



Quarterly Insight

Welcome to the Winter edition of Quarterly Insight, which we hope you will find informative and helpful.

Tandem Quarterly is designed to keep you up to date with the financial issues that affect us all, and in this issue, we take a look at what Tandem Financial Advice is all about.

Our Question and Answer section looks at the issue of redundancy payments. As the segment shows, redundancy payouts are subject to very complex tax treatment. However, some parts of your payout can be

rolled into your superannuation, a strategy that can help to minimize your tax while building your wealth.

This is your newsletter. We encourage you to let us know your thoughts on Tandem Quarterly and of course, if you want to discuss anything you read about, please feel free to contact this office.

All the best for the remainder of 2004.

Staying Healthy

We can feel better and be healthier with just 30 minutes of moderate exercise on most days



Being active is possible, whatever your age, ability or health level.

Activity and exercise doesn't mean having to run a marathon daily. It could even be three sessions of 10 minutes each in the form of such activities as walking the dog, gardening, dancing, swimming or taking the stairs.

Research into the relationship between physical activity and aging shows that many of the conditions which are associated with older age are not really the result of the aging process, but are actually the result of atrophy, of disuse.

Many of the so-called consequences of aging can either be prevented or slowed considerably by regular, moderate physical activity.

The many benefits include:

- Reduced risk of heart disease, diabetes and colon cancer
- Helps control weight and reduce blood pressure
- Reduces feelings of depression and anxiety
- Helps build and maintain healthy bones, muscles and joints

You don't need to see your doctor before starting moderate physical activity, but it is a good idea to have a check-up to ensure that you are not at risk of heart disease.

To avoid soreness and injury, start out slowly and build up your activity, giving your body time to adjust.

To stay fit and healthy, exercise and activity has to be taken regularly, not seriously. It really doesn't matter what you do, as long as you do something.



2

The Secret of Saving is to **Pay Yourself First!**



2

Why Budget



3

Protecting your income



4

Managed Investments



4

Plan to Enjoy 52 Weeks of Holiday

The Secret of Saving is to **Pay Yourself First!**



Have you ever wondered where the money has gone at the end of the month?

By making investing a part of your daily life it's not hard to become a successful investor. It's not really such a stretch because money is part of your daily life.

Think about each decision that affects your finances - whether it's ordering a glass of beer with dinner, shopping for that new dress or outfit and using the credit card or buying a home by borrowing the money from a bank.

What we suggest is not to become obsessive over every cent you spend. If you pay yourself first, you won't have to.

What do we mean?

When you pay your bills – the mortgage repayment, credit card, gas, water, electricity, council rates, telephone account and so on – add one more item to that list.

In fact, we believe it should be the first item on your list of bills to be paid.

Simply put yourself at the top of that list - pay yourself first. Then you don't have to think about it again until next month.

Put away as much as possible – a sound target would be to save 10% of your annual income. Depending on your personal circumstances, you may be able to save more or less.

It doesn't matter, as long as you are saving something.

Take advantage of facilities such as those that automatically withdraw money from your salary or cheque account and arrange to transfer the amount to some savings or investment account.

You'll be surprised how easy it is to live on a few less dollars each month. You probably won't even notice the difference.

Once you have established a savings programme - it is then much easier to choose the right investment to suit your budget, lifestyle and goals.

In this issue of Client Communique, we will turn your thoughts to one type of investment that you may wish to consider – **managed investments**.

In future editions of the newsletter, we will provide overviews of the many investment opportunities that are available in the marketplace.

Remember the first and most important step of investment is to obtain individual professional advice from an expert financial adviser.

A consultation can help to take control of your savings and implement an investment strategy that will assist in the achievement of those wealth creation goals.

Why Budget?

A budget is a guide that tells you whether you're going in the direction you want to be headed in financially.

You may have goals and dreams but if you don't set up framework and guidelines for reaching them and you don't measure your progress, you may end up not achieving your goals at all!

- A budget lets you control your money instead of your money controlling you.
- A budget will tell you if you're living within your means. Many people don't realise they're living far beyond their means until it's too late and they're 'over their heads' in debt.
- A budget can help you meet your savings goals. It includes a mechanism for setting aside money for savings and investments.

Following a realistic and well prepared budget frees up spare cash so you can use your money on the things that really matter.

- A budget helps you, your spouse and family focus on common goals.
- A budget helps you prepare for emergencies or large or unanticipated expenses.
- A budget reveals areas where you're spending too much money so you can refocus on your most important goals.
- A budget can keep you out of debt or help you get out of debt.
- A budget actually creates extra money for you to use on things that matter to you.
- A budget can give peace of mind as you don't have to worry about how you're going to make ends meet.

Protecting your income

Simone is 35 and employed as an administration manager when she broke her ankle during a netball game. The ankle was strapped for two months - and during this time she could not travel to work.



Fortunately, Simone had accumulated two weeks holiday pay and one week of sick pay to use. But it still left five weeks where she had to cover her expenses without an income. It meant Simone had to personally cover around \$3,000 during her recuperation to cover the mortgage, living and medical expenses.

Like most people, Simone insures many of her possessions – car, home contents, home building and jewellery. But while covering these items is important, she did not consider what is actually her most valuable asset - her ability to earn an income.

Think about it.

Expenses such as rent or mortgage repayments, food, clothing, and children's education - all rely on earning a regular income.

It's easy to take our salaries for granted - but the unfortunate fact is that one in two working

Australians will be disabled for three months or more before reaching the age of 65.

There are many medical conditions, which, if suffered, could mean you must take time off work and earn no income. Not only that, medical expenses may also have to be paid.

Good financial advisers recommend income protection as part of a comprehensive financial plan for working people who rely on their income.

Income protection means you can receive up to 75% of your income, in the event of not being able to work due to illness or injury.

And the good news is that in most cases it is 100% tax deductible.

While no one enjoys paying insurance, income protection really is one of the "must-haves". Without it, should illness or injury occur (and it easily can) you could potentially wipe out your savings, just to cover living expenses – or even go into debt.

For more information on income protection insurance, or other personal insurance needs, contact your Tandem adviser.

Managed Investments

A managed investment is also known as a Managed Fund or Unit Trust.

This investment allows you to pool your money with that of many other investors so that the pooled fund can buy a wide range of investments managed by a professional team.

Because of its size the fund can invest in assets that may not readily be available to a direct or individual investor – like global companies, overseas government bonds or the building of office towers.

When you invest in a managed investment, your money buys units in the fund at a price that is struck for that particular day.

Over the investment period, the unit price will move up or down as the value of the investments within the fund rises and falls.

Performance returns of managed funds are usually calculated on movements in the unit price.

There are two general components of the return – income and capital growth

Income refers to the regular earnings the investor

receives over the course of the investment period.

The regularity and frequency of the income payments are generally determined by the type of investment held.

Income can be paid in interest credited to a bank account; dividends paid on shares held in a company; rent paid when leasing a property; and interest paid on government bonds.

Capital growth is the value of capital increases over time.

You only realise capital growth when an investment is sold for more than you paid for it.

Shares and property are often referred to as 'growth assets' because they tend to provide higher capital growth than income.

The inclusion of growth assets within an investment portfolio is important as a hedge to protect the value of your money against the effects of inflation.

Essentially there are two ways to watch your money grow in a managed fund.

Lump Sum. You can invest a lump sum and leave it to

Managed Investments (Cont.)

accumulate, adding amounts whenever you are able to invest.

Regular Contributions. You can invest regular amounts on a monthly basis and watch your savings grow.

Investing in managed funds provides the investor with a wide range of benefits, some of these include –

- Greater buying power than any one person could reasonably expect to achieve alone.
- The use of specialist skills to identify and select investment opportunities across all major asset classes.
- A diversified portfolio within the asset class you invest in. A managed fund can spread its

investments more widely.

- Freedom from the day to day responsibility and paperwork associated with managing your own investments.
- Investment monies are readily available if you need to sell your investment units in a managed fund.

The goal of any good financial plan is to achieve the lifestyle you desire.

Your needs may be quite complex and a good financial plan should encompass savings, investment, income planning, risk assessment and planning.

It is therefore important to obtain professional advice before undertaking an investment strategy.

Plan to Enjoy 52 Weeks of Holiday

Retirement planning has become a popular buzzword with Australians in recent years – and rightfully so.

Most certainly, everyone has their own specific expectations and dreams about retirement, but will your current finances meet your ultimate objectives?

Today, more than ever, planning for retirement is a necessity.

Proper planning and follow-through is essential. Can you avoid the shortfalls in meeting your income needs and help assure a smooth, secure transition from the world of work to the world of retirement?

Keeping pace with change

Planning ahead means setting goals and deciding how they will be met, within the framework of changing financial picture and savings opportunities available to most Australians.

Many retirees find themselves torn between balancing a satisfying lifestyle with one that lacks many of the comforts that make life easier.

In the absence of a solid financial foundation, you may be faced with some hard choices over the course of your retirement years. A successful savings plan carried out faithfully will help soften many of them.

Unfortunately, time is a luxury only available to younger individuals. Therefore, as retirement approaches, there are some key points you should take into consideration in order to best position yourself for an enjoyable retirement:

1. **Saving regularly is key.** Regardless of your age, you should always make a concerted effort to maximize contributions to your savings plan, pension plan, or other retirement savings vehicle.

Certainly, you need to recognize the importance of tax-advantaged savings programmes. These

programmes can help you lower income tax consequences today, as well as in future years.

2. **Increased longevity means longer retirement.** Retirement is changing. It's not uncommon for someone to spend one-third of his or her lifetime in retirement.

Therefore, your retirement assets will need to last longer and be able to accommodate increases in the cost-of-living.

As a result, it's becoming less unusual for some retirees to resurface in the workplace (perhaps consulting on a part-time basis) in order to add an additional boost to their retirement income.

3. **Your retirement** – front row or second balcony? Some individuals are under the impression they will be able to live the same type of lifestyle they enjoyed during their working years, and some will.

However, it's important to keep things in proper perspective.

In reality, you may have to downscale living arrangements and unnecessary expenditures in order to ensure your retirement assets will be sufficient over a long period of time.

Regardless of how close you are to retirement, it is important to keep realistic goals and expectations. Factors such as how much you have already accumulated, or how far financially you are from your objective, should play a key role in determining your course of action.

A review with a qualified financial professional can be a good first step in choosing the best path to fulfill your retirement lifestyle objectives.

