your **money** your **future**

Newsletter: December 2020

Welcome to the latest edition of our client newsletters.

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.

In this edition topics include:

- The right times for financial advice
- 5 ways to shop a little smarter this Christmas
- How to review your direct debits and save.

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

In the meantime we hope you enjoy the read.

All the best

Sefton Financial

Sefton Financial
Suite 4, 741 Main Road,
Eltham Vic 3095
P (03) 9431 3255
E info@seftonfinancial.com.au
W www.seftonfinancial.com.au

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The right times for financial advice

COVID-19 has created uncertainty everywhere and impacted not just our health but our wealth too. From millennials to retirees, we've had to review our finances and adapt to the changing environment.

We've seen volatile share markets, slashed dividends on bank stocks, record-low interest rates and sectors like airlines, tourism and traditional retail struggling to survive. On the other hand, online shopping and e-commerce have surged, and more people are saving now than before the pandemic[i].

During this uncertainty, many people have found their financial adviser to be a critical source of guidance and a valuable sounding board. In many cases, the adviser-client relationship has been a long-term connection. It's built over many years and based on trust and confidence that the adviser has the client's best interest at the centre of every decision.

Demand for advice doubles

The financial advice industry is full of examples of clients reaching out to their advisers in recent months, leveraging these long-term relationships at a time of worry and crisis.

Recent research from the Investment Trends 2020 Financial Advice Report showed three in four financial advice clients had been in contact with their adviser to discuss the impact of the COVID-19 pandemic.

Advisers are also fielding an unprecedented number of calls from potential clients who are confused by the current markets and understand they need help.

The instability of recent times has undermined the confidence of those who are retired or are about to retire, with many wondering if they'll be left with enough superannuation savings for a comfortable retirement. But those who have a relationship with an adviser can rely on the fact their adviser knows them well, understands their unique circumstances and life goals, and can deliver advice tailored to them.

Advice for different life stages

Financial advice can be helpful at a range of life stages, not just when thinking about retirement. Some common things advisers can help navigate financially are:

- saving for and preparing to buy your first home
- getting married or starting a family
- budgeting and money management
- growing wealth
- estate planning
- planning for retirement
- retirement and aged care.

We can help with practical financial advice in all these scenarios. But more importantly, we can help you focus on your individual financial priorities and goals and create a plan to achieve them. It's been a challenging year but solid financial advice can assist you to make the best possible decisions, and take action that is appropriate to your circumstances.

Life's journey has many twists and turns and points at which priorities change. We are with you every step of the way.

i https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product

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5 ways to shop a little smarter this Christmas

If cash flow is looking a tad grim this year, here are some ideas to up the presents under the tree, noting it's the presence around it that really counts.

We don't need to list the events of 2020 to say it's been a big one, particularly as we approach the festive season, where many common face-to-face interactions will be limited to a phone or video call.

As we grapple with a slightly different-looking Christmas, the good news is many of us will go into it with a new-found appreciation of the presence of loved ones over the presents of the material kind.

In the meantime, if you're looking for some tips around managing the costs of gift giving, here are some ways you could potentially shop a little smarter, so your money goes a little further.

Create a plan and write yourself a list

While we might love the sound of ripping through wrapping paper, much of this generosity is unplanned, with nearly 75% of Aussies indicating they don't budget for gifts[i], which could lead to increased pressure on household budgets well into the new year.

While there's much to be said for the spur-of-the-moment splurge, more of our generosity could be planned, with a bit of time being spent thinking about what you might buy before hitting the shops.

As many events, such as Christmas, anniversaries and birthdays fall on the same day each year, it may also be somewhat easier planning for these occasions in advance.

Buy in bulk and look at cheaper alternatives

Bulk buying multiple gifts that aren't intended for a specific occasion is a growing trend, with one in three of us doing it, providing a way to save both time and money[ii].

Women (31%) are more likely than men (24%) to be wise to the blessings of bulk buying, however it's an even more popular trend among young families[iii].

It also goes without saying to keep your finger on the pulse when it comes to sales. In the lead up to Christmas, there's Click Frenzy, Black Friday, Cyber Monday, Green Monday and Free Shipping Day, not to mention Boxing Day if you happen to be seeing someone after the 25th[iv].

Give the gift of time or skill

There's more to giving than things you can wrap – experiences matter too. Instead of another bottle of wine or a vanilla-scented candle, taking someone out for lunch, or providing a home-cooked meal, could be more up their alley.

In fact, given the choice, 61% of us would opt for quality time, with only 30% preferring cash or a tangible gift[v]. Intangible gifts are also particularly important for those aged 18 to 24, with more than half saying that an intangible gift such as time, an experience, or learning a new skill has had a more significant impact on shaping their life[vi].

On top of that, if you're lucky enough to be going to someone else's place this Christmas and you've got skills in cooking, decorating or manicuring lawns, offering these services to help with the prep work may be a highly valuable commodity for those taking on the job of hosting.

Pitch in as a group

Group giving can be a great way to reduce individual costs while harnessing the purchasing power of many to buy something that may be on the expensive side.

Whether it's colleagues, friends or family, 73% of us get together to give gifts[vii]. It also gives people a chance to play to their strengths and take a different role, whether it be providing gift suggestions, collecting the cash, purchasing the present, wrapping it, or writing the card.

Other ways you could play to a group scenario this Christmas is Secret Santa. It may be an obvious one, but if in the past you've all bought each other a present, this provides a way for everyone to buy just one present for a member of the group, with the specifics of the arrangement up to you.

Regift it – nearly half of us do

Admit it, you've probably done it. About two in five Aussies have regifted at one point or another, with those aged 25 to 39 the second most serial regifters, only after young families[viii].

Whether we don't like what we've been given, or ethically choose to reduce waste and lengthen an item's lifespan, regifting is an increasingly acceptable approach.

Remember, true Christmas cheer – the kind that'll last into the new year – has rarely been accomplished on the back of riches of the financial kind. After all, the gift of time is your most precious resource.

i, ii, iii, v, vi, vii, viii Financial Planning Association of Australia - 'Gifts that Give' 2019 research report - pages 5, 11, 11, 9, 9, 12, 10

iv Finder - Australian sale events in 2020

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How to review your direct debits and save

Direct debits can be extremely convenient and even save you money. But they can become costly – and may even send you into debt – when you lose track of your automated payments. Conduct regular reviews to keep on top of your direct debits. Here's how.

Type 'direct debit' into your internet search engine and the words 'hassle free', 'easy' and 'simple' will likely pop up in your results. Indeed, this form of automated transaction can make life a lot smoother, allowing you to set up regular payments, then forget them. If you're busy or distracted (or both), it can be a handy way to save time and avoid late fees.

For all their benefits, direct debits also come with potential drawbacks: you may not have the funds in your account to cover a transaction, taking you into overdraft. Or your contracted service provider could turn out to be untrustworthy. Relying on direct debits for a large number of bills and expenses may also mean you lose track of how many automated payments you have on the go at any given time.

In a year when budgets are tight for many Australians, it may be time to review exactly where your direct debits are going and how many of them you really need, to help you save a little extra.

What are the types of direct debit?

A direct debit is an agreement with a third party, allowing them to draw specified funds directly from your bank account or credit/debit card.

Some direct debits are voluntary; you establish them to make your life easier. Some are a condition of sale or service; the third party requires you to pay in regular instalments.

There are also fixed and variable direct debits – your mobile phone charges or rent may be a set amount each month, but your spend on electricity and water will likely vary.

How do I review my direct debits?

Reviewing direct debits is a straightforward process of going through your bank and credit card statements and itemising all your recurring payments. It's a good idea to review a full calendar year, to catch any annual transactions. If you can review two calendar years, even better – set your figures side by side to see how they've changed.

Once you know where you're making direct debit payments, it's time to decide whether you still need them – or if you can get a better deal. Start by asking yourself a few questions in these three areas.

1. Reviewing your subscriptions

Do you need four devices linked to your Netflix account? Can you cut movies from your Foxtel subscription? Do you still use that random computer antivirus subscription you signed up for 10 years ago? Does the job website you subscribe to provide you with useful leads?

Which subscriptions are essential, and which can be paused or ended completely? Also check whether you're now paying for any of those 'free trials' you signed up for, but don't use.

2. Reviewing buy now, pay later plans

Is this the best way to purchase an item? Yes, you have the item immediately and get to pay it off in instalments. But if you fall behind in payments, the late fees may mean you're overpaying for your purchase, plus you may also be charged interest if your direct debit is linked to a credit card with a running balance.

Review the asking price of the item you bought versus the full amount you end up paying. How much could you be saving by paying outright, or using alternative plans like lay-by, with no account keeping or late fees?

3. Managing cash flow

Do you have sufficient funds in your account to manage irregular bill amounts, in particular unexpected rate spikes?

If this is an issue, you may want to consider 'bill smoothing', a process where you establish automated payments of a set (and known) amount to cover utilities and telecommunications charges. It can help take the shock out of fluctuations.

How do I cancel a direct debit?

Before you pause or end direct debit payments, check the fine print on any contracts you've signed – some memberships, for example, have minimum terms or exit fees attached. If you can readily contact the third party to cancel your service and associated direct debit, and to discuss any affected terms in your contract, then do so.

If this proves difficult, you can contact your financial institution to request a cancellation, specifying when you want it to begin. By law[i], your bank is required to cancel the direct debit transaction and notify the third party. Usually it takes one working day before your next payment for the cancellation to come into effect.

It's a good idea to have cancellations in writing, so you'll be prepared to dispute any fees that continue to be debited from your account.

How direct debits can impact your credit score

Your credit score is calculated based on a number of factors, including how much money you've borrowed, your credit applications, and your demonstrated ability to pay back debts on time[ii]. Lenders take your credit score into consideration when you're applying for loans. Any direct debit that bounces, is late or sets your account into overdraft may impact this score, and then your ability to secure a low-cost loan in the future.

i https://moneysmart.gov.au/banking/direct-debits#:~:text=Stopping%20direct%20debits%20from%20your,a%20letter%20confirming%20your%20request

ii https://moneysmart.gov.au/managing-debt/credit-scores-and-credit-reports

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