KTA Financial Services

Certified Quality Advice Practice

charter financial planning

Winter 2015

Welcome to the latest edition of our client newsletter.

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

Reflecting on the importance of financial security, now might be a good time to speak with those close to you about the importance of being financially literate - no matter what stage of life they're at. Transferring your knowledge and ideas can really help improve the financial literacy of those you care about. After all, it's never too late to start good habits.

In this edition we discuss how to teach your children to be money smart and provide you with information on superannuation terms and strategies to help pay off your home sooner.

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.

In the meantime stay warm and we hope you enjoy the read.

All the best,

Kym, Troy and the team at KTA Financial Services

KTA Financial Services

7 Swale Street
(Corner Sunter Street)
Strathalbyn SA 5255

Kym Thyer DipFp, CFP, Dip All, CIP, JP
Troy Mickan GradDipAppFin, A Fin

P (08) 8536 2022
F (08) 8536 3085
E admin@ktafs.com.au
W www.ktafs.com.au

Give your kids money smarts

Children learn a lot from their parents when it comes to money—arm yours for financial success.

When it comes to money, your own behaviour and attitudes can strongly influence your kids. Help your kids to be money smart by demonstrating positive money habits and teaching them valuable lessons as they grow older.

Teaching money smarts

Money management has always been important for children to learn about, especially as they grow into young adults and face the big wide world out there! It's even more the case today, in an ever-growing digital world—kids are trained to become consumers from a young age.

What's more, it can be hard for kids to understand what they can't see. And shopping online—where there's no exchange of physical cash—makes it easy for kids to miss learning about the real value of money.

The good news is the desire to buy things does provide an opportunity to encourage healthy financial habits though, like saving, budgeting and working to earn their money. The best principles to teach kids just vary at different ages.

Here are some tips for building money smarts no matter what age your kids are.

Young children

Making money tangible for young children can be helpful. Your child may benefit from seeing money visibly accumulate in a jar. You can convey the way money works by playing games that show your child how many coins are needed to buy particular items—and how spending reduces the quantity of money in the jar.

Primary school kids

When children reach school age, introduce more practical examples by connecting household jobs they do with money as the reward. It can be a good time to set up a savings account for your child[i] and to learn basic goal setting and budgeting.

Teens

As your child gets older, a weekend or holiday job can help them appreciate that working leads to earning money. It's also a good stage to help your child start setting goals, say to buy a new mobile phone, while meeting short-term expenses like buying snacks, clothes and going out.

Young adults

Once children are earning money on a regular basis, if they're still living at home, then it's time to discuss living expenses, including board and chipping in for food and utilities. It's also an idea to develop their interest in building wealth for the future. Be sure also to cultivate an understanding and interest in their superannuation and how starting early can make a big difference.

Talking digital

Money lessons need to be adapted for digital spending. To do this it's a good idea to involve kids in the digital purchasing process when you're doing it yourself. Walk them through how it works and tell them the actual price so you can take this out of their pocket money, for example. It's also a good idea to take them to the ATM with you and explain that the money coming from the machine is reducing the amount the family has in savings.

It's never too late (or early)…

Investing from an early age can help build substantial wealth over time. So share our budget planner and speak with your kids about planning for financial success. Integrating money into your children's lives can be a positive experience—along the way they'll benefit from your knowledge and may even want to celebrate their achievements.

Our practice can create a budget and savings plan that could help.

Call us today.

i A parent/guardian can open an account in a child's name who is under 13 years of age, as long as they are a signatory. If the child is over 13 years of age, the parent/guardian must still open the account, but the child can be a signatory as long as the standard account opening requirements are met. Visa Debit, PayTag & AMPwave technology is only available to customers over 18.

How can I own my home sooner?

It doesn't have to be the stuff of dreams. There are several strategies that could help you pay off your home loan sooner. And it doesn't necessarily mean sacrificing the things you love doing today.

The first step towards paying off your home sooner is to understand your loan—how much you owe, how much you are paying and what other financial commitments you have.

Once you know where you stand you can start getting smarter with your loan.

Consolidate your financial commitments

Over time, it's easy to build up small loans here and there. Individually, they may not seem like a lot but it could mean you're paying higher interest rates and lots of extra fees, which could keep you in debt longer and really impact your lifestyle today.

By bundling all your financial commitments into one loan you can get a clearer picture of what you owe and potentially save money too.

Consider making fortnightly home loan repayments

If you can afford it (and you're not doing it already), consider changing your home loan repayments from monthly to fortnightly. This can make a really big difference to your loan.

Of course, by changing your repayment frequency you may need to be more mindful when it comes to managing your money.

One way of doing this is to align your pay dates and repayment cycle. Even though it may take time to adjust, you could keep thousands of dollars in your pocket that you would have otherwise paid in interest.

Use an offset account

An offset account is a simple tool that can potentially help you save thousands over the lifetime of your home loan.

Own your home sooner and still enjoy the things you love

If owning your home sooner and maintaining your lifestyle are both important priorities to you, consider speaking to your financial planner today.

Based on your goals, and personal situation, we will be able to create a personalised plan that's right for you.

With expert advice, you'll be on track to owning your home sooner while still enjoying the things you love today.

Six super terms that should be on your radar

Confused by industry jargon? We help you make sense of it all...

We want to empower you to take control of your finances and own your tomorrow. But we know it's not always easy. The language of finance can be complex and confusing.

Here we explain superannuation terms in everyday language.

Superannuation guarantee (SG)

The payments your employer makes into your super. All Australian employers are required to pay at least 9.5% into their employees' super accounts. The SG rate is frozen until 30 June 2021, after which it is set to increase gradually to 12% by 1 July 2025.

Concessional contributions

Any payments into your super by your employer from your pre-tax salary (including super guarantee and salary sacrifice) up to $30,000 (or $35,000 if you're over 49) that are only taxed at 15%, which is lower than most people's marginal tax rate —unless you earn over $300,000, in which case you're taxed at 30%.

Non-concessional contributions

You can pay up to $180,000 a year into your super with after-tax funds— or $540,000 spread over three years. Although your payments won't allow you to receive a tax deduction, non-concessional contributions can still be a tax-effective way of saving for retirement. Any earnings are only taxed at up to 15% and any withdrawals are tax-free once you can access your super.

Co-contributions

Depending on how much you earn, if you top up your super using after-tax contributions, you may receive up to $500 from the government.

Beneficiaries

The people you want to receive your super savings in the event of your death. It's important to remember that your will doesn't cover your super. So if you don't name your beneficiaries, your super fund may decide who gets your money after your death.

There are two types of beneficiaries binding and non-binding. Having a non-binding beneficiary will give the trustee an indication of how you would like your super distributed, however making a binding nomination is the only way to make sure your super savings will go to the right people at the right time because your super fund is legally obliged to follow your instructions.

It's important to note binding nominations are only valid for three years so you need to keep them up to date.

Contact us we can help you make tax-effective contributions to your super and keep your beneficiaries up to date.