rise financial

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Q 1: I am in a position now to really start making my money work well for me, but where do I start? Should I put more money into superannuation, buy shares, managed funds or get an investment property?

P.T., Jerrabomberra

A 1: This is an excellent question and highlights the many options people have available to them to start building their wealth. The simple answer is to have a *Strategic Financial Plan* prepared by a Certified Financial Planner who specializes in doing scenario projections. This way you may see what financial strategies work well for you, and how they may be combined. It may well be that all of these options can be used at the same time. Here is an example of what this type of plan can show:

Scenario 1 - The first financial projection can be prepared showing you what your financial future is projected to look like based on very reasonable financial assumptions and doing what you are currently doing. This includes articulating when you plan to retire (say in 30 years time at age 60), what your 'core' pre retirement spending is (say $50,000 pa – knowing cars, holidays, super contributions and loans are tracked separately and in addition to this amount) and assuming savings and accumulated superannuation funds are invested to target a "Cash" type long term return. In this scenario you may be heading for a retirement spending capacity of $45,000 pa in today's dollars with a personal mortgage repaid in 10 years time.

Scenario 2 – If accumulated super funds where invested for 'Balanced' long term returns then you may be heading for a projected retirement spending capacity of $60,000 pa.

Scenario 3 – Accumulated super funds invested for "High Growth" returns, heading for projected retirement spending capacity of $80,000 pa.

Scenario 4 – What if you salary sacrifice to super $20,000 pa to retirement – projected retirement spending capacity of $90,000 pa.

Scenario 5 – What if you invested future cashflow surpluses and savings (once mortgage is repaid in full) to target "Balanced" returns? Projected retirement spending capacity of $95,000 pa.

Scenario 6 – What if you borrow $100,000 to invest in "High Growth" managed funds? Projected retirement spending capacity of $110,000 pa.

Scenario 7 – What if you borrow $400,000 to buy an investment property? Projected retirement spending capacity of $120,000 pa.

Scenario 8 – What if you took out an Income Protection policy at a cost of $2,000 pa and a Trauma insurance policy at $500 pa to retirement? Projected retirement spending capacity of $117,000 pa.

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Scenario 9 – What if you worked with a financial adviser at $3,300 pa for life? Projected retirement spending capacity of $113,000 pa.

By working through a plan in this way you can see what the projected trade off are when doing different things. For example, you can see how much various strategies are projected to increase your retirement spending capacity. At the same time, while you can understand that having insurances and working with a financial planner come at a cost, you can see that this protection and assistance can be afforded and will not jeopardize a comfortable retirement. This is a good way to find a comfortable direction and to start taking steps towards achieving the outcome.

Phil Thompson is a certified financial planner and authorized representative of Rise Financial Pty Ltd (ABN 86350987645), AFSL 311718, an Approved Financial Planning Association Professional Practice. Answers should be used as a general guide only and professional advice should be sought before making investment decisions.

Send your financial questions to phil@risefinancial.com.au

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