YOUR MONEY MATTERS

EMERGENCY FUNDS: CASH FOR A RAINY DAY

Life is full of unexpected events, but just because they're unexpected doesn't mean you can't plan for them. Unfortunately, a lot of these sudden events will cost you money – your windscreen is smashed, your son breaks his arm, your washing machine breaks down.

When people live from week to week, with no savings, these problems can seem much bigger than necessary, because they are financially unprepared.

JD Roth from moneytoolbox.com says this is why it's important to have an emergency fund – that money put aside 'for a rainy day'. An emergency fund isn't to be used for holidays or house renovations, it's for the day a tree falls on your house, or you lose your job.

"My advice is do what works for you," he says. "Start small. If you don't have a rainy-day fund, then something is better than nothing. Set aside $500. Or $100. Or $20. Over time, work to build this buffer until you have $1000 or $5000 on hand for catastrophe."

Roth suggests to aim for savings of six to 12 months living expenses.

"Studies show that those without emergency savings are more likely to accumulate debt," he says. "Your emergency fund acts as self-insurance, cushioning you from small disasters. If you have a cash cushion, your financial plans can't be derailed by a single unexpected event, unless it's huge."

Tips for starting an emergency fund

- Pick a bank. Shop around for accounts with a good interest rate.
- If you're in debt don't put too much in savings. Set aside about $1000 and then put any extra cash towards your debt.
- Resist temptation. Only use your emergency fund for emergencies.
- Save more. As you reduce your debt, build your emergency fund.

SUPERANNUATION: UNDERSTAND YOUR RISK

While 'low risk' might sound like a safe option, when it comes to your superannuation safe isn't always better.

According to a poll reported in the Australian Journal of Financial Planning, about half of young Australians choose a low risk superannuation investment without knowing what it means, despite the fact that some of these options might not earn much more than the rate of inflation.

The poll surveyed over 800 people aged between 18 and 64. A further 29% of thosesurveyed didn't understand what "low risk" meant, and couldn't answer whether such an option would provide enough money for them to retire on. This reinforces the need to understand different types of risk, in the context of your investment timeframe.

For a 60 year old, who is not going to keep their superannuation invested when they retire in five to 10 years' time, a "low risk" strategy would seem appropriate. However, for a 40 year old with more than 25 years of working life remaining, the same strategy could be disastrous. The survey also highlighted that only one quarter of people consider that volatility in investment markets, and the effects of inflation, are the two main risks when it comes to superannuation savings.

The current industry standard "risk" label is based on volatility, or fluctuations in the value of your invested monies, but there are other risks that can be more significant.

For more information, please feel free to contact us to discuss your circumstances.

IS AN OFFSET ACCOUNT RIGHT FOR YOU?

If you're looking to shave thousands of dollars off your home loan, you may want to consider a mortgage offset account.

This type of account will offset the balance in that account against the balance of your home loan. You'll pay less interest on your mortgage, which means you'll not only save money, but it will also reduce the time it takes to pay off your loan.

For example, if you have a home loan balance of $200,000 and have $10,000 in your offset account, you'll only pay interest on a home loan balance of $190,000.

And while your money is working harder for you, your offset account will be just as accessible as an everyday transaction account.

What to consider:

Not all offset accounts are the same, so make sure you check the details and find the account that's right for your circumstances.

A full offset means 100% of the funds in your offset account will be deducted from what you owe on your home loan before interest is calculated.

A partial offset gives you a reduced interest rate on the part of your home loan equal to the balance of your offset account.

Good to know:

You may benefit further by having multiple offset accounts linked to your home loan. You can still manage your finances how you choose, but you benefit from every cent in your offset accounts.

Fixed loans generally have more limited options, contact the team at Hunter Lending Solutions to check if your loan is eligible.

"My smart phone communicates with my smart watch and smart TV. I think they're calling me 'stupid' behind my back."

OBSTACLES TO WEALTH

There is plenty of information about being proactive with your finances and what you can do to make your money work harder for you. But it is also well worth figuring out if there are barriers blocking your way.

Author Brett Wilder in his book The Quiet Millionaire says there are common barriers to wealth that arise for everyone, and that by identifying them we are able to plan for them and overcome them. Wilders seven obstacles to financial success are:

Lack of discipline

It is impossible to get rich if you spend more than you earn. Beware of compulsive spending and track where your money is going.

Materialism

Trying to "keep up with the Jones's" will not enrich your life. Wilder suggests focusing on intellectual and spiritual pursuits to find fulfilment, rather than placing so much emphasis on material objects.

Taxes

It's our responsibility to pay the tax we owe, but no more.

Debt

Not all debt is bad. A reasonable mortgage is fine. But consumer debt, or a bad mortgage on a big house, is an obstacle to financial success. He says debt may be the biggest hurdle of all.

Inflation

Inflation creeps up each year. It is impossible to keep it at bay, but you can mitigate its effects.

Investment mistakes

This is an obstacle that can be overcome through education and taking the emotion out of investing.

Emergencies

Some things are simply unexpected. Look at insurance options and find a product that suits your situation and maintain an emergency fund.

OUR NEW-LOOK WEBSITES ARE LIVE!

Check them out for information and new articles posted regularly

www.tfsonline.net

www.hunterlending.com.au

FIRST HOME? SOME OF OUR TIPS

Picking up the keys to your first home is one of life's great milestones – but getting to that point can take some planning.

When you first enter the property market, it can be a steep learning curve. Organising your finances, deciding on a location and finding the right property are all common challenges. Fortunately, we can help.

START WITH FINANCE

The best place to start when you're house hunting is to understand your finances and the real cost of buying a home. How much deposit do you need for a home loan? What will your repayments be? Have you considered other costs, like stamp duty and insurance, because these need to be factored into your budget.

Working these things out upfront might save you a lot of time, and help you understand what your finance options are.

Home loan calculators, like the one available on our website www.hunterlending.com.au can help you work out how much you may be able to borrow and what the total cost of buying a property might be, including stamp duty, legal fees and so on.

You can also use our budget planner to calculate how much you can afford for your monthly home loan repayments.

DELVE DEEPER

Keeping an eye on how the property market is faring might help you make decisions that affect your financial future for the better. Data on the Australian property market is published regularly, detailing home values, construction activity and more.

GET CONDITIONAL PRE-APPROVAL

You'll be able to go house hunting with confidence if you secure conditional pre-approval for your home loan, because you know your borrowing power.

It's a great way to save time when you're looking for a property, as it can give you more certainty about your budget and means you can act quickly when you find the property you want.

Thinking about getting on the property ladder? Speak to a lending professional at Hunter Lending Solutions to help you navigate your way through buying your first property.

MND: A CAUSE CLOSE TO OUR HEARTS

Motor Neurone Disease (MND) is a cause close to the hearts of the hard working minions at TFS Group, so we were proud to be sponsors of a recent fundraising event.

A trivia night was organised by local woman Rachael Gageler, to raise awareness and funds for the MND Association. Muswellbrook has a number of families affected by MND, so it was wonderful to be part of the night, which raised more than $12,000.

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