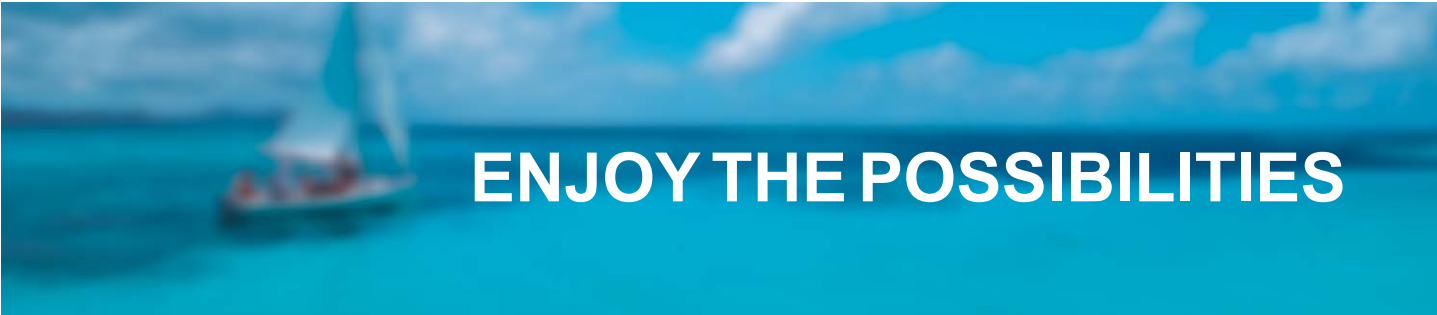




# ENJOY THE POSSIBILITIES

AMEGA FINANCIAL SOLUTIONS NEWSLETTER



financial **snapshot**

## High times for low interest rates

With mortgage rates at their lowest since the days of black and white TV, this might be the right time to make a serious dent in your home loan.

Lower rates mean any money you have in the bank could be earning less interest. But if you have a variable home loan rate and your lender passes on the cut, you'll pay off more of your loan faster just by keeping your payments the same. Upping your payments means you can really take advantage of lower rates, saving time and money on your mortgage.

Adding an extra \$50 a week can chop \$50,000 from a loan of \$400,000 – and pay off the loan four years earlier.



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## High times for low interest rates continued

### When fifty bucks seems a lot

If fifty bucks sounds like a lot, even twenty can make a dent in your repayments over time, as long as interest rates stay low.

That's around one cup of coffee a day in a working week.

Because interest on home loans is calculated daily, even chipping in small amounts can make a big difference over time.

The following table shows how an extra \$20 a week on a \$300,000 loan takes over two years and \$20,000 off. Further up the scale, an extra \$100 a week slices off over three years and the best part of \$100,000 over the life of the loan.

Of course, we're all different. Whether you're willing or even able to make extra repayments depends on your circumstances.

### Good times, bad times

Depending on your situation and financial goals, a cut in interest rates may not be all good news.

If you have a fixed rate, your mortgage payments are unaffected by the interest rate cut.

If you're unsure whether your loan is fixed or variable, now is a good time to check. If you're on a fixed rate, you might talk to an expert to find out if there's a better deal out there, or whether switching to a variable rate might work for you.

### Other things you could do

There's more to low interest rates than your mortgage.

For instance, you might instead choose to pay down bad debts such as your credit cards. Or use the money that you save on repayments to invest elsewhere to help grow your wealth.

This could involve alternatives to cash such as buying shares or property. These carry their own pros and cons, so it's a good idea to get advice so you understand the risks involved, and whether they are right for you.

It all depends on your situation and financial goals. We can help you decide the best way to make the most of low interest rates.

First published 25 August 2019

### IMPACT OF EXTRA MORTGAGE REPAYMENTS

| Loan size                                                       | Loan size                                                       | Loan size                                                       |
|-----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|
| \$300,000                                                       | \$500,000                                                       | \$1,000,000                                                     |
| Additional payment<br>(per week)<br><b>\$20</b>                 | Additional payment<br>(per week)<br><b>\$20</b>                 | Additional payment<br>(per week)<br><b>\$20</b>                 |
| Pay off your loan<br><b>2yrs &amp; 4mnths</b><br>faster         | Pay off your loan<br><b>1yr &amp; 5mnths</b><br>faster          | Pay off your loan<br><b>9mnths</b><br>faster                    |
| <b>SAVE</b><br><b>\$20,671</b><br>in interest over life of loan | <b>SAVE</b><br><b>\$21,666</b><br>in interest over life of loan | <b>SAVE</b><br><b>\$22,480</b><br>in interest over life of loan |
| or                                                              | or                                                              | or                                                              |
| Additional payment<br>(per week)<br><b>\$50</b>                 | Additional payment<br>(per week)<br><b>\$50</b>                 | Additional payment<br>(per week)<br><b>\$50</b>                 |
| Pay off your loan<br><b>5yrs &amp; 1 mnth</b><br>faster         | Pay off your loan<br><b>3yrs &amp; 4mnths</b><br>faster         | Pay off your loan<br><b>1yr &amp; 9mnths</b><br>faster          |
| <b>SAVE</b><br><b>\$44,150</b><br>in interest over life of loan | <b>SAVE</b><br><b>\$48,887</b><br>in interest over life of loan | <b>SAVE</b><br><b>\$53,203</b><br>in interest over life of loan |
| or                                                              | or                                                              | or                                                              |
| Additional payment<br>(per week)<br><b>\$100</b>                | Additional payment<br>(per week)<br><b>\$100</b>                | Additional payment<br>(per week)<br><b>\$100</b>                |
| Pay off your loan<br><b>8yrs &amp; 5mnths</b><br>faster         | Pay off your loan<br><b>5yrs &amp; 10mnths</b><br>faster        | Pay off your loan<br><b>3yrs &amp; 4mnths</b><br>faster         |
| <b>SAVE</b><br><b>\$71,236</b><br>in interest over life of loan | <b>SAVE</b><br><b>\$84,242</b><br>in interest over life of loan | <b>SAVE</b><br><b>\$97,774</b><br>in interest over life of loan |

Source: AMP Bank. Calculation assumes the customer is five years into a 30-year home loan on an average owner-occupier discounted variable rate of 4.68% as per RBA Lending Rates, May 2019. Calculation does not account for future variations in interest rates or include fees. The information should be used as a guide only. Individuals should consider their personal circumstances and consult professional financial advice where appropriate.



# Staying (financially) well as the years go by

## Our financial priorities tend to change as we move through life

The good news from AMP's 2018 Financial Wellness Index<sup>i</sup> is that only 7% of Australian retirees aged 65 or over report being stressed about money. So if you're feeling the pinch earlier in life there is light at the end of the tunnel.

Let's take a closer look at how your financial wellness is likely to change and what you can do to reduce your stress levels.

### Starting out

When you're starting out it's an exciting time. You know you need to start saving for the bigger ticket items but it all seems a bit abstract. Meanwhile you might be on a graduate or apprentice wage and facing peer pressure to spend. To get on top of your finances it's a good idea to start with the basics—budgeting, debt and saving. Get those right and you're on the way to establishing good habits for life.

- Start chipping away at a deposit for your first home as soon as you can, and make sure you look into government subsidies like the First Home Super Saver Scheme.
- Think about your super—the earlier you start putting more away for later in life, the more you'll benefit from the long-term effects of compound interest.
- Set yourself achievable and realistic goals—short, medium and long term.

### In the thick of it

There's no time to draw breath. You're juggling frantically at home and at work...it's easy to lose track of what's going on every week, let alone the bigger financial picture. Any talk about long-term retirement planning can seem unrealistic faced with the day-to-

day demands of putting food on the table and the need to pay any school fees and keep up with mortgage repayments. You're at a stage of life when planning is critical. Are your investments inside and outside super working as hard as possible and do you have the right balance between risk and return for your life stage?

- Talk to us to help you work out how to structure your finances to achieve your goals.
- Look at the different ways to invest your money to build your wealth.
- Think about how you're going to manage education costs.
- Get your debt under control by minimising bad debt and maximising good debt.

### Approaching the finish line

The end is finally in sight. The kids have flown the coop, the mortgage is either paid off or at least more manageable and your financial commitments are finally starting to diminish. You're potentially still earning a decent wage but now you have fewer outgoings you might be able to free up some more funds for your super savings. Retirement by now should be front of mind—both in terms of what sort of lifestyle you want to enjoy and how you're planning to finance it. It's important to make the most of these final years in the workforce to set yourself up.

- Find out more about whether a transition to retirement income stream is right for you.
- Start planning as early as you can to set yourself up for the retirement you want.

- Think about how much you'll need to retire comfortably.
- Look at maximising your contributions into super's tax-effective framework.
- Work out the right income option for your retirement.

### Enjoying the fruits of your hard work

After worrying about money, family and work for so long you're relishing a simpler life. You've worked hard to put all the pieces in place and now it's time to enjoy a well-earned retirement. You're still concerned about interest rates, retirement income and making provision for health and aged care. And you might be keeping your hand in with some consulting, part-time or voluntary work. But good health permitting there's more time for the good things in life.

- Think about meeting the social, physical and emotional challenges of retirement by finding new ways to stay well.
- Think about how to best manage your money in retirement, including your savings, debt and estate plan.
- Start working out which retirement living option might best suit you later in retirement—whether it's renovating, relocating or moving into a retirement village or aged care facility.
- Consider what type of pension might suit you best.

*Whatever your stage of life, we can work with you to help you set yourself up to achieve and maintain your financial health.*

<sup>i</sup> Financial Wellness in the Australian Workplace, The Behavioural Architects, Report 2018.



# 5 saving graces of giftmas

Gift giving is one of life's joys, until the credit card bill comes through. Here are five ways to maximise the love without blowing your budget.

According to a recent Financial Planning Association of Australia report<sup>i</sup>, 85% of us find more joy in giving gifts to others than in getting them ourselves. Though we love the sound of ripping wrapping paper, almost three quarters of us don't budget for gifts.

Here are five ways to keep enjoying – and a firm lid on – spending for the next special occasion.

## 1. Have a plan

Weddings are a major outlay, with an average \$137 spent on celebrating another's big day. Most save-the-dates go out well in advance, giving plenty of time to shop around for that state of the art toaster.

As many events such as Christmas, anniversaries and birthdays fall on the same day each year, it should be easy enough to plan well in advance.

## 2. Go early and in bulk

Bulk buying multiple gifts that aren't intended for a specific occasion is a growing trend, with one in three of us saving time and money this way.

Women (31%) are more likely than men (24%) to be wise to the blessings of the bulk buy, though it's also popular with young families.

## 3. Give the gift of time

There's more to giving than things you can wrap – experiences matter too. Instead of another power drill, peach-scented candle or ironically-embroidered pillow, your significant other might prefer your company at a favourite restaurant, or a day out at that music festival.

Given the choice, 61% of us prefer it when others celebrate special occasions by spending quality time with us. It's particularly popular with Generation Z. More than half of us born between 1995 and 2009 say that receiving an intangible gift such as time, an experience, or learning a new skill has had a more significant impact on shaping their life.

## 4. Everybody gather round

Nearly three quarters of us get together to give gifts. As well as reducing individual costs, it harnesses the purchasing power of the collective for something more expensive.

Getting everyone involved means we can avoid stressing about every last detail. Younger generations prefer to share ideas and more naturally involve themselves in non-material ways such as buying the gift, wrapping it, or writing the card. Older generations have a stronger inclination to simply give cash and leave the rest to someone else.

## 5. Australians all let us regift

Some might think it's a no-no, but 41% of Australians have re-gifted to someone else or for another occasion. Gen Y is the regift generation, although three in five families with young children aged 0-12 (60%) have re-gifted.

One in five of us still believes they've never received a regift. So, remember the golden rule and re-gift responsibly.

<sup>i</sup> All statistics referenced in this article are sourced from the FPA's 'Gifts that Give' 2019 National Research Report.

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