A plan for life

Ever wondered why the good things in life seem to come easier for some than others? In most instances it’s not just luck, it’s because they have a plan for life. They know what they want and have actively worked to make it happen. This may be from a career perspective or a personal perspective but generally these goals need to be supported by a financial plan as well.

This webinar looks at each stage of a typical financial journey and explores some of the key aspects that should be considered along the way.

Financial lifecycle

A typical financial lifecycle begins when you start your first job. Then there is a series of 1st's such as the 1st car, 1st home etc, to get established and start to create wealth. Then you need to build on that wealth and optimise it to ensure there’s enough to support you during retirement when you are no longer earning an income.

Getting started

In the early years as you are starting out on your financial journey you are probably increasing your income and assets, such as buying a car etc. During this time it’s important to start developing good money habits.

These are habits such as:

- setting financial goals
- keeping a spending diary
- developing a budget
- good spending practices
- establishing a savings routine
- regular review of goals and budgets

Establish foundations

The next stage of the typical financial journey is where you start to establish your foundations and then consolidate and start creating wealth. Goals during this part of the cycle typically become larger and longer term, for example “buying a house”.

When establishing a base of assets you may need to consider whether you are able to purchase these outright, or whether you may need to borrow. To purchase the asset outright you may need to save up the money which will take time, but what if you need it now? Or is now the right time to buy it? Then you may need to borrow the money and pay it back over time. This of course means the asset will ultimately cost you more as you will need to pay interest and fees for borrowing.
Saving and borrowing are two different ways of achieving your goals: the trade-off being between time and cost.

Once you’ve established this foundation you don’t want to lose it, so you may also wish to protect your income, assets, health, and family’s future through proper planning and insurance.

**Growing wealth**

This section of the financial lifecycle is about making the most of your years of employment to accumulate the wealth that is going to sustain you once you are retired. This is where we want to be generating more income and wealth from investments.

When it comes to growing wealth the more time you have on your side the better. Time allows you to:

- start small and build over time,
- take advantage of compounding interest, and
- ride out market volatility.

All investments have a “risk vs return” profile and should be selected according to your own risk appetite and the time you have available to accumulate returns.

One way of growing an investment portfolio more quickly than relying just on your income is to borrow to invest. If the return on the investment is greater than the cost of borrowing then it is said to be positively geared and adds to your accumulating wealth in the form of income. If the return on the investment is less than the cost then it is said to be negatively geared. In this instance the investor is relying on the asset growing in value over time to add to accumulated wealth.

Superannuation may be a tax effective method of accumulating wealth that doesn’t need to be accessed prior to retirement.

**Using wealth**

Once you retire and are no longer earning a salary the aim now is to use the wealth you have accumulated efficiently to provide the lifestyle that you want for the rest of your life. As lifestyles become more expensive and life expectancy increases how you manage your wealth is critically important.

Any information provided is of a general nature. Before making any decisions please ensure you seek appropriate professional advice to ensure it is appropriate to you.