Six ways to take control of personal finances after a divorce

Divorce can be one of the most financially stressful experiences of an individual's life. The key to taking control is to get organised early.

Acting quickly to organise accounts, update details and make financial plans may help those in the process of divorce or about to be divorced start the next phase of their life with more peace of mind. The following six steps are a good place to start.

1. Get organised

It's important to keep track of key dates, such as when the separation occurred. It's also a good idea to inform the post office if one party moves out, so they can continue receiving mail at the new address. Next, both parties should gather all financial information, making sure there are copies of all documents. They should also write a list of all financial and property assets, liabilities and policies, making a note of whose name each document is registered under. These may include:

- bank, brokerage or investment accounts
- credit cards
- vehicle registration
- life, health, home, car and other insurance policies
- utility bills for electricity, gas, internet and phone
- property documents such as deeds, mortgage papers and home loan details
- recent tax returns and tax file numbers
- superannuation account details
- will and estate plans
- rental agreements or leases.

2. Close any joint accounts

As soon as possible, it's important to close accounts or credit cards that are in both parties' names, and cancel any redraw facilities. This will protect the finances of each individual and ensure no more debt accumulates. Each party can then open an account in their own name, which only they can access. They will also need to redirect any income that previously entered a shared account into this new account.

3. Review your finances The parties will need to update any remaining accounts, loans or policies so they are registered in just one individual's name.

Insurance - It's crucial to update insurance policies as any individual not named will not be covered. This individual will need to make sure that they have other cover in place that is adequate and affordable for their needs. Also, remember to update any nominated beneficiaries on new or existing policies.

Loans - The person whose name is on a loan agreement is responsible for any debt, regardless of changed personal circumstances. It's vital for the necessary party to remove their name or for both individuals to pay off the loan.

Superannuation - Superannuation is a significant financial asset. Any nominated beneficiaries of the parties' retirement nest eggs will need to be updated.

Rent and Utilities - Updating rental agreements and utilities will also be crucial, as the listed person may be left with damage or unpaid bills to cover.

4. Change wills, Powers of Attorney and beneficiaries Many Australians don't realise that divorce can affect their will. Different states have different laws. In Western Australia, for example, divorce automatically revokes the current will. It is vital to update wills to reflect new circumstances as soon as possible. To be valid, a will needs to be signed by two witnesses. Drawing up a will can be complex so it may be best to consult a solicitor or trustee.

5. Create a new budget It can take time to adjust to relying on only one income. Creating a budget and financial plan early on can make it easier to track expenses and feel confident that bills and payments will be covered.

6. Reach out Divorce can be a very difficult time. There are many online government resources, as well as legal aid services, counsellors and financial advisers that can provide helpful advice on how to make the process as painless as possible. *Source: RI Article Hub*

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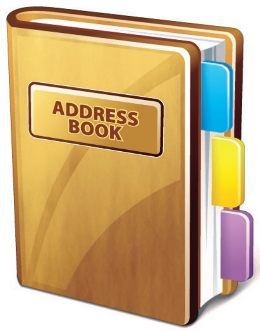

Don't forget to let us know if you have changed your contact details. We will even update your fund managers with your new information!

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ISSUE 03 Sept 2017

RI Toowoomba & Ipswich

Jeff's Jottings

Spring time has arrived, but did you know spring cleaning isn't just for your house. Most people forget just how important it is to "spring clean" your finances too. With interest rates still low and not showing any signs of movement, and the Australian dollar rising against the US dollar, the Sterling and the Euro, our Economic Overview will make for interesting reading.

Ever wondered what our team is like? We had some fun finding out quirky facts about each other and have listed some "interesting" ones for you in this newsletter.

To finish off winter, all of the advisers headed down to cold, wet and windy Melbourne to attend our annual Re-Connect conference. And the weather didn't disappoint! There is always a lot to learn and experience when attending these RI Advice conferences and while there is a lot to take in, we have all come away feeling re-vitalised and ready for any challenges ahead.

Kind regards,

Jeff English

Chief Executive Officer &
Senior Financial Adviser
RI Toowoomba & Ipswich

In this Issue

Economic Overview

The Reserve Bank of Australia (RBA) Board met on 1 August and left the official cash rate on hold at 1.5%, as widely expected. There has been no change in the official cash rate since August 2016. After making significant gains in June, the Australian dollar was stronger over the month, supported partly by rising commodity prices.

The S&P/ASX 200 Index finished the month flat, despite some volatility. In a repeat of last month, there was considerable divergence in the performance between industry sectors.

Meanwhile, global shares recorded another positive month, and various market volatility measures continued to fall to record lows. In the US, the target Fed Funds rate range remains unchanged, while the Fed waits to see a little more data before continuing on the path of normalising US monetary policy.

Australia

The RBA's July interest rate decision was complicated by the recent strength of the Australian dollar, largely driven by a weaker US currency. The RBA noted that:

> *"the higher exchange rate is expected to contribute to subdued price pressures in the economy. It is also weighing on the outlook for output and employment. An appreciating exchange rate would be expected to result in a slower pick-up in economic activity and inflation than currently forecast".*

The RBA continues to balance three key risks in the economy for their monetary policy deliberations:

- the outlook for inflation,
- the strength or otherwise of the labour market, and
- household financial stability.

The most significant price rises over the quarter were in medical and hospital services (+4.1%), new dwelling purchases by owner-occupiers (+0.9%), tobacco (+1.0%) and beer (+1.0%). The biggest offsetting price falls included domestic holiday travel and accommodation (3.2%), automotive fuel (2.5%) and fruit (4.4%). Weakness continued in clothing, with price discounting and competition in the segment. The price increase expected in fresh fruit and vegetables as a result of Cyclone Debbie was largely offset by price declines in seasonally available fruit such as apples, bananas and mandarins.

The June labour market report saw job gains continue, although there was a return to a more normal monthly gain of +14,000. The unemployment rate held steady at 5.6%.

Australian dollar

After gains in June, the Australian dollar was stronger again in July, supported by rising commodity prices and expectations that the RBA could join other central banks in removing monetary policy accommodation, particularly after the Bank of Canada lifted rates. US dollar weakness was also evident as the market reduced the scale of future Federal Reserve rate hike forecasts on the back of weaker inflation data and reduced expectations of tax reform in the US given Congress' failure to pass healthcare reform.

As a result, the Australian dollar rose 4.1% against the US dollar to $US0.8003, its highest level since May 2015.

The AUD also rose against the Sterling (+2.6%), the Euro (+0.4%), Japanese Yen (+2.2%) and NZ dollar (1.5%).

Commodities

Commodity prices were generally higher in July, supported by a lower US dollar and further signs of a synchronised pick-up in global economic growth. West Texas Intermediate (WTI) crude oil finished the month at $US50.17/bbl, up 9.0%. Gains were driven largely by a late-month fall in the US dollar and Saudi Arabia's pledge to reduce crude exports.

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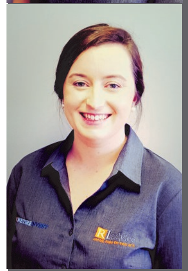
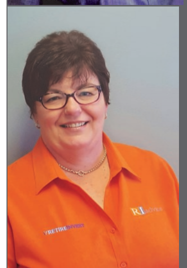
Quirky Facts About Our Team


Has Shower one night then Bath the next night


Does crazy dances at random times


Cannot talk without using her hands


Has to use the same colour pegs when hanging washing out


Has to make bed each day so spiders or bugs don't crawl in


Tells the best dad jokes


Has her poodle picked up and dropped off for day-care each day

Continued from page 1

Australian equities

The S&P/ASX 200 Index finished the month flat (0.0%), despite some volatility. In a repeat of last month, there was considerable divergence in the performance between industry sectors.

With the Australian dollar continuing to rise against other major currencies, the biggest loser was Healthcare (7.5%), since companies like CSL, Cochlear and ResMed derive a significant proportion of their earnings from overseas. Bond proxy sector Utilities (5.3%) was impacted by rising bond yields, while Industrials (–2.9%) fell on a combination of a strong Australian dollar and rising bond yields. Telcos (4.3%) were also dragged lower by sector giant Telstra, which has been under pressure on investor concerns around earnings and dividend risk.

On the positive side, the Materials sector (+3.5%) was strong on the back of rising commodity prices. Financials (+1.2%) were supported by the large banks, which rebounded after the better-than-expected ruling on capital requirements from APRA.

Source: Colonial First State 15th August 2017

Are you insuring your biggest asset?

With the majority of Australians still dangerously underinsured, is it time you reviewed your cover?

Bill is a clean-living 53-year-old who exercises regularly, doesn't smoke, enjoys a healthy diet and only indulges his love of good wine at the weekend.

Yet things changed suddenly for Bill last year when he awoke one night to find he couldn't breathe. His wife called for an ambulance and he was rushed to hospital, where he was taken into life-saving surgery following a heart attack.

After waking from his operation, Bill was in deep shock. While he knew there was a family history of heart disease, he had gone to great lengths to prevent the onset of the illness and had not properly thought through how his family would cope without him.

During his recovery, Bill reviewed the life insurance component of his super and discovered that in the event of his death his family would receive just $300,000, which would barely pay off their mortgage. He had not taken into account daily living expenses, car loans, his daughters' school fees, his wife's low income or their inadequate savings.

Fortunately for Bill his story is a positive one. Now in better health and back at work, he has spoken to a financial adviser and taken out additional life insurance, albeit at a significant premium following his heart attack. He and his adviser are also looking into critical illness cover, which would pay out a lump sum should he suffer another sudden illness.

In Australia, Bill's story is not uncommon. In fact, surveys have shown Australia has much lower levels of insurance than other developed nations including the US and UK. The required level of life insurance is now about $680,000, while the typical default cover is about $258,000 – a significant gap. Could your loved ones make ends meet if you were unable to work or died?

Here are some of the things you should consider:

- Mortgage or rent costs
- Daily living expenses – food, bills, transport
- Childcare
- School and university fees
- Other expenses – house repair costs, medical expenses

Make an appointment with your financial adviser to discuss your insurance needs and ensure you are adequately covered. *Source: RI Article Hub 18th July 2016*

Do investment properties really add up?

Australians have long been attracted to property as an investment. But we also tend to have a blind spot when it comes to the costs of owning it. Property holds a special place in the hearts and minds of Australians. But do we let our love for property cloud its true value as an investment? A strong property market, low interest rates and generous tax breaks have all been magnets for property investors in recent years. The challenge for property investors is making sure you're weighing up the performance of your investment against what it's really costing you to own it.

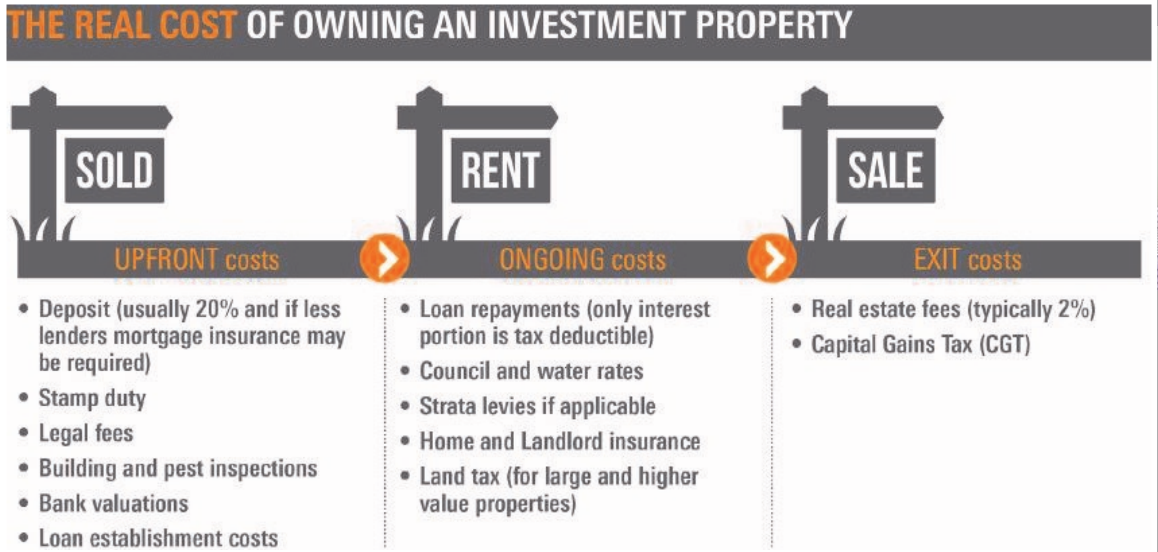
So what are the costs of owning an investment property?

1. Upfront costs

If you're looking to borrow to fund your property investment, the starting point with many lenders is a 20% deposit. On a $600,000 property, that's $120,000. If your deposit is less than 20%, you may need to pay Lenders Mortgage Insurance – which can be a significant one-off cost. Typically the biggest cost when buying a property is stamp duty, which varies from state to state but is close to $23,000 on a $600,000 property in NSW. Add to this legal fees ($1,500-$3,000), building and pest inspections ($300-$500) – potentially for multiple properties – bank valuations ($300-400) and loan establishment costs ($500-600). Add them up, and these costs could potentially add around 5% to the cost of your investment.

2. Ongoing costs

Once the property is yours, you can obviously start using it to generate an income from tenants. The downside is the ongoing costs. Loan repayments are usually the biggest cost. For example, a $480,000 home loan with a 30-year term and a 6% p.a. interest rate will generate loan repayments of $2,878 per month. And remember that only the interest portion of these repayments is tax-deductible. Other ongoing costs include council and water rates, strata levies (if applicable) and home and landlord insurance. You may also have to pay land tax for larger or higher-value properties.



3. Exit costs

At some stage you may want to sell your investment to realise the capital growth you have hopefully earned. The major costs here are likely to be real estate agent fees (typically around 2% of the sale price) and capital gains tax (CGT), which is payable at your marginal tax rate. You may be eligible for a 50% CGT discount if you hold your property for more than 12 months, but CGT can still be a significant expense – particularly for higher income earners. For example, if you bought an investment property for $600,000 and sold it for $750,000 three years later, 50% of the total capital gain (i.e. $75,000) would generally be subject to capital gains tax. If you're in the highest marginal tax bracket, that tax bill could be as high as $36,750 (including the Medicare Levy and Temporary Budget Repair Levy).

Property investing for the long term

There's no doubt astute investors can make good money from investing in property, particularly in favourable market conditions. But it's essential to weigh up all of the costs associated with buying, owning and selling an investment property. Generally speaking, property should be looked at as a long-term investment for 5-10 years – giving you time to achieve the capital growth and income you need to average out the costs and make it a successful investment. *Source RI Article Hub*

Quirky Facts About Our Team


Knows every word of every episode of "Friends"


Looks up at the ceiling when thinking


Prefers horses over humans


Loves to bake and cook as a stress relief


His ears are $4^{1/2}$ cm long from top to bottom


Likes Lemon honey and Vegemite on toast


Opens computer programs in same order every day