

## The power of regular investing

One of the world's most admired investors, Warren Buffett, is famous for saying "Don't save what is left after spending; spend what is left after saving."

While this approach may not always be possible, investing even just a small amount regularly can make a big difference over the long term.

### If you are accumulating wealth...

When looking to start building your investments, one of the easiest ways to get started is through a regular investment plan into a managed fund.

There is a managed fund to suit different risk profiles, with most offering the ability to have a regular amount, starting at \$100 per month, invested automatically.

This approach means you will get used to not having the extra money, while you watch your investment balance grow.

This type of strategy is popular if you have a particular savings goal, such as a home deposit, starting a new business or taking an overseas holiday.

### If you have a family...

Many new parents immediately start thinking about the ways to save for their children's future education expenses.

One tax effective way to do this is through regularly investing in an insurance bond, which is similar to a managed fund but taxed differently.

Insurance bonds allow you to put in up to 125% of your previous year's contribution, with earnings taxed at a flat 30% - which provides an immediate tax benefit if your tax rate is higher than this.

However, the real benefit with insurance bonds is if you hold it for more than 10 years, as all withdrawals from the bond are then tax free.

The sooner you start, even if it is just a small amount, the better off you will be when it comes time to pay hefty school fees.

### If you have a mortgage...

With home loan rates now at all-time lows, making additional payments can help reduce interest and clear your mortgage earlier than if interest rates were higher.

From an investment perspective, if your home loan rate is currently 4%, then that is the after-tax return that you receive on any additional payments.

This is much higher than the rates offered by savings accounts or term deposits.

You can take this "investment" idea one step further by setting up an offset account linked to your mortgage.

Each time your salary is paid into your offset account, you are effectively "investing" in your home, as the balance in your offset account helps to reduce the amount of interest you pay.

### **If you are a pre-retiree...**

Increasing your contributions into super, on top of what your employer already provides, is an easy and tax-effective way to increase how much you will have for your retirement.

This can be done through salary sacrifice, where additional super contributions are taken out of your gross income before tax is calculated. Another option is to make a personal deductible contribution into super. As the name suggests people can claim a tax deduction on their personal contribution. To be eligible to claim a deduction on personal contributions it is necessary to complete a 'notice of intent' to claim a deduction, speak to your adviser for more details on reporting requirements.

The current rules allow you to contribute up to \$25,000 as a concessional contribution. Concessional contributions include your super guarantee, salary sacrifice and any personal deductible contribution.

If you didn't use your full concessional contribution cap last financial year, you may be eligible to carry forward any unused amount this financial year thus increasing your concessional cap for the current financial year above \$25,000.

### **How we can help – even through market turbulence**

Investing regularly can have a positive impact on your financial situation, no matter your income or age.

With movements in investment markets and interest rates, we are used to managing market turbulence by creating an investment strategy that, over time, will help you to meet your long-term financial goals and objectives.