

MONEY & LIFE

From mistakes to mastery:
finding financial freedom



FINANCIAL PLANNING
ASSOCIATION of AUSTRALIA

Money shouldn't be a dirty word

Life doesn't revolve around money. Lots of other things - like family, friends, and health - can be much more important to you than your bank balance.

But some personal goals are hard to achieve if you don't have much money. That's why we've put together this handy guide to getting to grips with the do's and don'ts of your finances.



What's holding you back?...

Your health and relationships can really suffer when things go wrong financially. So we've teamed up with experts to discover the top 4 things that can derail your finances and how to avoid them. With their advice you can steer clear of these money traps and stay on course for a healthy, happy future, in full control of your financial destiny.

.. and moving you forward?

Financial wellbeing isn't only about avoiding money misfortune. Taking steps to plan and prepare for your future can pay off in all sorts of ways. If you want money to bring you more opportunity and less stress, we've got four of the best tips to help you come out on top with your finances.

Putting it all together

If you want to cut to the chase, flip ahead to page 13 for our quick guide to unlocking your financial freedom. It's a tidy snapshot of how you can go from money zero to hero in just 5 steps.

Contents

- 05 | 4 financial mistakes to avoid
- 09 | 4 ways to master your money
- 13 | 5 steps to financial freedom



What's your life plan?

Having the chance to make better decisions about your money is something we can all benefit from. Whether you're saving for a home, building the skills to do a job you're passionate about or dreaming about travelling the world, the way you manage your finances can help you make these things happen.

And that's the real power of financial planning. Your financial plan enables you to do the things you want to do in life. So we've brought together advice and wisdom from some top financial planners to help you make the best choices about your money and live the life you want.

A handwritten signature in black ink, appearing to read 'Dante De Gori'.

*Dante De Gori CFP®
Chief Executive Officer*

4 financial mistakes to avoid at all costs

Do yourself (and your finances) a favour and give these common money traps a wide berth.

We asked top financial planners around Australia about things people do that have the biggest negative impact on their finances. What advice would they give to help others avoid these pitfalls.

01 Spending too much

If you find money just slips through your fingers, you're not alone. According to recent research from Commbank, one in three Australians spend more than they earn each month. While it might be comforting to know it's a common problem, spending beyond your means can have serious consequences for your future finances and lifestyle.

We live in a culture where there are thousands of goods and services out there competing for your hard earned dollars. When you can't say no to the temptation to spend for that instant hit of consumer satisfaction, you're really going to struggle to build the strong financial foundations you need for a successful life.

"Successful people have a savings culture," says Darren Withers, CFP®, Head of Strategy Advice, Elston. "They understand that the long-term benefit of putting some money away far outweighs the short-term pleasure gained from spending it on something they don't really need."



“ Don't get sucked into the 'spend-more-than-you make' trap. Focus on living on 80 per cent of your income, and save or invest the rest. Downsize your life if you have to. ”

Tony Sandercock,
CERTIFIED FINANCIAL PLANNER®

02 Living life without a safety net

With a steady income to rely on, it's much easier to stay on top of your finances. You can keep up with mortgage and loan payments as well as budgeting for luxuries like take-away coffees, dining out on the weekends and going on holiday.

Then the unexpected happens. You lose your job, fall ill or have a big bill to pay and suddenly things aren't quite adding up. If you don't have savings, insurance or a generous family member to help out, you may end up taking on expensive personal debt just to cover your living expenses. And you could be paying it off for years to come, stopping you from saving or investing for the future.

With a decent savings balance, you can keep paying your bills without loading up your credit card. It might seem indulgent to have that extra money just sitting around, but it could really save you from financial strife. "A cash stash is like having a second ripcord on your parachute," says Adele Martin CFP®, Managing Director and Senior Wealth Adviser, Firefly Wealth, "you hope you never need to use it but you're really glad it's there."

“As income rises, so does our lifestyle. It's often a case of going from Passion Pop to Moët very quickly.”

Adele Martin,
CERTIFIED FINANCIAL PLANNER®

”



“Emergencies or major life events can happen at any time, so it's important to have a buffer of at least six months living expenses, in addition to adequate personal insurance that is reviewed on an annual basis.”

Michelle Tate-Lovely,
CERTIFIED FINANCIAL PLANNER®

”

03 Making decisions based on emotions

“Studies show that Australians are twice as likely to seek financial advice from family and friends, compared with professional advisers.”

*Darren Withers,
CERTIFIED FINANCIAL PLANNER®*

After making sacrifices and saving some money, how do you make a decision or get advice about investing it? Maybe you'll want to go with what you know, and buy an investment property (more about that later), or you might act on some financial pearls of wisdom shared by a friend or family member.

Unfortunately, following the herd or making investment choices based on what's comfortable and familiar rarely brings the best results. Professional advice from a qualified financial planner is a good way to make sound choices that will help you build wealth in the long run instead of jumping on the latest hot tip and regretting it later.

“Investors need to ignore the fads and last year's best performer, and instead look for where the best value lies over the long-term,” says Darren. “Successful investors recognise the wealth destroying potential of speculative investments. Remember, if it seems too good to be true, then it probably is.”



“ Handcuffs are handcuffs. If an investment won't let you get your money out, then don't commit more than you can afford to lose. **”**

*Gil Gordon,
CERTIFIED FINANCIAL PLANNER®*

04 The perils of property



“A common mistake people make is to look at their home as an investment, when it’s not. It’s a lifestyle item. So, do not count your home as an asset.”

Kelly Pillay,
CERTIFIED FINANCIAL PLANNER®

Buying a home may well be one of your biggest financial commitments. And in recent times, property values in many parts of Australia have been rising fast, leading many to see their property as a personal goldmine as well as a place to live. By investing more in your home - through upgrades and renovations - you could end up missing out on chances to get better returns from your money elsewhere.

“Being stuck with a long, costly mortgage can affect how much money you can put away for retirement,” says Tony Sandercock CFP®, Owner and Financial Planner, wetalkmoney.

And while buying an investment property may seem reassuringly simple and familiar, it means tying up a large sum of money in an asset that can cost a lot to maintain. “I have seen people with credit card debt who have bought an investment property, as they thought it would make them wealthy,” says Adele Martin CFP®, Managing Director and Senior Wealth Adviser, Firefly Wealth. “They hadn’t realised the property was going to cost them money each week.” So although having property as an investment is reassuringly familiar, there may be other options that will work better for your particular circumstances and goals.



4 ways to master your money



Get set for wealth creation with these top tips from our experts.

Staying out of the red and in the black can certainly reduce your stress around money. But how do you make the most of what you've got so you can plan for your goals and dreams? Learn the habits of financial success from professionals who've made a career out of wealth creation for their clients.

01 Eyes on the prize

“If you set meaningful goals, it activates your mindset, so you can seek out what will assist in the achievement of those goals.”

Cody Harmon,
Financial Planner AFP®

Money is a means to an end. Few people want to get rich just for the sake of it, and knowing what you're really aiming for - whether that's a round-the-world trip, a better education for your kids or just more peace of mind - is a big part of what motivates you towards financial success.

Any savings, investment or wealth creation plan needs a meaningful goal to make it happen. Write your goal down and give it a dollar value and timeframe for achieving it. Make yourself accountable by measuring progress towards your target. These are all tactics you can use to stay focused and disciplined.

“Start with getting clarity on where you want to head, and what you want out of life and when,” says Michelle Tate-Lovely CFP®, Principal Adviser and Director, Unified Financial Services. “Beginning with the end in mind will provide you with purpose, drive, a sense of control and confidence.”



02 Supercharge your savings

“Spending less than you earn and doing something smart with the difference is the absolute foundation of wealth creation.”

Kelly Pillay,
CERTIFIED FINANCIAL PLANNER®

There are all sorts of ways to get into the swing of saving more, like shopping around to get the best deals on utility bills and insurance premiums. But automating your budgeting, bill payments and savings is a great way to watch your savings grow without lifting a finger.

“Pull money automatically from every pay cheque into retirement accounts, savings accounts or additional debt payoff before you have the chance to spend it,” says Tony.

And why are your savings so important? Why shouldn't you spend as much as you need to to enjoy life right now? When it comes to having more choices and more fun to look forward to, having extra money up your sleeve is always going to give you more options, as well as security and peace of mind.

“A little sacrifice in the short-term by putting money away for your future will not only get you to where you want to be, but provide peace of mind along the way,” says Michelle Tate-Loverly CFP®, Principal Adviser and Director, Unified Financial Services.



“Essentially, a dollar saved today is worth two dollars tomorrow. That's the power of compound interest.

Kelly Pillay,
CERTIFIED FINANCIAL PLANNER®

”



03 The value of good advice

Knowing what your goals are and putting savings towards them sets the foundation for getting the best from your finances. But having extra money sitting in a savings account isn't likely to get you far with building your wealth. By investing that money you've got a better chance of turning modest savings into a nest egg for your retirement, your kids or whatever you've set your sights on. "Nobody ever got wealthy by just putting their money in the bank," says Darren. "Successful investors understand the need to own assets that will grow in value over time."

For many of us, the world of investing is unfamiliar and confusing. The right investment strategy will depend on a lot of things including what your goals are, how much you're investing and the timeframe you're working with. Getting advice from someone who understands your situation can help you get the best from all the investment opportunities out there.

“Even if you felt you could do it alone, why would you ‘play rookie’ with your financial position?” says Michelle Tate-Loverly CFP®, Principal Adviser and Director, Unified Financial Services. “The reality is, most people do not know if they are optimising their situation.”



“ Working with a CERTIFIED FINANCIAL PLANNER® professional can add significant knowledge and experience to financial decisions. ”

Darren Withers,
CERTIFIED FINANCIAL PLANNER®



04 Planning and patience

“Like most things in life, if we are not kept on track or reminded of what we should be doing, we often don’t do it. A relationship with your financial planner keeps you focused and accountable.”

*Michelle Tate-Loverly,
CERTIFIED FINANCIAL PLANNER®*

So you’ve done the hard yards with budgeting and saving and put plans into action thanks to some expert guidance. Time to sit back and wait for the money to roll in and your life to become a bed of roses, right? Well, not quite. Plans may need to change when life does so you’d be wise to review your goals, savings and investment targets from time to time.

“In an ongoing relationship with your financial planner, measure your progress to your destination at least annually to see how far you have come and recalibrate for the next period,” says Michelle.

However, there’s a lot to be said for staying the course when it comes to an investment strategy. When you hear about catastrophes in the share market, don’t assume it’s time to sell and cut your losses. Speak to your planner first so they can put things in perspective and help you act in the best interests for your long-term goals and financial position. “Markets will fluctuate in the short-term, but successful people adopt a long-term investment timeframe and stick to their plan, ignoring short-term volatility,” says Michelle.

“ Wealthy investors realise that no one person can be good at everything. They stick with what they are good at and surround themselves with people who are experts in things they are not. ”

*Darren Withers,
CERTIFIED FINANCIAL PLANNER®*



5 steps to a great financial plan

Are you doing what it takes to get ready for success?
Follow these steps to wealth creation and build your future on the strongest financial foundations.

01 **GOALS** will keep you motivated

- Set goals that are meaningful to you
- Prioritise and schedule goals - short, mid and long term
- Give each goal a timeframe and dollar amount

02 **PLANNING** will give you a roadmap

- Break each goal down into easy steps
- Come up with an action plan based on these steps
- A financial planner can help you learn more about your options



03 **A BUDGET** will boost your savings

Take stock of your current financial position - income/expenses
Look for ways to save on essentials - food/utilities
Set a budget for extras - holidays, entertainment

04 **INSURANCE AND SAVINGS** will protect your wealth

Your income is your biggest asset and worth insuring
Save 3-6 months' salary for emergencies
With savings and insurance you can avoid expensive debts

05 **INVESTING** will give you a new source of income

Start investing early to benefit from compound interest
Choose investments to suit your finances, goals and needs
Get professional advice if you're not sure where to start

How to find the right Financial Planner for you



Finding a financial planner you feel comfortable and secure working with is key to a long-lasting and productive partnership. But where do you start?

The non-negotiables

Make sure any financial planning professional you are considering has all of the following three QUALITIES.

- 01** A license to provide financial advice – Ensure any planner you’re considering works for a firm that holds an Australian Financial Services (AFS) License issued by the Australian Securities and Investments Commission (ASIC), and verify their license by checking ASIC’s Financial Adviser tool.
- 02** Professional membership – Members of a professional body, such as the Financial Planning Association (FPA) must meet stricter criteria and higher standards than currently required by law.
- 03** Education – Make sure your financial planner is properly qualified and trained to provide you with financial advice.

Other tips to find ‘The One’

- Ask family and friends - Word of mouth and the experience of people you trust counts for a lot, though be aware that their financial situation may be very different from yours, and so the expertise they need may also differ.
- Go with your gut - If you meet with three planners and they are all of similar capabilities, but you feel more aligned with one over the others, that is the one you should pick.
- Look for experience with your demographic - Don't be afraid to ask about the kind of clientel they deal with most frequently. If you're a young professional without dependents, you want someone who is experienced with your kind of situation instead of a planner who deals mostly with retirees.
- Red flags to avoid - Keep a wide berth of any financial advisers that seem to be focused on selling products. A good planner should focus on your personal situation and offer tailored financial advice, not selling products.

If you're ready to take control of your finances, a qualified financial planner can offer expert advice and guidance for any stage of your journey to building wealth.

Visit fpa.com.au/find-a-planner to get in touch with a financial planner near you.

Contributors



Adele Martin CFP®
Managing Director and Senior Wealth Adviser
Firefly Wealth

You get the best of both worlds at Firefly Wealth. There's the confidence of knowing you're with one of the most well-known financial planning groups in Australia. And there's the comfort of dealing with our dedicated, local team, who pride themselves on quality service with a personal touch.



Cody Harmon AFP®
Financial Adviser and Managing Partner
Hard Line Wealth

Putting your wealth in someone else's hands is a daunting idea. But in the right hands, it's the best decision you'll ever make. If you're ready for the life you deserve, we'll make it happen.



Darren Withers CFP®
Head of Strategy Advice
Elston

Elston is one of the largest privately owned and operated financial services companies in Australia, with offices in Queensland, New South Wales and the ACT. Our objective is to provide customised financial solutions for Individuals, Couples & Families, as well as Professional Advice Firms, Accountants and Financial Planners.



Gil Gordon CFP® AEPS®
Proprietor and Senior Adviser
RI Lower Hunter

Providing expert financial advice and reliable service to manage every aspect of your finances, at every stage of your life. We do this by considering your circumstances, helping you to set goals, and developing a financial plan to get you there.



Kelly Pillay CFP®
Director
KLI Accountants & Wealth Managers

We want to help you reach your goals and secure the lifestyle you want, because we believe that life is to be lived. KLI Group is here to help, so you can focus on the things that really matter.



Tony Sandercock CFP®
Owner and Financial Planner
wetalkmoney

We will filter the clutter of information out there and give you expert financial advice, in a way that makes sense to you. If you want to be able to make complex financial decisions more easily, then we can help.



Michelle Tate-Lovely CFP®
Principal Adviser and Director
Unified Financial Services

We specialise in providing fee for service financial life planning advice, structure and direction to health professionals and we also take on a selection of financial project management for those people who are going through major changes in their lives.



ABN 62 054 174 453

www.fpa.com.au

Level 4, 75 Castlereagh St,
 Sydney NSW 2000

T 02 9220 4500
 F 02 9220 4580
 E fpa@fpa.com.au



A J. Walter Thompson unit

ABN 12 086 661 752

www.colloquial.com

Level 7, 235 Pyrmont St
 Pyrmont NSW 2009

T 02 9947 2222
 E moneyandlife@colloquial.com

Photography/Images:
 iStock

© Financial Planning Association of Australia Limited. All material published in Money & Life is copyright. Reproduction in whole or part is prohibited without the written permission of the FPA Chief Executive Officer. Applications to use material should be made in writing and sent to the Chief Executive Officer at fpa@fpa.com.au. Material published in Money & Life is of a general nature only and is not intended to be comprehensive nor does it constitute advice. The material should not be relied on without seeking independent professional advice and the Financial Planning Association of Australia Limited is not liable for any loss suffered in connection with the use of such material. Any views expressed in this publication are those of the individual author, except where they are specifically stated to be the views of the FPA. The FPA does not endorse any products or services advertised. References or web links to products or services do not constitute endorsement. Supplied images © 2017 Shutterstock. ISSN 1033-0046 Money & Life is published by Colloquial on behalf of the Financial Planning Association of Australia Limited.

CFP®, CERTIFIED FINANCIAL PLANNER® and CFP Logo® are certification marks owned outside the US by the Financial Planning Standards Board Ltd (FPSB). Financial Planning Association of Australia Limited is the marks licensing authority for the CFP marks in Australia, through agreement with the FPSB.