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PIS Timely Tips



Generation X – the sandwich in the generational war



If you are aged between 30 and 44 years old and are feeling like you're being squeezed between paying for your Generation Y children and caring for your Baby Boomer parents either financially or practically, you are Generation X.

Most likely you are juggling a mortgage, career, children and parents and wondering when you will be able to retire:

- 57% of you live from week to week*
- 40% of you worry about your families*
- Many of you are worried about your finances, home affordability and retirement*

So what are some of the key issues that have shaped Generation X?

Too much change

Social researcher Hugh Mackay says Generation X is 'the options generation'. Born during a time of monumental change, you put off commitment because something is always waiting around the corner.

Too much choice

You are highly educated, internet savvy and like to make informed decisions – but the combination of being time poor and information overload can lead to paralysis by analysis.

Less certainty

You have learned to live without jobs for life, battled your way through the recent Global Financial Crisis (GFC) and are trying to balance the family budget in the wake of rising interest rates and credit card debt. In fact,

according to recent Roy Morgan Research, Australia's 30-44 year olds make up 27% of the population but owe 46% of the credit card and loan debt.

Tougher for women

Women are likely to earn less due to time out of the workforce if they choose to have a family and as a result, their superannuation balance tends to be lower; the problem is they are likely to live longer than men.

So how can Generation X gain a better balance and more control of their lives?

Many of you may still be reeling from the impact of the GFC however, there are some quick considerations that may help you get back on track.

1. Protect your family by updating your insurance. Most Australians are drastically underinsured and proper insurance and an up-to-date Will means you can protect your family in the event of an unexpected event. As a general rule most families need life insurance valued at least ten times their salary if the main breadwinner could not work again. This cover is often less expensive than people expect.



2. Manage your debt. You are probably trying to manage a

mortgage and reduce other debt. Consider shopping around for a better home loan and lowering your debt through consolidation, setting up a family budget or using credit cards with lower limits.



3. Make the most of your superannuation by consolidating your superannuation funds, looking at the type of superannuation fund that suits your circumstances and invest more aggressively. Ask your adviser about the taxation benefits of superannuation including the Government's co-contribution scheme if you are eligible.
4. Build your wealth. If you've got the money to invest, invest it now. Long-term investments in growth assets, wrap accounts, savings plans and term deposits are all effective ways to build wealth.

What to do next

If you wanted to get fit you would sign up to the gym or hire a personal trainer. If you want to make better decisions about your finances see a financial adviser who can help you to set up long-term financial and life goals and free up more of your valuable time.

*Source | Grey Worldwide Australia's eye on Australia Report (April 2008)

Did you know?

Based on the latest ABR data extracted in October 2009, women aged 25-54 years old represented a higher percentage of individual members of SMSFs than men.

Men with a taxable income between \$100,000 and \$200,000 signified the highest proportion of individual members of SMSFs during the quarter (September 2009) at 17.36%.

Source | Australian Taxation Office

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List of services:

- Wealth accumulation
- Superannuation/rollovers
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- Mortgage elimination
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- Fixed interest and cash
- Tax planning
- Finance services
- Home mortgages
- Business planning
- Risk insurance
- Corporate superannuation
- Corporate services

When it comes to debt

When it comes to debt you should be doing everything possible to reduce the amount you owe. The idea is to 'control the controllables'.

You cannot control the interest rates, rising prices or the markets but you can control your strategy.



a couple of times a week or forgoing your weekly takeaway dinner.

10 Tips for managing debt

1. Do a budget

It may seem an obvious place to start but many people still don't have one. By itemising your expenditure, you may be able to see where you can start to save.

2. Think long-term

If you are lucky enough to get a windfall, do not go on a spending spree. Put it towards paying off a personal loan or making a one-off payment on your mortgage.

3. Get the best loan for you

Are you on the best rate? Look at options such as a loan repayment 'holiday', restructuring your loan or refinancing.

4. Start small

Even minor reductions can help ease financial pressure, whether it's taking a packed lunch to work

5. Do not borrow too much

If you have not yet entered the property market, wait until you have saved a sufficient deposit before buying a house. That will mean you can buy a nicer place and/or have to borrow less. In the long run this will save you a fortune in interest. Try not to put yourself under too much pressure with a loan that you can't really afford to repay.

6. Maximise your medical expenses rebate

Try to incur major medical expenses in the same financial year so you're eligible for the medical expenses rebate.



7. Prioritise your debt

Some debts, such as borrowings for investment, are 'better' than others because they are tax deductible. Pay off 'bad debt' (borrowings for consumption) first, starting with the debt with the highest interest rate.

8. Try to avoid bad credit

Try to get into the habit of paying for things with cash rather than credit. You will not only stop your debt growing, you can save money in interest and fees.



9. Think about consolidating your debt

If you have several loans, you can save money doing this if the interest and fees on the new loan are less than the interest and fees on the old loans. However, check the period of the new loan first; you may end up paying more long-term.

10. Seek advice

If you are not sure whether your debt is structured correctly, whether you are accessing all the tax benefits available, or even how to set up a new budget in order to reach your financial goals, make an appointment with a professional financial adviser.

Source | Colonial First State

Your adviser:
SENSIBLE FINANCIAL PLANNING – 83877010

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