



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

Summer 2015

In this edition we have information on:

1) House Price Outlook - Is your house just a shelter or is your lifestyle also providing a growing asset? Interest rates are now at historical lows after last week's RBA interest rate cut so if you are planning to move what is the property outlook for the year ahead? Also have you considered your home as part of your overall lifestyle planning? When was the last time you checked your home loan? We can help with financial planning options to pay off the balance faster!

2) Taking Stock And A Fresh Start – At TIPS from time to time we encounter clients who are starting again after the end of a relationship. The big priority for them is to rebuild their life on their terms and financial security comes a distant second. We understand and respect that, but from experience know that there are some actions that can be taken now, which will ensure individuals can get on top of their goals and budget, which will secure a future lifestyle on your terms. One way this can be achieved is by taking the first step and calling TIPS to organise a no obligation, friendly chat, where together we can map out some of the issues to consider in advance, which will help ensure you get ahead and lead a happy life!

3) Time Off Work! – While we would all like more time off for holidays, as teachers you also have the choice of a deferred salary scheme if it matches your lifestyle. For people who take up this option, we always ask in advance if you have considered the bigger picture with family circumstances, and can you live comfortably on 80% of your income in the preceding 4 years? If so volunteering abroad maybe an option for you!

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House price growth predicted to fade in 2015 after a solid spring

Domain Group Senior Economist Dr Andrew Wilson says capital city house prices are set to grow by an average of 5% over the 2014/15 financial year, with Sydney and Brisbane leading the way.

Australia's capital city housing markets have performed solidly through the winter of 2014 with the prospect of a generally robust spring selling season ahead.

House price growth will, however, be mixed over the remainder of 2014 and into 2015 as the waning effect of historically-low interest rates and underperforming local economies impact home buyer activity.

Housing revival in 2013-14

Low interest rates have been a key catalyst in the revival of housing markets over the 2013-14 financial year with the sharp improvement in affordability releasing pent-up demand and pushing up house prices in all major cities.

Over the past year, prices growth has however varied significantly between capitals with Sydney the clear leader, recording boom-time, decade-high results. Melbourne produced relatively strong house price growth while Brisbane, Adelaide, Perth, Hobart and Darwin all saw moderate outcomes. Canberra has been the clear national underperformer with flat prices growth recorded over the year.

Price growth has softened from the peak December quarter results and annual capital city performances for 2014 are set to converge to relatively similar levels.

2014-15 property outlook

Sydney and Melbourne will record significantly lower levels of house price growth over the 2014-15 financial year compared to the strong results of the previous year. As a consequence of underlying flat income growth, rising affordability barriers will act to generally constrain price growth capacity.

Meanwhile, Adelaide, Brisbane, Hobart and Darwin are set to record moderate house price over the 2014-15 financial year, producing similar results to the previous year.

Factors influencing the housing market

The performance of the national economy remains problematic with stubbornly high unemployment and low income and profit growth.

The likelihood of an improving international economy will bolster Australia's economic prospects, however, the disparity between local multi-speed economies will continue to hamper housing markets exposed to higher levels of unemployment and lower growth.

The short-term outlook for interest rates is most likely to remain at current levels, however, the continued underperformance of the national economy will facilitate an outside chance of another rate cut by year's end, particularly if unemployment keeps rising. Currently, there is no compelling macro case for a rise in official interest rates over the foreseeable future.

Regardless of lower interest rates, either through official cuts or intensifying competition amongst banks, the offsetting forces of declining economic activity and rising affordability barriers will act to generally moderate house prices growth.

For the 2014-15 financial year, capital city house price growth will peak over the spring period with buyer activity set to fade overall into 2015. Local prices are set to broadly increase between 3 and 6 per cent over the 2014-15 financial year.

Accordingly, the national house price will increase by 5 per cent over the 2014-15 financial year compared to the 10.3 per cent recorded over 2013-14.



After the dust settles, a fresh start...

Taking stock of how your life's travelling at the start of a new year is probably an exercise you're likely to pursue with greater urgency if you've recently come to the end of a serious, long term relationship or gone through a divorce. What's next, you want to know. How do you rebuild your life, is your financial outlook positive, what happens if you find a new partner? The questions, and often anxieties, pile up.

While the key things in life are good health and loving relationships, financial security is very important too. But there are steps you can take to get your life back on a more stable and desirable foundation, at least from a financial point of view.

For many recently-divorced or separated, you may find yourself with a significant lump sum, being your share of the financial settlement. It's probably best not to do anything too major with that money, such as going out and buying a home, too soon after you get it. Take a breather, wait a while until the emotional dust has settled and you're thinking more clearly about what to do next. Whatever you do, don't go on a spending spree – this money is likely to be critical to your future financial security.

Goal setting

When the dust settles identifying some short, medium and long term goals and creating a financial plan is a sound step. With a plan you're likely to feel more in control and less anxious about what's ahead – a plan helps you shape your own future, rather than being shaped by it. It's at this stage that a good financial adviser can help you formulate goals and provide a pathway, and strategies – in areas including investment, super, tax, insurance and estate planning, to help you reach them.

How much can you spend and save?

One thing you should do as you make a new start in life, is make a budget – reflecting your life ahead, not your former lifestyle. A realistic budget means taking control of your money, helps you keep spending in check, and shows you where savings can be made – a key building block for your new future.

Until you're accustomed to your new circumstances, try to avoid taking on any new debt, and aim to pay off any existing debts, starting with the highest interest ones first. If you've taken over the (pre-separation) family home and there's a mortgage over it, or you end up buying a new home somewhere down the track, aim to pay

the home loan off and become mortgage-free as soon as possible.

A secure future

The amount of super you have following a separation/divorce may be less than you had before it. Because super is so tax effective, it can really make sense for you to try hard building it up for your future, and salary sacrificing can really help. Again, talk to your financial adviser about this, it can be a complex area and you're very likely to benefit from professional help.

While separation and divorce is likely to put you through an emotional wringer, things are likely to improve. You wouldn't have gone through the distress of a break up if you didn't think a happier life lay beyond!

If you choose to re-partner, consider a prenuptial agreement, more accurately termed a 'binding financial agreement', drawn up by, and signed in the presence of, your lawyer. It's designed to help protect your assets in the event of a split up and helps remove the anxiety about sharing your future with someone new.

Don't forget your estate planning. A post-divorce life, with or without a new partner, calls for new arrangements. With new challenges come new opportunities for personal happiness and growth so when you're able to clear the fog, grasp your new opportunity with both hands!

Volunteering abroad!

Ever wondered what it would be like to uproot your life and do something completely different?

People of all ages do just that by volunteering abroad. In places like Mongolia, Thailand, Romania, Mexico or Fiji, volunteers are needed every day. You could use your skills and experience on projects from archaeology, journalism, environment, to human rights, teaching, sports and healthcare. Whatever your specialisation, if you have the desire to enrich a community, there is a project for you.

Some people volunteer as a 'gap year' before they get on with career or study, and more people are viewing the opportunity as a way to broaden their career experience or as a personal test for themselves while they do something worthwhile.

And the good news is that many groups place great value on older volunteers. They recognise that with age, comes experience, skills and patience that younger volunteers can't offer. Recent years have witnessed a massive growth in the amount of retired volunteers, with teaching and care being very popular areas¹.

Volunteering is an exciting way to experience a place differently – building a bridge so a community can safely cross a river during high tide is something you won't forget in a hurry!

Getting started

Numerous groups organise volunteer opportunities overseas. Some, like Projects Abroad, actively seek professionals who can make a difference in some of the world's poorest communities.

Your professional association might also organise volunteering trips, including law societies, medical or engineering associations. Use your professional association as a starting point or try some internet research. Check the volunteer group you choose with the Australian government to make sure they're legitimate.

Things to consider

Before deciding to volunteer abroad:

- **Be clear on your reasons.** Know why you want to do it as you'll be putting your life on hold in an unfamiliar place with a complete change in lifestyle and living conditions. Be clear with your organisers why you're doing it – you'll get more from the experience and so will the community you work with. If you're volunteering with another person, be sure your ambitions are well aligned.
- **Research.** Don't leave it up to others to decide where you'll go. Investigate your preferred places, including the political and cultural environment. Will you easily adapt to the culture and living conditions? What are the social norms?
- **Choose carefully.** Look into the group you want to go with. Are they reputable and acknowledged by Australia? Register your travel plans with the Australian government in case you need support. The organisation you choose will have a big impact on your experience so ask for references from past volunteers like you.

- **Organise things at home.** Organise your life at home before leaving. Do you have a power of attorney? Consider how your financial affairs will be dealt with while you're gone. If you've got investments, who will make decisions in your absence? Don't hijack your financial future by ignoring your responsibilities while away, and don't forget to organise your estate plan, including a current and legal will.
- **Safety.** Ultimately your personal safety is your utmost concern. Ask as many questions as you need to be satisfied that the project is safe for you.
- **Follow the advice provided.** Your volunteer group will provide preparation advice and what to do while away. Follow this advice. It could make the difference between enjoying your time and being too ill to perform.
- **Know the costs.** Be clear on your budget. Consider reserving cash for emergencies. And some projects can drain your health so set money and time aside to recover.

Lastly, have fun! Volunteering abroad is one of the most amazing experiences you're ever likely to have so make the most of it. You could really make a difference to a community by being part of their life for a short time. Be open to the experience, give generously of your time and knowledge, and reap the rewards for a lifetime.

ⁱ <http://www.projects-abroad.com.au/why-projects-abroad/older-volunteers/>

