



Resolutions for a wealthy future

Shedding a few kilos and getting fit are popular New Year's resolutions, but along with improving your health why not resolve to boost your wealth in 2015? The best way to do that is to have a clear picture about what you want to achieve.

Perhaps you want to buy a new car, save a deposit for your first home, prepare for the birth of a child or go on an overseas adventure? Make sure your list contains some fun short-term goals as well as some that will set you up for the future.

Prioritise your goals

Whatever your goals, write them down in the order of priority and put a dollar figure on them. The more concrete you can make your goals the better.

Then it is a matter of working out where you want to be by the end of the year. Short-term goals such as a holiday may be reached within 12 months while other goals, such as a home deposit, may take longer.

Prepare a budget

More often than not, the difference between a goal and a pipedream is a budget. Start by adding up your annual income from work, investments and government allowances. Then deduct your annual expenses including mortgage or rent, insurances, transport, phone, utilities, clothes, entertainment, groceries and daily expenses.

Any amount you are left with is the seed that will grow your future wealth. However, if you discover you are spending more than you earn then go through your budget item by item to see where you can cut back. You might also consider taking on extra work to boost your income.

Plan to save

The old advice to 'pay yourself first' is still the easiest way to discipline yourself to save. Set up a weekly or monthly direct debit to divert some of your salary into a savings account before you have a chance to spend it.

Consider a high interest savings account for short-term savings or, if you have a home loan with a redraw facility, you could park the cash there and reduce your debt at the same time.

Don't forget retirement

When you're planning how to get ahead this year, don't forget the big picture. A small amount put aside each week could make a big difference to your retirement lifestyle if you start saving early.

The longer you procrastinate, the more you will need to save later on.

Consider setting up a direct debit to make a voluntary non-concessional contribution to your superannuation or salary sacrifice pre-tax income to make a concessional contribution. Just be careful to stay within your age-based annual contribution limits.

Go for growth

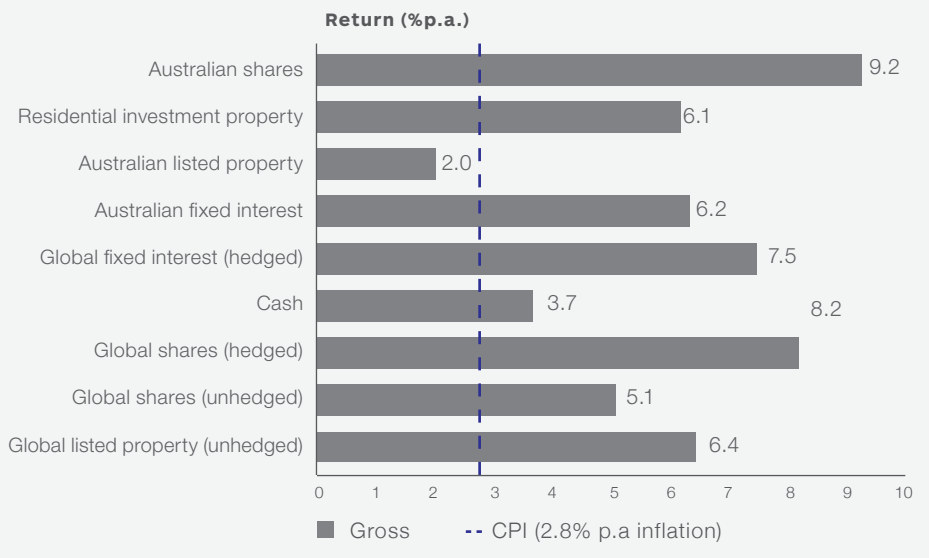
You work hard for your money, but you need to make your money work hard for you too if you want to grow your wealth.

When you are saving for longer-term goals such as a child's education or your retirement, you need to ensure that your savings are not eaten away by inflation. That means putting some of your money in growth assets such as shares and property which produce the best returns in the long run.

As the graph shows, in the 10 years to December 2013 Australian shares were the best performing asset class with a gross return (before tax) of 9.2 per cent a year. Cash was the worst performer at just 3.7 per cent a year. With inflation averaging 2.8 per cent a year over the same period, someone who left their money in the bank would have earned a real return of less than one per cent a year on their money.

When you are saving for retirement, super is the most tax-effective investment vehicle. But just because super is a long-term investment doesn't mean you can afford to set

Gross returns of the 10 years to December 2013



SOURCE: <http://www.asx.com.au/documents/resources/russell-asx-2014-long-term-investing-report.pdf>

Note: All returns are net of costs. Past performance is not a reliable indicator of future performance.

and forget. If you have a decade or more to go before you need to draw on your savings, then consider increasing the portion of your money in high growth investment options.

Share your goals

Just as it's often easier to achieve your fitness goals with support from an exercise buddy or personal trainer, why not try growing your wealth with a little help from your friends.

Instead of meeting at a restaurant why not suggest a dinner party where everyone brings a plate? Or instead of Friday night takeaway, why not get the kids to make their own pizza?

Even the simple act of talking about your goals with a trusted friend or adviser makes success more likely.

Call us if you would like to discuss the best way to achieve your New Year's resolutions.

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