Budget + wealth + security Booster

January 2012

Five Resolutions for the New Year

1. Review your investment strategy

With share market volatility a day-to-day occurrence now, it can't hurt to revisit your investment strategy and make sure it's still suitable to get you to where you want to be. And it doesn't have to take a lot of time; it could be just as simple as picking up the phone and speaking with your adviser.

Taking the time now to review your strategy may help you get closer to the kind of retirement or lifestyle you want.

2. Pay off your credit card

Consider consolidating credit card debts into a lower interest vehicle such as a personal loan. Even if you have only one card with a sizeable debt, refinancing to save on interest still makes good sense. Set up a regular payment to ensure that your credit card is repaid on a regular basis.

3. Review your insurances

A cash reserve can help you cope with unexpected expenses like fixing a leaking roof or buying a new set of tyres for your car. But would you (or your family) be able to cope financially if you were unable to work for an extended period due to illness or injury? Worse still, what if you died prematurely? Having sufficient insurance cover is a sensible risk management strategy. Before determining your insurance needs, a comprehensive analysis of your assets, liabilities and lifestyle requirements is necessary. Many people already have some form of life and income protection through their employer and/or their superannuation fund. To minimise premiums, these insurances should be reviewed before taking out any new insurance.

You should ensure you have enough life and total and permanent disability insurance to repay debts and to provide funds to maintain your dependants' standard of living. Income protection should also be arranged to ensure that you can meet your living expenses and commitments like mortgage repayments in the event you are unable to work for an extended period of time.

Home, contents and motor vehicle insurances should also be reviewed to prevent the negative consequences of being underinsured in the event of a claim. Any home improvements or additions over the holiday season should be accounted for in your home and contents insurance policies. When establishing any new insurance cover, carefully read the policy document to check exactly what you are insured for. All policies may differ slightly between insurance providers.

4. Consolidate your superannuation

Like many others, you may have multiple superannuation funds. Each time you start a new job you may also join a new superannuation fund. Like anything in life, maintaining control of multiple accounts is time consuming. Ultimately many people lose track of their funds and their superannuation ends up in the Australian Tax Office's lost or unclaimed super register. Consolidating your superannuation is a simple solution to prevent this occurrence. It can:

- Reduce paperwork;
- Reduce management and administration fees; and
- Ensure your funds are invested in line with your investment strategy.

But before you merge your accounts, make sure you take into account any personal insurances provided by your fund.

5. Pay less tax

Prevent the last minute June rush. Start your tax planning now. By ensuring your investments are tax-effective, you can boost your long-term wealth.

Some common strategies include:

- Salary sacrificing: Involves contributing a percentage of your pre-tax salary into the concessional taxed superannuation environment to build your retirement savings;
- Debt recycling: Reducing non-deductible debt and utilising more tax-effective, deductible debt for investing in growth assets; and
- Gearing: Use borrowed funds to build on your investment portfolio and claim a tax deduction for interest payments.

Source: MLC

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