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PIS Timely Tips



Managing Debt Keeping the Wolf from Your Door



Australia recorded its highest level of personal insolvency in 2009, with 36,487 people declared insolvent. When combined with a six fold increase in household debt over the past decade and easy access to credit, Australians must be more vigilant than ever in the way that they structure their debt and manage their cash flow.

Debt is a form of financing that is familiar to most of us. The home mortgage is by far the most common type of debt used by Australian households. Consumers have found debt finance easier to come by over the past decade with lending institutions keen to promote credit facilities to consumers as they compete for market share. This phenomenon has been both a blessing and a curse for consumers. Our ability to access easier credit has made it simpler to fund our homes and take advantage of investment

opportunities as they arise. The Federal Government even encourages us to use debt for investment purposes by providing a tax deduction for our interest expenses.

On the downside, access to easy credit is often associated with financial stress caused by over consumption. The financial vulnerability of individuals is heightened through greater access to credit. Resisting the temptation to indulge oneself using debt is a challenge that some consumers overcome better than others.

Australians are typically poor managers of debt. Most households have no preconceived plan of how they are going to repay their debts other than to follow the repayment plans set up by their lender. There is also very little appreciation of how debt can be used to create wealth - somewhat surprising given that debt is simply a funding mechanism available to create wealth. After all, no one borrows to invest in a property not

believing that their property will rise in value over time! Yet the applications for debt beyond the investment in the family home have long been ignored. Even the tax concessions available to investors are often overlooked. Despite our poor management record, the debt that we are prepared to carry continues to rise. In September 1990, Australian households owed \$190 billion compared to \$1.1 trillion (after adjusting for inflation) by September 2008.



Our greater propensity to use debt requires a change in our thinking. No longer are we confined to the set and forget home mortgage arrangements

Did you Know?

You need to keep proper records in order to make a rental property expense claim, regardless of whether you use a tax agent to prepare your tax return or you do it yourself. You must keep records of:

- The rental income you receive and the deductible expenses you pay – keep these records for five years from 31 October or, if you lodge later, for five years from the date your tax return is lodged
- Your ownership of the property and all the costs of purchasing/acquiring it and selling/disposing of it – keep these records for five years from the date you sell/dispose of your rental property

Source | Australian Taxation office

About our services: The Group has offices in all capital cities throughout Australia as well as an extensive regional network. Our highly skilled and trained advisers will assist you in determining the financial strategy that is right for you.

List of services:

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

of our forbears. Consumers can now access a range of debt funding options that allow us to build wealth, save tax and fulfil lifestyle goals. Competitive pressures have forced financial institutions to become more flexible and greater access to credit requires us to consider the management of our debts more critically. In the midst of all this choice, consumers must remain prudent and exercise discipline in the way that they manage their debt positions and cashflow



Find out more

With more options and greater flexibility than ever before, managing debt to create wealth and improve cashflow has become a major priority for Australian households. To learn more about the strategies available to manage your debt more efficiently and enhance your cashflow, contact your PIS financial adviser today.

Source | Colonial Geared Investments

The 30 Minute Feel Good Guide

Life can be full of 30 minute chores: taking out the rubbish, doing the dishes or tidying the tool cupboard. You know you should do them, you know you'll feel better afterwards but somehow your legs don't move from the couch. Some people think of applying for life insurance as just another chore: you know it's a good idea but you just don't have the time to spend on it.

Often however, it can be quicker to get your life insurance sorted out than getting the tool cupboard in order.

The overwhelming majority of life and income protection policies do not require a medical examination or proof of income documentation. If you're under 45 you can usually get up to \$2.5 million Life Cover without a medical. For Income Protection, financial statements are generally not required for up to \$12,000 monthly benefit (agreed value).

These days, you don't even have to fill out a paper application. You can sit with your financial adviser, which means you only get asked questions that are relevant to your situation. You won't have to answer the smoking questions if you never have, and you won't even see the asthma questions if it's not relevant to you.



This sometimes means you can complete your application in as little as 30 minutes. And your cover can be approved on the spot – no more waiting for a decision from the insurer.

So in around 30 minutes, you can enjoy the great feeling of knowing you and your family are looked after. Best of all you only need to do it once – unlike the tool cupboard, you won't have to do it all over again in a few months time. You can keep procrastinating over the tool cupboard and other chores, but take the time to work out your insurance now so it's another thing ticked off the list.

Source | Asteron



Your local adviser is:
Sensible Financial Planning 8387 7010

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