gather personal and financial data about you (similar to what you will capture in this workbook) and then use the data to create projections that show you when and how you might accomplish your goals.

Financial planners will generally provide you with quite a lengthy plan which can appear quite complicated and overwhelming. They have to demonstrate they have considered your personal circumstances and the information they provide is considered advice so there is a whole range of legal information that they have to include so that they comply with the Financial Services Act.

When you boil it down though there are just four key components of a financial plan:

1. **What are your goals and objectives?**
2. **What is your current financial situation?**
3. **What is your risk tolerance?**
4. **What financial strategies are you going to implement to reach your goals and objectives?**

This workbook will help you work through some of the steps to create a financial plan.

3 Thinking about your financial goals

Before you start to develop a financial plan you must first identify your personal objectives, goals and dreams. And even before you set your financial goals you probably need to understand your motivations; why do you need to achieve your goals and what is going to drive you to achieve them?

3.1 What is my 'why'?

The factors that determine what is important to you personally are known as **values** and knowing your values will help you prioritise where you use your money. Knowing what is motivating you – knowing your 'why' – will help keep you focused to actively plan and strive towards financial security.

When you align how you behave and the decisions you make to your values you will more than likely be more content, excited or comfortable. When you don't make decisions or live according to your values you may find you feel disturbed, frustrated, bored, complacent or constantly hoping for better things.

Exercise: What is my 'why'

To help you get some clarity on this topic, **spend a bit of time exploring your motivations, concerns and values about money by answering the following questions:**

What does/would having money allow me to do? E.g. freedom to spend without guilt, afford an aged care bed without being a burden on family, give charitably, leave a legacy.	
What concerns me about money? E.g. what would I do in an emergency? Will my money run out?	
What is really important to me about money? What are my values surrounding money? E.g. Being in control, being financially secure.	

3.2 What are your financial goals?

Goals are simply things that you decide you want to do or achieve in a certain timeframe. Financial planners will always ask about your financial goals, so it is useful to have some idea of what these are.

The last exercise helped you pull together your initial thoughts on this topic, now it's time to reflect on your answers and based on what you have written, develop some **financial-related** goals that are important to you.

Exercise: Write your own financial goals

Write down 4 or 5 financial goals – focus on things that are important to you and keep in mind which of the values you have said are important to you and make sure your goals help satisfy those values.

Goal	Why Important/Value	Potential Cost

Often the easiest way to organise your goals is by time.

The following table outlines a logical framework of time horizons. Of course, your goals are particular to you and may not fit, so use the table as a guide only.

	Timeframe	***Examples***
Short Term	*1 – 3 Years*	*Purchasing a caravan, saving for a holiday, paying credit*
Medium Term	*4 – 6 Years*	*Paying off a larger debt, making improvements to your*
Long Term	*7+ Years*	*Saving for retirement, starting a charity,*

Your timeframes will depend mainly on your financial goals and your stage of life

Timeframes for your goals are an important factor in deciding which investments are suitable to help you reach those goals.

4 Do you know what your financial situation is?

A good navigation system won't work for you unless you know two important things:

1. Where you want to go AND
2. Where you are now

In our last session you considered and captured what is important to you so you've got the 'where you want to go' part covered.

In this session we are going to look at what you (and perhaps your advisers) need to know to work out exactly what your financial situation is so that you know 'where you are now'.

Getting an idea of your current financial situation involves a little bit of effort and some calculations but is well worth it. We've provided a template here for you to start completing to capture all the information necessary and we understand that you may not have all this information to hand today and that's ok.

Complete as much as you can or as much as you know today and then take the time to fill in the rest when you get home or when you have asked the necessary questions of others. These 'blanks' that you may not know now may very well be the ideal starting point for the 'money' conversations you have in the future – and we're going to help you deal with those money conversations in Day 2 of the workshop.

Did you know? ... That financial planners will need you to complete something like this (they usually call it a 'fact find') to make sure they provide you with the right advice.

As well as capturing financial information, it is useful to record some other personal information like your insurance details, where your will and power of attorney are located and your adviser's details. We've included some sections for these details below as well.

Having all this information in one place is a **useful reference guide if something unexpected happens to you. It will be a record of all your personal financial information in one document that you keep in a safe place** that someone else can refer to in an emergency.

4.1 Understanding the jargon!

As you work your way through the sections below you may come across some unfamiliar terms. To help with this here are a few simple definitions:

Concept	**Definition**	**Examples**
Assets	Things that you own	Cash in bank accounts, your home, term deposits, shares, managed funds, investment properties
Liabilities	Things that you owe	Mortgage, investment loans, margin loans, credit cards
Net Worth	**Total Assets** (Things that you **own**) LESS **Total Liabilities** (Things that you **owe**) *(We'll talk about net worth more in Section 7 later in the Workshop)*	

4.2 Capture your financial situation

Exercise: Record your assets

Write down a description and value for all the assets in the four asset tables below.

Assets

Assets can be divided broadly into two categories:

- lifestyle assets – things that you own that you need to live and enjoy life
- income producing assets – things that you own that produce and income or grow in value

Lifestyle assets

Asset	Description	Value
Family Home		
Contents		
Car 1		
Car 2		
Holiday Home		
Boat/Caravan		
Other		
	Total lifestyle assets	

Income producing assets

Cash and fixed interest

Account	Interest Rate	Maturity Date	Value
		Total cash assets	

Superannuation

Superannuation Pprovider	Investment pption *(e.g. Growth, balanced, conservative)*	Account balance
	Total superannuation assets	

Investment Property

Property	Purchase price	Purchase year	Value
		Total investment property assets	

Shares/managed funds

Details	Units	Value
	Total equities assets	

Liabilities

Liabilities are things that you owe – make sure you record as much details as you can and don't forget those store cards if you have them! If you know your repayments, record them here, you will also need to know what these are for our expenses section which we will complete soon.

Exercise: Record your liabilities

Write down a description, value and repayment amount for all your liabilities in the table below.

Details	Property/Lender	Repayments	Amount owing
Home Loan			
Investment Loan			
Investment Loan			
Investment Loan			
Personal Loan			
Credit Cards			
In Store Cards			
Lease			
Line of Credit			
Margin Loan			
Other			
Other			
		Total Liabilities	

Income & Expenses

One of the keys to financial independence is making sure you spend less than you earn. This allows you to take control of your finances and put money aside to build long term security. To achieve this you need to:

- understand where your money comes from and how much there is coming in – your income
- know where your money goes – your expenses
- control your spending to only what you can afford

This can be easy with the right approach and like exercise or a new skill you learn, the more you practice the better you will get. The first step is to capture all the information so that you can clearly see where you are at right now!

Exercise: Record your income

Write down amounts for all the types of income that you receive.

Income

Details	Person 1 Annual $	Person 2 Annual $
Base Wages (excluding super)		
Employer Super Contributions (e.g. 9.5%)		
Salary Package (e.g. car or FBT component)		
Business Income		
Any government income? (e.g. DVA)		
Superannuation Pension/s		
Investment Income		
Rental Income		
Other Income		
Totals per person		
	Total Income	

Exercise: Record your expenses

Write down amounts for all the types of expenses that you have.

Expenses: Part 1

Details	Weekly $	Annual $

Personal		
Food		
Clothing		
Medical		
Utilities (gas, water, electricity)		
Phone, post, internet		
Alcohol		
Other		
Housing		
Rates		
Insurance		
Repairs/Maintenance		
Rent/Mortgage		
Other		
Entertainment		
Magazine/Subscriptions		
Gifts		
Restaurants/Take away		
Sports/Memberships		
Holidays		
Other		
Expenses Total Part 1		

Expenses: Part 2

Details	Weekly $	Annual $
Transport		

Registration/Licensing		
Insurance		
Car repayments		
Petrol/Servicing		
Other		
General		
Superannuation		
Life Insurance		
Trauma Insurance		
TPB Insurance		
Health Insurance		
Fares/Taxi		
Credit Card payments		
Other		
Other		
Tax deductible		
Income protection insurance		
Memberships		
Professional Costs		
Investment property loan repayments		
Dependents		
Education		
Childcare		
Other		
Total Expenses Part 2		

	Weekly $	Annual $
Total Expenses for Part 1 & 2		

Other Important Information

Exercise: Record your other important information

Write down details of all your insurance policies, your estate planning status and contact details for your financial professionals to capture an 'all in one place' record for future reference.

Insurance		Person 1		Person 2	
	Insurer	Y/N	Amount	Y/N	Amount
Life		Y ☐ N ☐		Y ☐ N ☐	
TPD		Y ☐ N ☐		Y ☐ N ☐	
Trauma		Y ☐ N ☐		Y ☐ N ☐	
Income Protection		Y ☐ N ☐		Y ☐ N ☐	

Estate Planning	Person 1	Person 2
Do you have a will	Y ☐ N ☐	Y ☐ N ☐
Is it current?	Y ☐ N ☐	Y ☐ N ☐
Location		
Executor		
Do you have a Power of Attorney	Y ☐ N ☐	Y ☐ N ☐
Granted to:		

Professional Advisors	Contact Name/Firm Details	Phone Number
Accountant		
Solicitor		

On-line Access	Details	Password
Bank 1		
Bank 2		
Social Media		

4.3 Surplus or deficit?

From the work you have done in the last few pages, you can now work out whether you are spending more than you earn or not.

If your income is more than your calculated expenses then you have a surplus – remember financial planning is all about using that surplus to help you reach your financial goals.

Exercise: Record your surplus/deficit amount

Refer to the previous income and expense tables and record your total income and expenses and calculate your surplus or deficit

Total Income		Total Expenses		Surplus/Deficit
	-		=	

If you need some help revisiting your expenses, ASIC's Moneysmart website has a great section on budgeting www.moneysmart.gov.au/managing-your-money/budgeting including a budget calculator.

5 How much do you need in retirement?

How much you need in super (or invested outside super and earning income for retirement) will depend on what type of lifestyle you want to have in retirement and what investment returns you can get on your invested funds during retirement. ASFA (Association of Superannuation Funds of Australia) has developed an ASFA Retirement Standard which is revised regularly to *'give Australians a more comprehensive picture of how much they need to spend to support their retirement lifestyle'.* The ASFA standards and the suggested annual and weekly living costs are listed in the table below.

ASFA Retirement Standard	Annual Living Costs	Weekly Living Costs
Couple (modest)	$39,353	$756
Couple (comfortable)	$60,264	$1,159
Single (modest)	$27,368	$526
Single (comfortable)	$42,764	$822

5.1 What is a modest or a comfortable retirement?

The following table is a brief comparison of what is considered a modest and comfortable retirement - note that a modest retirement lifestyle is considered better than the Age Pension, but still only allows for the basics. The ASFA standards make the assumption that retirees own their own home outright and are relatively healthy.

Comfortable retirement	Modest retirement	Age Pension
One annual holiday in Australia	One or two short breaks in Australia near where you live each year	Even shorter breaks or day trips in your own city
Regularly eat out at restaurant. Good range and quality of food	Infrequently eat out at restaurants that have cheap food. Cheaper and less food than a 'comfortable' lifestyle standard	Only club special meals or inexpensive takeaway
Owning a reasonable car	Owning an older, less reliable car	No car or, if you have a car, it will be a struggle to afford repairs
Afford bottled wine	Afford cask wine	Home brew beer or no alcohol at all
Good clothes	Reasonable clothes	Basic clothes
Afford regular hair cuts at a good hairdresser	Afford regular hair cuts only at a basic salon or pensioner special day	Less frequent hair cuts or getting a friend to cut your hair
Take part in a range of regular leisure activities	Take part in one paid leisure activity infrequently. Some trips to the cinema	Only taking part in no cost or very low cost leisure activities. Rare trips to the cinema
Private health insurance	Private health insurance	No private health insurance

Note that details of the ASFA Retirement Standards (what the lifestyles involve) and detailed budgets can be downloaded in PDF format from the ASFA website at www.superannuation.asn.au/resources/retirement-standard. We've also included a handy annual breakdown of expenses adapted from the ASFA resources in Appendix 1 at the back of this workbook.

5.2 How much capital will I need?

How much money you need to have invested in super or other assets to generate the living costs for each of the ASFA Retirement Standard lifestyles outlined earlier is dependent upon how conservative or aggressive you are with regards to your investments and where you have those assets invested.

The return you earn from your investments will vary and this will also impact how long your capital will last. The following tables should be used as guide only.

Capital Needed for Modest and Comfortable retirement (no Aged Pension)

ASFA Retirement Standard	Annual Living Costs	Capital Required
Modest Couple	$39,353	$500,000
Modest Single	$27,368	$350,000
Comfortable Couple	$60,264	$640,000
Comfortable Single	$42,764	$545,000

Couple - Income in Retirement with $350,000 in super (Aged 66)

	Income in Retirement	Part Age Pension	Super Pension	TOTAL INCOME P.A.
1	**Minimum Income Payable**	$30,885	$17,500	**$48,385 p.a.**
	How Long will Super Last?	- Pessimistic Return – 2.6%	Age 85	
	How Long will Super Last?	- Base Case Return – 5.7%	Age 90	
2	**Comfortable Income (Couple)**	$30,885	$30,000	**$60,885 p.a.**
	How Long will Super Last?	- Pessimistic Return – 2.6%	Age 77	
	How Long will Super Last?	- Base Case Return – 5.7%	Age 80	

Single - Income in Retirement with $150,000 in super (Aged 66)

	Income in Retirement	Part Age Pension	Super Pension	TOTAL INCOME P.A.
1	**Minimum Income Payable**	$23,012	$7,500	**$30,512 p.a.**
	How Long will Super Last?	- Pessimistic Return – 2.6%	Age 85	
	How Long will Super Last?	- Base Case Return – 5.7%	Age 90	
2	**Comfortable Income (Single)**	$23,012	$21,000	**$44,012 p.a.**
	How Long will Super Last?	- Pessimistic Return – 2.6%	Age 73	
	How Long will Super Last?	- Base Case Return – 5.7%	Age 74	

6 Your Net Worth

Now that we've looked at how much capital you might need in retirement to generate the income for the lifestyle you want, it's now time to calculate the capital that you have currently have – this is called your net worth – remember your net worth is:

Net worth	**Total assets** (Things that you **own**)	LESS	**Total liabilities** (Things that you **owe**)

You normally don't earn any income from the place where you live and your cars or your furniture so we are going to leave these out of the equation here to work out your net worth. All we are going to consider is the funds that are available to generate the income you need in retirement.

<u>Exercise: Calculate your net worth</u>

Refer to the tables in Section 3 (Capturing your financial situation) and Section 6.1 (How much do you need in retirement) and record the relevant figures in the boxes below:

	Amount
Cash	
Property	
Superannuation	
Shares/Managed Funds	
Total Assets	
Less Total Liabilities	
Net worth available for retirement	

Capital needed for desired lifestyle ***(Your target retirement number)***	

<u>Exercise: Do you have enough capital to generate the income you need?</u>

Is the net worth available for retirement figure larger than the capital needed for desired lifestyle figure above?

If no, are there any gaps/unknowns that you still need to fill that may reduce the shortfall? Who do you need to talk to fill in the gaps?

If you have captured everything relatively accurately and there is still a shortfall, do you need to talk to a financial professional about your options?

7 Asset Allocation

Once a financial professional has an idea of your risk tolerance they can create an asset allocation – this is just a mix and a balance of different investments across a range of asset classes – that suits your risk profile.

Investments in a specific asset class are generally expected to:

- have similar risks and returns
- perform in a similar way
- be subject to the same rules and regulations

Each asset class is expected to:

- have different risk and return characteristics
- perform differently in different market conditions.

Let's look in more detail about the different types of assets and some of the risks associated with each of them.

7.1 Cash

Cash assets include bank deposits, term deposits, saving and cheque accounts and cash management trusts.

Characteristics

- Suitable for investors who have a short term investing need, a low tolerance for risk or if market volatility (the range of share price movement of equities) is high
- Provides a stable and low risk income, usually in the form of regular interest payments
- The longer a term deposit the greater expected return
- No recommended minimum timeframe.

Risk	Potential Return
Low	Low

7.2 Fixed Interest

Fixed interest assets include government bonds, corporate bonds, mortgages and hybrid securities. Bonds are simply debt issued by companies.

Characteristics:

- Can be more volatile than cash, but are still relatively stable
- Generally operate in the same way as a loan
- Income return is usually in the form of regular interest payments for an agreed period
- Minimum suggested time frame: 1-3 years

Risk	Potential Return
Low/Moderate	Moderate

7.3 Property

Property includes direct investments in residential, industrial and commercial property and can also include indirect investments in listed property vehicles such as real estate investment trusts.

Characteristics:

- Higher risk than fixed interest but less perceived risk than shares
- Less liquid than other asset classes resulting in a higher recommended minimum holding timeframe
- Entry and exit costs can be significantly higher and direct property has other related expenses
- Can have tax advantages if negatively geared
- Income return is in the form of rental payments or distributions from a unit trust (in the case of REITS)
- Minimum suggested time frame: 7+ years

Risk	Potential Return
Moderate/High	Moderate/High

7.4 Shares

Shares (sometimes called equities) includes direct investments in both Australian and International listed shares and can also include indirect investments in managed funds, exchange traded funds and listed investment companies. Owning shares means having part ownership of a company enabling the investor to share in the profits and future growth of the company.

Characteristics:

- Returns are affected by capital growth or capital loss
- The most volatile asset class but over long periods of time, on average, has achieved higher returns
- Highly liquid when cash is needed in a hurry
- Currency valuations can affect performance of international shares but of the best companies in the world only a few are in Australia so it is logical to invest offshore to access quality
- Income is from dividends which are only paid twice per year so share must be owned at a certain date to receive the income
- Dividends from Australian shares come with a franking credit which means the company has already paid tax on the earnings and the investor receives the benefit of the tax credit to offset against other tax payable.
- Minimum suggested time frame: 5-7 years

Risk	Potential Return
High	High

8 What is risk?

Risk means different things to different people. Before we look at risk in more detail, let's look at what risk means to you right now.

Exercise: What are your 3 biggest risks?

Write down what you think your 3 biggest risks are when you think about your current financial situation:

1. ____

2. ____

3. ____

Your idea of risk might be different to the next persons and your risks will be different to what a financial professional means when they talk about risk. To a financial professional, risk is usually about volatility or variability of return but to you risks might mean more practical things like running out of money in retirement or not having enough money to retire when you want to

You can see it's important to understand what both you and a financial professional means by risk and also to understand how much risk you can tolerate to help in any future discussions.

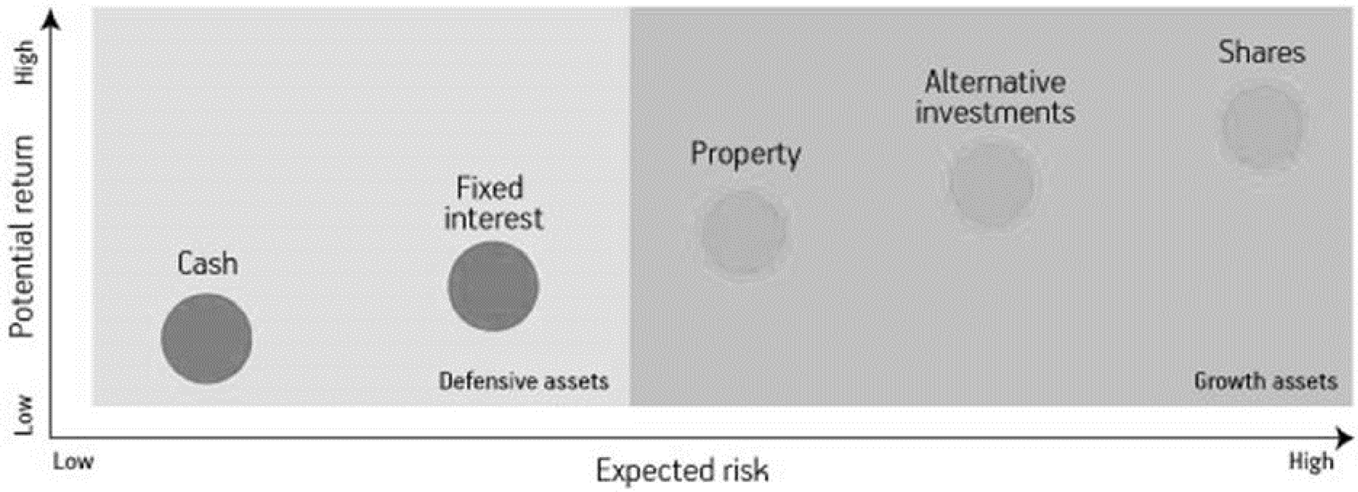
8.1 Understanding risk

What is risk and why is it important?

Very simply, risk is the probability that an actual return on an investment will be lower than the expected return.

Generally, the **higher the expected returns of an asset class, the higher the risk and the lower the expected return of the asset class, the lower the risk**.

Diagram 1: Expected risk vs potential return



Looking at Diagram 1 you can see that Cash has low risk and a low return compared to the other end of the scale where shares have higher expected return but also a higher expected risk.

Understanding risk and particularly what risks are involved with different types of assets is important so that you and your financial professionals can **make decisions about money and investing that are right for you** and that allow you to sleep soundly at night.

Another important concept to come to grips with is standard deviation. Put very simply, the returns from an asset class like shares for example can vary from one year to the next – the amount of the variance is measured as a standard deviation. To come to grips with the expected risks of various asset classes you need to understand their potential return but also how much that return can vary from year to year.

For example the historical returns of Australian equities (another name for shares) sits at just under 10 but it has a standard deviation of a bit over 12.5%. This means that in any given year, the expected return from Australian shares could be 9.5% plus or minus 12.5%.

8.2 Determining your risk tolerance

The following questions are designed to determine your risk profile taking into account your financial needs, circumstances and objectives.

Exercise: Determine your risk tolerance

Please read each question carefully and write down the number that matches your preferred response in the box at the end of each question. When you have answered all the questions, please add up your score/s in the Final Score box on the next page and then write in your Risk Profile.

It is important that you answer the questions in the risk assessment as accurately as possible. You should review your responses carefully to ensure the individual questions do in fact reflect your attitude to investment risk. ` It is essential you review the risk profile you are ultimately assigned carefully to ensure it reflects your attitude towards investment risk. The risk profile is only indicative of your overall attitude to investment risk. Your risk profile may change over time and should be reviewed before making investment decisions in the future.

QUESTION 1 (Your liquidity requirements, ie. having access to your funds)

Apart from short term and anticipated liquidity needs, how long do you envisage before requiring access to most of your funds?

1. 1 year or less
2. 2 to less than 3 years
3. 3 to less than 5 years
4. 5 years plus

Score: ☐

QUESTION 2 (Your investment experience)

How familiar are you with investment markets?

1. No experience at all
2. Not familiar but am willing to consider investment alternatives
3. . I understand that the markets fluctuate and different market sectors have different income, growth and taxation characteristics. I recognise the importance of diversification
4. Experienced with all investment sectors and understand the various factors which may influence performance

Score: ☐

QUESTION 3 (Your attitude to risk)

Which of the following best describes your attitude to the volatility of returns?

1. I prefer lower capital growth in order to avoid volatile returns
2. I aim to achieve steady capital growth and will accept some volatility of returns
3. I am prepared to take on higher volatility for the opportunity of greater returns
4. I am interested in aggressive growth strategies, including borrowing for investment purposes, and understand the possibility of negative returns

Score: ☐

QUESTION 4 (Your investment objectives)

What do you want your investments to achieve?

1. Security of capital with minimal opportunity for capital growth
2. Generate an income stream with less emphasis on growth
3. Achieve steady capital growth with less emphasis on income
4. High capital growth and minimal income

Score: ☐

QUESTION 5 (Your concerns about inflation)

How concerned are you that the value of your capital and the purchasing power of your investment income should keep pace with or exceed the rate of inflation?

1. Not concerned
2. Slightly concerned
3. Moderately concerned
4. Highly concerned
5. Extremely concerned

Score: ☐

QUESTION 6 (Your concerns about taxation)

Are you prepared to invest in tax-advantaged investments that may fluctuate in value, in order to minimise your income tax?

1. No – I do not want to purchase any investments that may lead to capital fluctuations
2. Maybe – I would prefer stable, reliable capital value and returns with some tax savings, if possible
3. Yes – I can accept some fluctuation in capital value from time to time in exchange for some tax advantages
4. Definitely – my main objective is to minimise income tax and I am prepared to accept capital fluctuation to achieve this

Score:

QUESTION 7 (Your investment preference)

Which one of the following best describes your attitude to choosing an investment?

2. I prefer investments that do not have any capital fluctuation associated with them
4. I prefer to diversify with a mix of investments, which have an emphasis on low capital fluctuation. I can accept having a small proportion of the portfolio invested in assets which have a higher degree of short term fluctuations in order to potentially achieve a slightly higher return over the longer term. I understand that these types of investments can produce a negative return in at least 1 year in every 8 years
6. I prefer to have a spread of investments in a balanced portfolio. I understand that this type of portfolio can produce a negative investment return in at least 1 year in every 6 years
8. I prefer to diversify my investments with an emphasis on more investments, which have potentially higher returns, but still having a small amount of stable investments. I understand that these types of investments can produce a negative return in at least 1 year in every 5 years
10. I prefer to select investments that have a higher degree of capital fluctuation so that I can earn higher returns over the long term. I understand that this higher volatility means that a negative return can occur in at least 1 year in every 4 years

Score:

Add up your scores for all the questions and write it in the box to the right **Final Score:**

Refer to the next page and write the name of the risk profile that matches your score in the box below

Your Risk Profile:

DEFENSIVE (8 TO 11)
Your investment style would suggest that you do not wish to take any investment risk. Your main priority is the safeguarding of your investment capital, and you are prepared to sacrifice higher returns for peace of mind. Generally, the most appropriate strategy for someone with a Defensive approach to investing is to invest 90% in income and 10% in growth assets. With your investment style it is important that you understand the likelihood of and are prepared to accept negative returns approximately 1 year in every 20 years. A defensive approach is also appropriate when the term of the investment is between 1 to 2 years.

CONSERVATIVE (12 TO 17)
Your investment style would suggest that you are prepared to accept a small amount of risk; however, your priority remains the preservation of your capital over the medium to long term. Generally, the most appropriate strategy for someone with a Conservative approach to investing is to invest 70% in income and 30% in growth assets. With your investment style it is important that you understand the likelihood of and are prepared to accept negative returns approximately 1 year in every 8 years. A conservative approach is also appropriate when the term of the investment is between 2 to 3 years.

MODERATE (18 TO 25)
Your investment style would suggest that you have some understanding of the investment markets and their behaviour and are prepared to take short term risk in order to gain longer term capital growth. Generally, the most appropriate strategy for someone with a Moderate approach to investing is to invest 40% in income and 60% in growth assets. With your investment style it is important that you understand the likelihood of and are prepared to accept negative returns approximately 1 year in every 6 years. A moderate approach is also used when the term of the investment is between 3 to 4 years.

GROWTH (26 TO 31)
Your investment style would suggest that you are seeking a greater growth component in your investment portfolio, and although you remain cautious towards taking extreme levels of risk, your general understanding of the investment market enables you to feel comfortable with short term risk. Your priority is consistent capital growth with some income to smooth volatility in your returns. Generally, the most appropriate strategy for someone with a Growth approach to investing is to invest 20% in income and 80% in growth assets. With your investment style it is important that you understand the likelihood of and are prepared to accept negative returns approximately 1 year in every 5 years. A growth approach is also used when the term of the investment is between 4 to 5 years.

AGGRESSIVE (32 TO 35)
Your investment style would suggest that you are most interested in maximising the value of your investments through long term capital growth, although you do not wish to make unbalanced investment decisions. You are prepared to sacrifice short-term safety to maximise long-term capital growth. Generally, the most appropriate strategy for someone with an Aggressive approach to investing is to invest 100% in growth assets. With your investment style it is important that you understand the likelihood of and are prepared to accept negative returns approximately 1 year in every 4 years. An aggressive approach is also used when the term of the investment is between 5 to 7 years.

HIGH ALPHA (32 TO 35)
A sub class of the Aggressive investment style is "High Alpha". The High Alpha investment strategy may be appropriate for someone with an Aggressive approach to investing. While the High Alpha investment strategy is also to invest 100% in growth assets, the investment portfolio typically has a higher exposure to Australian Shares than an Aggressive investment strategy. The High Alpha investment strategy is more volatile than an Aggressive style of investment portfolio. It is important that you understand that a High Alpha style portfolio is likely to have a negative return approximately 1 year in every 3 years, and is appropriate for a term of investment of more than 7 years.

8.3 Analysing your risk profile!

Now that you've completed the risk profile and have a result, let's take a closer look at what your risk profile actually means.

What does this risk profile really mean for me and how will a financial planner use this information?

Exercise: Review and reflect on risk profile

Reflect on the risk profile that your score has indicated – do you agree that your risk profile accurately reflects your attitudes to risk?

9 What is superannuation?

Superannuation (or super for short) is money set aside to provide you with income in your retirement. Generally, people start to accumulate super when they work as an employee – employers are obliged to pay a 'superannuation guarantee' amount to an employee's superannuation fund in addition to the salary or wages that they pay.

Many people think super is complicated and yes, there are quite a few rules about how much you can contribute and what you can and can't do, but bottom line, **super is just a structure in which investments can be held**. You can choose to put your superannuation money into an industry or retail fund and let others manage the investments for you or you may decide to manage your own super by opening a self managed super fund.

There a many types of super funds and if you would like to learn more about the different types, check out ASIC's Moneysmart super fund page – they describe the attributes of each of the categories of super funds. The Moneysmart super information can be found here: www.moneysmart.gov.au/superannuation-and-retirement/how-super-works/choosing-a-super-fund/types-of-super-funds

Superannuation and the income it provides is likely to be the biggest factor that will determine how comfortable you are in retirement.

9.1 Getting money into super

There are two broad categories of contributions to super and each category has a different tax treatment:

- **Concessional contributions** are made into your super fund before tax, and can include compulsory employer and salary sacrifice contribution, contributions for which you intend to claim a tax deduction. Once the concessional contributions are in your super fund they are taxed at the 15% rate.
- **Non-concessional contributions** are made from after tax income and are not taxed in your super fund.

Both types of contributions are subject to an annual contributions limit and tax penalties will apply if these limits are exceeded.

Types of contributions

Within these two broad categories there are different types of contributions that can be made into super. To make any type of these contributions to super if you are over 65 you must satisfy the 'work test' which requires that you be gainfully employed for at least 40 hours in a period of time not more than 30 consecutive days in the financial year in which you plan to make a super contribution. This means that you would need genuine part time work over a 30 day period of at least 40 hours duration.

The different types of contributions include:

- **Employer contributions** must be made by employers to the employee's choice of super fund. Employer contributions are concessional contributions and are subject to the concessional contribution annual cap.
- **Personal contributions** are generally made with after tax dollars and are made by you personally to your super fund. Personal contributions are not taxed going into the fund and are subject to the non-concessional cap.
- **Tax deductible personal contributions** are also made with your after tax dollars, however, individuals now have the capacity to choose to claim a tax deduction for personal contributions if they are made under the concessional contributions cap. For example, if your employer pays $20,000 of employer contributions to your super fund, you have the opportunity to contribute $5000 of your own money to super and claim a tax deduction for it. You must notify your super fund in writing of your intention to claim a tax deduction and you must receive an acknowledgement from your super fund for your tax deduction to be allowed.
- **Salary sacrifice contributions** are an arrangement between you and your employer where you agree to reduce your pre-tax salary by a nominated amount which will be contributed to your super fund instead. Salary sacrificing can save you tax if your marginal tax rate is high as these contributions are taxed going into the fund at 15%. The concessional contribution cap includes both employer, salary sacrifice and tax deductible personal contributions.

Contribution caps

The following caps are applicable at the time of writing:

Concessional caps

The cap on concessional contributions is currently **$25,000** per annum no matter what your age. From 1 July 2018 you are able to carry forward your unused concessional contributions cap amounts. The first year in which you can increase your concessional contributions cap by the amount of unused cap is 2019/2020 but only if you have a total superannuation balance less than $500,000 at the 30th June in the previous year.

Non-concessional caps

The cap on non-concessional contributions is currently $100,000 per annum. However, you can contribute larger amounts and trigger the 'bring forward' rule if you meet certain criteria.

Total superannuation balance	Contribution and bring forward available
Less than $1.4 million	Access to $300,000 cap over 3 years
Greater than or equal to $1.4 million and less than $1.5 million	Access to $200,000 cap over 2 years
Greater than or equal to $1.5 million and less than $1.6 million	Access to $100,000 with no bring forward available
Greater than or equal to $1.6 million	Nil

Downsizing contributions

From 1 July 2018, if you are 65 years old or older and meet the eligibility requirements, you may be able to choose to make a downsizer contribution into your super fund of up to $300,000 from the proceeds of selling your home. The downsizer contribution will not count towards your contributions caps and can still be made even if you have a total super balance greater than $1.6 million.

The eligibility requirements to make this type of contribution are set out on the ATO website here:

www.ato.gov.au/individuals/super/super-housing-measures/downsizing-contributions-into-superannuation/

9.2 Taking money out of super

You can withdraw your super:

- when you turn 65 (even if you haven't retired)
- when you reach preservation age and retire, or
- under the transition to retirement rules while continuing to work.

There are very limited circumstances where you can access your super early and these are mainly related to specific medical conditions or severe financial hardship.

Your preservation age is not the same as your pension age. Your preservation age is the age at which you can access your super and depends on when you were born.

Preservation age based on date of birth

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
From 1 July 1964	60

You can receive your super as a super income stream, super lump sum or a combination of both. The super withdrawal option that you choose may affect the amount of tax you pay and the amount of money you have for retirement. A super income stream is a series of regular payment from your fund. Payments must met the minimum annual payments requirements which range from 4% up to 14% depending on age. The following table outlines the current minimum drawdown amounts for income streams from a super account. You can withdraw your super in one or more lump sums but if you ask your fund to set up a regular payment from your super it is considered an income stream.

Current Age	Drawdown Required
Under 65	4%
Age 65 – 74	5%
Age 75 – 79	6%
Age 80 – 84	7%
Age 85 – 89	9%
Age 90 – 94	11%
Age 95+	14%

Currently, pensions and lump sums coming out of super are tax free after the age of 60 and there is a reduce rate of tax for pensions and lump sums between 55 and 59.

9.3 Estate planning in super

No one wants to think about it, but it's important to have an estate plan that specifies how you would like your assets to be managed when you die. The topic is too big to cover in detail here but we will have a brief look at estate planning as far as your superannuation goes.

A good estate plan does two things; it will minimise the tax paid by your heirs, and it will help avoid any family squabbles.

Superannuation benefits do not automatically form part of your estate to be distributed in accordance with your will. The member benefits are administered by the superannuation fund trustee and they are not bound to follow a direction in a will. When a member dies, their super benefits must be paid to an eligible beneficiary as a lump sum or pension, and cannot be transferred to the beneficiary's own super account.

Eligible beneficiaries can be dependents, the deceased's legal personal representative or executor and if neither of these can be found, such a person as the super fund trustee nominates.

To provide certainty for the distribution of your benefits you will need to make a death benefit nomination or a reversionary beneficiary nomination (if you have moved your super money from accumulation to pension mode).Both of these will direct the trustee on how to distribute your super.

Binding death benefit nomination (BDBN)

A BDBN applies to all the money you hold in super, whether in an accumulation or pension account) and allows a member to nominate one or more of your dependents or your legal personal representative to receive your super. benefits directly from the super fund.

Binding nominations are good in that they allow the distribution of super according to the deceased wishes and they are difficult to challenge if they are completed properly. Binding death benefit nominations can also be non-lapsing and these only need to be renewed if the clients want to make a new nomination. Some super funds required binding death benefit nominations to be reviewed every 3 years but others will accept the non-lapsing binding nominations instead.

Reversionary beneficiary nomination

If you are receiving a pension you may want to consider making a nomination to pay a reversionary pension to a death benefit dependent (a spouse or minor child usually). This means that instead of receiving a lump sum your beneficiary will receive the benefit as an ongoing pension.

10 Bringing it all together

What you've done in the workshop today is create the beginning of a financial plan.

While it may seem that there are even more questions than there are answers at least now you know what the questions are, so you are another step ahead of the game!

Don't worry, a whole lot of gaps is fine – that's the idea of the workshop – to identify the blanks and to arm you with the knowledge and confidence to ask the question you want to ask about your money and your financial situation.

If you decide as result of the workshop that you need to consult a financial professional, then the next challenge is to find a suitable adviser that you can trust.

10.1 Finding the right financial planner for you

The recent media attention on financial planning has shown that unfortunately there are untrustworthy and incompetent financial planners around.

One way to find a financial planner is to ask for recommendations from trusted family and friends. Another alternative is to use search tools to narrow down planners in your local area.

The Financial Planning Association Australia has a search tool where you can enter your suburb or postcode or search for a particular planner by name.

www.fpa.com.au/find-a-planner/

The Association of Financial Advisers has a similar tool with the added functionality of an interactive map, focus areas (e.g., retirement planning, insurances etc) and an alignment category to allow you to consider an advisers independence.

www.afa.asn.au/find-afa-financial-adviser

Whatever way you find a financial planner, how do you know whether they are a good financial planner or not?

A good place to start is to make sure that any financial planner you see is licensed. Another important factor is their education – finding an adviser with a degree in a relevant discipline such as finance, economics, accounting or financial planning is a great start.

ASIC now have a register so that you can check that your chosen or shortlisted adviser/s is/are licensed to provide the type of advice you want. Type in a name and the register will tell you:

- the adviser's qualifications, experience and employment history
- what product areas the adviser can provide advice about (check that these are the areas you're looking for)
- whether the adviser is a member of any professional bodies or industry associations that are relevant to providing financial services
- whether the adviser has been the subject of disciplinary action by ASIC
- the name and number of the Australian financial services (AFS) licence holder who employs or authorises the financial adviser to provide advice
- details about who owns or controls the licence holder.

If the adviser is not operating under a licence, do not deal with them – they are breaking the law and you will have little protection if things go wrong.

You can find the ASIC register here

https://www.moneysmart.gov.au/investing/financial-advice/choosing-a-financial-adviser

10.2 Consulting a financial planner

Consulting a financial adviser is an important step and it is often easy to be swayed by an adviser's confidence, approachability and friendliness. Don't let this affect how you judge the first meeting.

Here are a few things to consider before you commit to using the services of a financial planner or adviser:

- Financial planning is a relationship and generally not just a one-off meeting so make sure you are prepared for any meeting and make sure you ask lots of questions.
- Take advantage of any free initial consultations and talk with one or more planners before you decide.
- Make sure they send you a copy of their Financial Services Guide (FSG) before your meeting and make sure you read it.
- Take note of any signs that initial meetings went well:
  - did they ask you about your circumstances and help you identify your goals?
  - did you feel comfortable with them?
  - were they happy to explain financial concepts to you?
  - did they appear to understand your situation?
  - were they clear about initial and ongoing costs?
- Take note of any signs that things weren't quite right. For example, they:
  - didn't ask about or listen to what you want.
  - seemed to be pushing on specific product or a self-manager super fund regardless of your needs
  - put pressure on you to sign documents that you didn't understand
  - wouldn't explain financial concepts or why investment approaches might be right for you.
- Find out exactly how they charge for their services and negotiate if you think costs are too high.

10.3 What does financial advice cost?

It is important to understand how any adviser you use will be paid before you engage them and also before you agree to implement any recommendations they make.

Advice costs can vary significantly from one adviser to the next. Some advisers charge flat dollar fees using a 'fee for service' model. Others charge fees based on a percentage of your invested capital. Some charge a combination of both.

By law planners must disclose all forms of payment and fees including any commissions they receive. Commissions were banned on new investment products from 1 July 2013, however advisers can still receive ongoing commissions from financial products implemented before that date so if you are reviewing your financial situation and have used a financial planner in the past, ongoing commissions will be something to keep in mind as they will continue to be deduction from your investment until you leave that product or end your relationship with that adviser.

The cost for financial advice to you will depend on the complexity of your financial situation and plan and the way the planner charges fees. If you agree to receive ongoing advice, it's important to understand what you ongoing advice fee covers. Services could include regular reviews with your adviser, regular reports on your portfolio and phone or email access to your adviser or an associate.

11 Glossary

Compounding	Compounding is a simple concept but a powerful one. Your returns or your reward for your efforts will grow exponentially the longer you leave your money to grow. Compounding is one of the easiest money strategies you can implement to create financial security. Albert Einstein describes compound interest as: **"The most powerful force in the universe"** Compound interest simply means that you receive interest, not only on your initial investment but also on any interest that you have already been paid.
Assets	Things that you own – cash in bank accounts, your home, term deposits, shares, managed funds, investment properties
Asset allocation	The process of allocating the total investment between the different asset classes
Asset classes	An asset class is just a term given to a group of investments that have similar features. The four main asset classes are: • Cash • Fixed Interest • Property • Shares Investments in a specific asset class are generally expected to: • have similar risks and returns • perform in a similar way • be subject to the same rules and regulations Each asset class is expected to: • have different risk and return characteristics • perform differently in different market conditions.
ASX	Australian Securities Exchange – Australia's biggest exchange, where shares in public companies and other derivatives are traded

Bond	A medium to long-term investment issued by governments and companies which pays a regular, fixed interest amount for the term of the investment. The invested funds (the principal) are repaid at the end of the term (maturity)
Capital	The value of an investment
Capital growth	The increase in value of an asset over time, can also be known as a capital gain

Condition of release	A nominated event you must satisfy to be able to access superannuation savings. Examples include permanently retiring from the workforce after reaching preservation age, reaching 65 or becoming totally and permanently disabled
Defensive asset	Cash or fixed interests that are generally low risk and less volatile than growth investments
Diversification	Diversification is the practise of investing across a number of asset classes to manage risk. The theory is that a portfolio of diversified assets will, on average, yield more consistent returns with less volatility and less risk than any individual asset or assets class within a portfolio. Investors generally choose to diversify across asset classes so that their total investment portfolio won't be seriously affected by poor performance in one asset class. **What does this mean for you as an investor?** Understanding the theory of diversification and the different asset classes and how they are expected to perform means you can choose how to diversify in a way that helps you meet your goals and fits your risk parameters. Over time the investment mix you choose may change as your goals and needs change.
Dividend	A payment made by a company to its shareholders. The payment is a share of the profits of the company and is based on the number of shares an entity holds. A franked dividend consists of profits the company has already paid tax on
Enduring power of attorney	Like an ordinary power of attorney (POA), an enduring power of attorney authorised your nominated representative to make property and financial decisions for you. Unlike an ordinary power of attorney, an enduring POA continues to have effect if you become mentally incapacitated at a later date
Estate	All of a person's assets, whether real property or personal property and their liabilities or debts
ETFs	An exchanged traded fund (ETF) is similar to a managed fund but it has shares listed on the stock exchange which can be bought or sold just like a share.
Financial plan	A plan, usually created with help from a financial planner, that defines your financial goals and sets out investment strategies to reach your goals.

Financial planner	A person or authorised representative of an organisation licensed by ASIC to provide advice on some or all these areas: investing, superannuation, retirement planning, estate planning, risk management, insurance and taxations. May also be called a financial adviser
Growth asset	Assets such as shares and property that not only produce an income but have the potential to grow in value over time
Leverage or gearing	A good deal of confusion arises around the terms leverage and gearing. Both terms cover situations where an investor is using borrowed money. Let's try and separate the two terms and have a simple explanation for both. **Leverage** *is the use of a financial instrument to increase the potential return of an investment.* Most commonly, the term leverage is associated with financial instruments such as derivatives and margin loans but it can also apply to ordinary loans. **Gearing** *describes the level of debt compared to the value of the asset you own or it can be used to describe the difference between the income earned from an investment versus the expenses associated with holding an investment.*
Liabilities	Things that you owe – mortgage, investment loans, margin loans, credit cards
LICs	A Listed Investment Company (LIC) operates like a managed fund but instead of buying units you buy shares in the LIC on the stock exchange. The LIC invests in a range of other companies so with one purchase you can immediately diversify your investments.
Liquidity	The ease with which any investment can be converted into cash
LITs	A Listed Investment Trust (LIT) is incorporated as a trust, rather than as a company. Like LICs, investors buy and sell existing units on the stock exchange. While LICs have the ability to pay franked dividends, LITs must pay out any surplus income to investors in the form of distributions.
Managed fund	An investment where your money and that of other investors is pooled to buy assets. The fund is managed by a fund manager
Minimum pension payment	A minimum pension payment, payable for a financial year is based on your age and the balance in your super pension account. The minimum is calculated on July 1st each year for the financial year ahead using the percentage factor based on your age from the table below. The formula is: Minimum pension payment = pension account balance x percentage factor

<table>
<tr><td></td><td>
<table>
<tr><th>Age of pension account-holder</th><th>Percentage factors</th></tr>
<tr><td>Under 65</td><td>4%</td></tr>
<tr><td>65 to 74</td><td>5%</td></tr>
<tr><td>75 to 79</td><td>6%</td></tr>
<tr><td>80 to 84</td><td>7%</td></tr>
<tr><td>85 to 89</td><td>9%</td></tr>
<tr><td>90 to 94</td><td>11%</td></tr>
<tr><td>Aged 95 or older</td><td>14%</td></tr>
</table>
E.g. Joan has a pension balance on 1 July 2018 of $600,000 and she is 76 so her percentage factor is 6%. She would be required to withdraw the minimum amount of $36,000 ($600,000 x 6%) from her super as a pension for the 2018/2019 financial year
</td></tr>
<tr><td>Net worth</td><td>Total Assets LESS Total Liabilities
(Things that you own) (Things that you owe)</td></tr>
<tr><td>Preservation age</td><td>The minimum age that you can access your super benefits (Note that the preservation age is different from the 'Age Pension' age)
Preservation age based on date of birth
<table>
<tr><th>Date of birth</th><th>Preservation age</th></tr>
<tr><td>Before 1 July 1960</td><td>55</td></tr>
<tr><td>1 July 1960 – 30 June 1961</td><td>56</td></tr>
<tr><td>1 July 1961 – 30 June 1962</td><td>57</td></tr>
<tr><td>1 July 1962 – 30 June 1963</td><td>58</td></tr>
<tr><td>1 July 1963 – 30 June 1964</td><td>59</td></tr>
<tr><td>From 1 July 1964</td><td>60</td></tr>
</table>
More information on Preservation Age can be found here https://www.ato.gov.au/individuals/super/accessing-your-super/
</td></tr>
<tr><td>Return</td><td>The amount of money your investment earns</td></tr>
<tr><td>Risk</td><td>The possibility that your investment may fall in value or earn less than expected</td></tr>
<tr><td>Risk tolerance</td><td>The degree of uncertainty you are prepared to accept in relation to investment returns, in particular the extent to which you are prepared to experience a negative investment return while trying to achieve positive investment returns</td></tr>
<tr><td>Shares (or equities)</td><td>A share is a part ownership of a company. Shareholders are entitled to dividends which represent their portion of the company's profits</td></tr>
</table>

Superannuation	Money that you and your employs put into a special fund during your working life to provide you with money to live on when you retire
Term deposit	An account with a financial instituion where money is deposited for a set period of time. The interest rate is usually fixed for the term of the deposit and is generally higher than a transaction account but not always higher than some other at-call interest savings accounts
Will	A legal document that sets out how you want your assets and other belongings (your estate) to be distributed when you die
Work test	If you are over 65 and want to make a contribution to your super fund you will need to satisfy the 'work test'. The work test requires individuals who are aged 65 and over who want to make a super contribution to be gainfully employed on a part time basis – this means that you must work for at least 40 hours in a period of time not more than 30 consecutive days in the financial year in which you plan to make a super contribution i.e. genuine part time work over a 30-day period.
Yield	The rate of return on an investment

12 Other resources

If you would like to learn more about the financial concepts we have covered in this workshop, here are a few resources that you may like to explore.

Superannuation		
Superguide	Australia's leading website for consumers on superannuation and retirement planning including topical articles on superannuation topics as well as detailed tables and analysis on retirement income, lump sum requirements, aged pension entitlements	www.superguide.com.au
Superannuation Association	Peak policy, research and advocacy body for superannuation industry – publishes the Retirement Standards referred to during the workshop	www.superannuation.asn.au
Money		
Money Smart	ASIC's website providing calculators and tips to help you make better financial decisions	www.moneysmart.gov.au
Women's Money Toolkit	Tips and tools to help you manage your money and gain and edge on your finances	www.moneysmart.gov.au/life-events-and-you/women/womens-money-toolkit
Financial Planning		
Financial Planning Association	In depth articles by financial planners covering personal finance, debt management, superannuation and retirement planning	www.fpa.com.au/blog/

Association Financial Advisors	Advocacy for financial advisors, events, 'find an advisor' search function	https://www.afa.asn.au/
NABTrade	Interview with Paul Clitheroe, Chairman of Financial Literacy Australia on a very simple approach to financial planning – simple steps to either DIY or prepare for a meeting with a financial planner	www.nabtrade.com.au/investor/insights/laFtest-news/news/2018/04/four_steps_to_creati
Saving & Spending		
Frugal and Thriving	Blog about living the good life while spending less money and features innovative tips and ideas, free guides and checklists.	www.frugalandthriving.com.au
Savings Guide	Blog focusing on practical ways to save money	www.savingsguide.com.au
Expenditure patterns in retirement	Downloadable pdf exploring spending patterns of retirees	www.aist.asn.au/media/16660/AIST_ExpendPatternsRetirement_Aug16%20WEB.pdf

Education & News		
Australian Shareholders Association	Independent, not-for-profit, member funded organisation helping to improve your financial skills, and focused on advocacy for shareholders, educational tutorials and course	www.australianshareholders.com.au
ASA Investor journey	ASA's Investor journey is a gateway to a pool of education resources and to quality external articles, resources and educational material.	www.australianshareholders.com.au/investor/journey
Cuffelinks	Free newsletter covering a range of investing topics including superannuation, shares property and strategies	www.cuffelinks.com.au
Financial Literacy programs	A range of programs recommended by Financial Literacy Australia providing links to various organisations financial literacy programs (including Salvation Army, ANZ, Wesley Mission & Macquarie University)	www.finlit.org.au/resources/programs-and-information
Shares		
Australian Stock Exchange	How to find a broker, details and research on Australian listed shares, 'New to the share market' education, subscription to free monthly newsletter	www.asx.com.au
Comparison Sites		
Canstar	Comparison information for banking, insurance, investing and super as well as a range of calculators and tools	www.canstar.com.au
MOZO	Comparison information on everything from banking and insurance to travel and energy as well as reviews of providers and access practical articles	www.mozo.com.au
Financial Counselling		
Salvation Army	If you are in financial difficulties the Salvation army have financial counsellors to help analyse and assess your financial situation.	www.salvos.org.au/need-help/financial-assistance/financial-counselling/
Cancer Council	Cancer council helps people affected by cancer to access free financial planning advice and financial counselling.	https://www.cancercouncil.com.au/get-support/legal-and-financial-assistance/financial-planning-counselling/
Money Smart	National financial counsellor online search function and explanation of what a financial counsellor will do	https://www.moneysmart.gov.au/managing-your-money/managing-debts/financial-counselling
Financial Planning Association of Australia		https://fpa.com.au/fpa-community/pro-bono-service/

13 Appendix 1 - ASFA Retirement Standard - Annual expenses breakdown

Check out the following breakdown of expenses for modest and comfortable lifestyles for singles and couples. How does the breakdown of your expenses compare to the dollar values shown in the table below?

Table: Adapted from ASFA Retirement Standard for retirees aged 65-85 (Sep quarter 2017) Annual amount

	Couple		**Single**	
Expenditure items	**Comfortable lifestyle**	**Modest lifestyle**	**Comfortable lifestyle**	**Modest lifestyle**
Building and contents insurance	$1,647	$1,644	$1,553	$1,293
Council rates	$1,953	$1,783	$1,953	$1,680
Water charges	$1,271	$1,271	$1,094	$1,094
Home improvements	$332	$0.00	$332	$0.00
Repairs and maintenance	$996	$996	$996	$996
Total housing	**$6,199**	**$5,694**	**$5,928**	**$5,063**
Electricity	$3,088	$2,640	$2,490	$1,966
Bundle of home phone, broadband, mobile	$1,672	$1,157	$1,284	$1,027
Household cleaning and other supplies	$1,300	$777	$996	$777
Computer, printer and software	$291	$164	$291	$164
Household appliances, air conditioners, smart phone	$813	$133	$750	$133
Total household goods and services	**$7,164**	**$4,871**	**$5,811**	**$4,067**
Food – groceries and other fresh food	$10,400	$8,580	$5,984	$4,628
Cosmetic and personal care items	$364	$348	$260	$249
Barber or hairdressing	$1,130	$500	$736	$300
Media, including digital	$416	$122	$407	$122
Clothing and footwear	$2,600	$1,986	$1,396	$1,045
Miscellaneous	$359	$0.00	$359	$0.00
Total personal	**$15,269**	**$11,536**	**$9,142**	**$6,344**
Car transport and running costs	$7,754	$4,575	$7,256	$4,396
Public transport	$259	$259	$129	$129
Total transport	**$8,013**	**$4,834**	**$7,385**	**$4,525**

	Couple		Single	
Expenditure items	**Comfortable lifestyle**	**Modest lifestyle**	**Comfortable lifestyle**	**Modest lifestyle**
Health insurance	$4,049	$1,548	$2,024	$774
Chemist	$2,405	$1,203	$1,385	$692
Co-payment and out of pocket	$2,694	$1,992	$1,494	$996
Vitamins and other over the counter medicines	$299	$0.00	$149	$0.00
Total health services	**$9,447**	**$4,743**	**$5,052**	**$2,462**
Membership clubs	$299	$199	$200	$149
TV, DVD	$70	$27	$70	$27
Streaming services (Stan/Netflix or like)	$535	$144	$535	$144
Alcohol consumed or equivalent spent with charity or church	$2,080	$1,176	$996	$780
Lunches and dinners out	$4,184	$2,192	$2,988	$1,295
Cinema, plays, sport and day trips	$498	$597	$299	$299
Domestic vacations	$3,487	$2,437	$2,291	$1,544
Overseas vacations	$1,352	$0.00	$853	$0.00
Take away food, snacks	$1,438	$797	$1,047	$558
Miscellaneous	$229	$106	$167	$111
Total leisure	**$14,172**	**$7,675**	**$9,446**	**$4,907**
Total annual expenditure	**$60,264**	**$39,353**	**$42,764**	**$27,368**
Total weekly expenditure	**$1,159**	**$756**	**$822**	**$526**

14 To Do List!

Actions Required	Ideas/Details/Comments	Deadline
E.g. Record Super Balance	*Ring Australian Super and get accurate balance*	*By 12 Oct 18*