

Personal Financial Plan

GENC3003

Student name: [NAME DELETED]

student number: [NUMBER DELETED]

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Section 1: Current situation

Personal details:

Age:	19
Residency:	Shared dwelling
Study status:	Full time, Bachelor of [DELETED], 2 nd year
Work status:	Part-time tutoring, 10 hour/week

Current Assets:

Term Deposit	\$10,000
Laptop	\$ 1,400
iPod nano	\$ 175
Speakers	\$ 100
Mobile phone	\$ 500
Rice cooker	\$ 180
Savings Account	\$ 3,000
TOTAL	\$ 15,155

Current Liabilities:

Nil

Income:

Work	\$ 6,000 p.a.
Family money	\$12,000 p.a.
Interest on Term Deposit	\$ 345 p.a.
TOAL	\$18,345 p.a.

Insurance:

- Medibank OHSC cover (Medibank)
- First Choice Extra Cover (MediBank)

Wills:

Nil

Current Expenses:

Category	March**	April	May***	Total
Accommodation				
Electricity*	-32.7	-32.7	-32.7	-98.1
Gas*	-17.45	-17.45	-17.45	-52.35
Rent	-720	-720	-720	-1800
Water	-9.5	-9.5	-9.5	-28.5
Sub-total	-779.65	-779.65	-419.65	-1978.95
Education				
Books	-31.5	-3.4	0	-34.9
Sub-total	-31.5	-3.4	0	-34.9
Healthcare				
Chemist*	-94.9	-94.25	-86.3	-275.45
Eyecare*	-28.3	-28.3	-28.3	-84.9
Sub-total	-123.2	-122.55	-114.6	-360.35
Income				
Family money	1050	1050	1050	3150
Interest*	32.5	32.5	32.5	97.5
Net pay	235	305	480	1020
Sub-total	1317.5	1387.5	1562.5	4267.5
Telephone				
Internet	-20	-20	-20	-60
Mobile	-30	-30	0	-60
Sub-total	-50	-50	-20	-120
Food				
Dining out	-40.1	-43.75	-6	-89.85
Groceries	-151.35	-190.25	-75.6	-417.2
Sub-total	-191.45	-234	-81.6	-507.05
Insurance				
Health	-52	-52	-52	-156
Sub-total	-52	-52	-52	-156
Computer*	-10	-10	-10	-30
Transport	-42.5	-58.4	-32	-132.9
Leisure				
Entertaining	0	-15	0	-15

Sport	-10	0	0	-10
<i>Sub-total</i>	-10	-25	0	-25
Gifts				
Birthday	-2	0	-20.7	-22.7
<i>Sub-total</i>	-2	0	-20.7	-22.7
Miscellaneous	-3.4	-17	-17	-37.4
Personal*	0	-10	-10	-20
Charity	0	-3	0	-3
TOTAL	-2.35	8.35	760.8	766.8

*Expenses are accrued

**Record starts on 8 March 2010

***Record finishes at 20 May 2010

Section 2: Goals and objectives

Short term (0-12 months)

- Increase income by 30% by 01 August 2010
- Purchase a camera (approximately \$400) (01 October 2010)
- Apply for Industrial Training over the next Summer Holidays by 31 August 2010
- Have \$2,000 saved by the end of this year (31 December 2010)

Medium term (1-5 years)

- Purchase a second-hand car (\$5000) (01 March 2011)
- Save up \$6,000 in special buffer saving account before graduation (31 December 2012)
- Graduate in [DELETED] with Honours (01 March 2013)
- Apply for Australian Permanent Residency (02 March 2013)
- Find a graduate position in [DELETED] field that matches my DELIs (Quantitative analysis, theory development & conceptual thinking application of technology) (01 May 2013)
- After securing a full time position, save up \$5,000 per year
- Become financially independent (31 December 2013)
- Provide an allowance of \$5,000 per year to my parents (starting from 2013)
- Travel to Japan (18 December 2013)
- Do postgraduate study, Master in [DELETED] (part-time) (01 March 2014)
- Construct a will (01 July 2014)

Long term (5+ years)

- Buy a house for approximately \$500,000 - \$600,000 with partner (2015~2016)
- Get married by age 28 (31 December 2018)

Section 3: Financial strategy

Income:

Short term (0-12 months):

- On the 10th May 2010, the interest rates on Term Deposits of Commonwealth Bank have been updated. My current term deposit is \$10,000, investment of 3 months, compound six monthly, at an interest rate of 2.450 % p.a., to mature on 6 June 2010. On the maturity date, I will change my Term Deposit to a higher interest rate option, investment of 8 months, compound six monthly, at a new interest rate of 5.80 % p.a.
- According to the new interest rates, I will renew/change my Term Deposit again by the next maturity date, 6 February 2011.
- Continue to save \$100 per week and put it in the NetBank Saver Account.
- Keep updating my maths tutoring advertising online (tutorfinder.com.au) to increase my chances of having more students in the future and thus increase my income

Medium term (1- 5 years):

- Invest in myself: invest time, money and effort into my skills and education. Increase my chances to get a job and a better job by improving my communication and teamwork skills, time management skills, and problem solving and analysis skills. Obtain work experience by working in any related [DELETED] during the summer break, doing voluntary work [improve communication and teamwork skills].
- Keep doing part-time job on the weekends to obtain an additional income
- Place 15% of my income into the NetBank Saver Account for Saving Buffer (Commonwealth Bank, NetBank Saver)
- Place another 15% of my income into Commonwealth First home Saver (interest rates 5% p.a., plus 17% of contributions paid by the Government up to \$5000 in any financial year) for family home.

Expenses:

- Track every single dollar I spend, retain receipts after purchasing goods. If the receipts cannot be issued, then write it down on a piece of paper.
- Update and review my expense tracker twice a week
- Remember the concept 'if you can't afford it, you can't afford it'

- Make regular little savings by applying the principle 'save little, save often'
- Plan to save in a relatively difficult-to-access account, NetBank Saver rather than save in cash
- Avoid spending money on silly risks such as gambling
- Pay in cash rather than Eftpos or Credit Card (where possible) to make myself more aware about how much I spend
- Reduce tax by using interest offset accounts, salary sacrificing on superannuation (taxed at 15% rather than 30%)
- Apply for tax deductions on Income Protection Insurance
- Get my income and expense timing right to reduce more taxes. If I earn more income in one particular financial year and I am going to do less paid work in the following financial year, then I choose to defer my income payment until July¹

Investments:

- Apply for Home Loan from Commonwealth Bank Variable and Fixed Loan Split Option (75 % is Variable and 25% is Fixed). Current Standard Variable interest rate is 7.36 % p.a., and for Fixed interest rate from 7.09 % p.a.². The Standard Variable rates allow me to offset deposit funds and make unlimited extra payment in order to pay off the mortgage faster. In addition, I am able to redraw my extra payment at anytime for other investments. With a small fraction of fixed interest option, I am not entirely exposed to fluctuations in interest rate.
- Apply First Home Owner Grant Scheme to boost my deposit (currently \$7000 in NSW³)
- Make repayments on mortgage fortnightly rather than monthly to pay it off faster.
- Apply the principle 'risk equal returns' place \$5000 in long-term investment in a diversified managed fund (Colonial First State high Growth from Colonial First State), with 40% Australian Shares, 10% Australian Small Company shares, 40% Global shares and 10% Global Resource Shares, and leave it for at least 7 years to have higher return over the long term.

Insurance:

¹ P. Clitheroe, Making Money: the keys to financial success, Penguin Group Australia, page 182

² Source: Home Loans Rates and Fees, <http://www.commbank.com.au/personal/home-loans/first-home-buyers/home-loan-basics/product-comparison-table.aspx>

³ Source: First Home Owner Grant Scheme, http://www.osr.nsw.gov.au/benefits/first_home/fhogs/#WhatIsFHOGS

- Take out Income Protection in the same Super Fund company, Acumen Super Fund once I go to work for a full-time job (waiting periods of 60 days, benefit for 2 years, annual premium is \$70.44⁴)
- Once I have dependents, take out Death Cover (Life Insurance) from Acumen Super Fund (cover of \$1,500,000, premium is \$861 p.a.⁵)
- By purchasing Income Protection and Death Cover Insurance in my Super Fund (Acumen Super Fund), the premiums are generally cheaper
- Have hospital cover only with high excess (NRMA, Hospital Select value, choosing the \$1000 excess)
- After I purchase a property, take out home and contents insurance with higher excess and have alarm system so I can save money on premiums and save the excess into a special saving account (\$15,000) (NRMA Home Buildings and Contents Insurance, save up money on loyalty discount, also possible to obtain no claim bonus discounts of 25 %)
- Take Compulsory 3rd Party Insurance [NRMA Third Party Property Damage Car Insurance] and CTP Greenslip NSW
- Having Home, Car Insurance and CTP Greenslip with the same insurance company [NRMA], I can save up 10% with this Multi-Policy Discount⁶

Superannuation:

- After age 26, salary sacrificing \$4000 per year for 5 years to jump-start my superannuation, this receives a Tax Benefit (pay only 15 cents per dollar rather than 30 cents)
- Maximise returns by investing predominantly in growth assets. Buy Acumen Super Fund, High Growth investment option⁷ (currently target return is 4%). In the past, ten year compound average return from 1999 to 2009 is 7.13% p.a.⁸.
- Consolidate all super into one fund (reduce administration fees, unnecessary insurance premiums)

⁴ Premium estimation of a male, age 25, light manual work, before-tax income is \$40,000 p.a.,

⁵ Premium estimation bases on a male, age 30, light manual occupation, required cover is \$1,500,000

⁶ Source: <http://www.nrma.com.au/home-insurance/discounts-ways-to-save.shtml>

⁷ This option consists of 37% Australian shares, 32% Overseas Shares, 10% Property, 5% Infrastructure, 11% Growth alternatives and 5% Defensive alternatives.

⁸ Source: <http://www.rest.com.au/getdoc/9b143854-2da3-4324-bfb3-dd58c950a759/Investing-Made-Simple.aspx>

- Plan to work for an extra 5 years (stop work at 65 rather than 60) to significantly build up a large amount of money in my super

Estate Planning:

- Before married, draft a will by using a 'Will Kit' from the stationary shop.
- After married, arrange Enduring Power of Attorney with a solicitor when drafting the will
- Distribute my assets as proportions rather than specific assets
- Have a back-up executor
- Sign several copies and provide them to the executor, beneficiaries, guardian and family solicitor

Sample Only
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Section 4: Reducing expenses

The following specific options are used to cut down my expenses by at least 10% :

- Only buy things that I need and when I need them
- Buy things that are affordable, according to by budget
- Pack my lunch and bring it to university/work
- Reduces the number of times dining out, learn how to cook
- Shopping around to investigate and compare the prices/quality of the product in order to obtain a best option, rather than go and buy the first thing I see
- Buying bundles to obtain discounts
- Buy second-hand products by searching on eBay or Gumtree and then may choose to sell them later in the future
- Wait for end-of-year or end-of-season before buying
- Shop in ALDI rather than Coles/Woolworths where the products are available in ALDI
- Catch public transport to university/work rather than driving
- Buy generic products rather than branded products where possible. Items such as clothes, pillows, sugar, flour, butter etc
- Reduce the number of times turning the air-conditioner on. In the winter, wearing more jumpers rather than turning the heater on all the times.
- Turn off the lights and other electrical devices when not in use
- Maintain myself as a non-smoker, non-alcohol-drinker, non-gambler
- Retain the receipts after shopping in supermarket to obtain discount on petrol
- Minimise the number of times buying and eating/drinking unhealthy foods/drinks such as chips, soft drinks.

Section 5: Budget

Budget #1(before graduation):

The following table is the budget for this year and the next coming year

Expense	Monthly	Yearly
Accommodation		
Rental Payment	\$860	\$10,320
Electricity	\$ 33	\$ 396
Gas	\$ 17	\$ 204
Telephone/Internet	\$ 20	\$ 240
Mobile phone	\$ 30	\$ 360
Food		
Groceries	\$200	\$2400
Eating Out	\$ 30	\$ 360
Snacks	\$ 10	\$ 120
Insurance		
Health	\$ 15	\$ 300
OHSC Cover	\$ 27	\$ 324
Health		
Herbs Products	\$ 60	\$ 720
Family Expenses		
Transport	\$ 50	\$ 600
Personal Care	\$ 20	\$ 240
Entertainment	\$ 15	\$ 180
Holidays	\$ 30	\$ 360
Gifts	10	\$ 120
Clothing	\$ 25	\$ 300
Miscellaneous	\$ 10	\$ 120
TOTAL EXPENSES	\$1,472	\$17,664
Income		
Family money	\$1100	\$13,200
Part-time work	\$ 450*	\$ 5,400*
Interests on term deposit	\$ 45	\$ 600
TOTAL INCOME	\$1,600	\$19,200
LESS TOTAL EXPENSES	\$1,472	\$17,664
MY SAVINGS	\$ 128	\$1,536

*Income assumed after 30th May since I have increased my working hours

Budget #2 (After Graduation):

The assumptions have been made: I rent and share a master room with my partner; I have a starting gross salary of \$40,000 p.a., I have \$20,000 in my Term Deposit, I need to drive often to visit the construction site during work

Expense	Monthly	Yearly
Accommodation		
Rentals (include water rates)	\$560	\$6,720
Electricity	\$ 40	\$ 480
Gas	\$ 20	\$ 240
Furniture	\$ 50	\$ 600
Appliances	\$150	\$1,800
Telephone/Internet	\$ 30	\$ 360
Mobile phone	\$ 30	\$ 360
Motor vehicle		
Petrol	\$ 50	\$ 600
Repairs/Maintenances	\$ 20	\$ 240
Food		
Groceries	\$170	\$2,040
Eating out	\$ 20	\$ 240
Snacks	\$ 10	\$ 120
Insurance		
Motor vehicle	\$ 50	\$ 600
Income Protection	\$ 6	\$ 72
Health	\$ 30	\$ 360
Family Expenses		
Transport	40	\$ 480
Personal	\$ 30	\$ 360
Clothing	\$ 20	\$ 240
Holiday and Travel	\$ 50	\$ 600
Entertainment	\$ 50	\$ 600
Gifts	\$ 40	\$ 480
Parents Allowance	\$420	\$5,040
Health		
Medical bills	\$ 30	\$ 360
Miscellaneous	\$ 50	\$ 600
TOTAL EXPENSES	\$1,956	\$23,472
Income		
Full-time work (after tax)	\$2,400	\$28,800
Part-time work (after tax)	\$ 600	\$ 7,200
Interests on term deposit	\$ 100	\$ 1,200
TOTAL INCOME	\$3,100	\$37,200
MY SAVINGS	\$1,144	\$13,728

Section 6: Plan of Action

Short Term (within the year 2010):

- ☐ Apply for UNSW Professional Development Program by 1st June 2010
- ☐ Save \$100 per week and place in the NetBank Saver Account
- ☐ Update the expense tracker twice a week
- ☐ Change Term Deposit to 8 months investment option, compound six monthly by 6 June 2010
- ☐ Pay off the debts on Credit Card for this month by 3rd June 2010
- ☐ Go for volunteer at the 2010 MS Walk and Fun Run on Sunday 6 June 2010
- ☐ Update my Resume by 15 June 2010
- ☐ Apply for tutoring the course CVEN1300 next semester (by 10 July 2010)
- ☐ Complete readings the book 'How to Win Friends & Influence People' by 30 July 2010
- ☐ Research and apply for industrial training over the next Summer holidays by 31 August 2010
- ☐ Update the advertisement monthly via tutorfinder.com.au
- ☐ Do research twice a month for extra-curricular involvement activities
- ☐ Review and update this financial planning by 31 December 2010

Medium/Long term (next coming years):

- ☐ Obtain a Provisional driver's licence by 1st March 2011
- ☐ Take Compulsory Third Party Insurance after I purchase a car (2011)
- ☐ Review the interest rates and change my Term Deposit (if necessary) before February 2011
- ☐ Transfer \$2,000 from my NetBank Saver Account (if exceeds \$5,000) to my Term Deposit (February 2011)
- ☐ Apply for tutoring the course CVEN2301 or CVEN2501 for semester 1, 2011 (before March 2011)

- ☐ Graduate in [DELETED] with Honours (01 March 2013)
- ☐ Apply for Australian Permanent Residency (02 March 2013)
- ☐ Construct a will (01 July 2014)
- ☐ Take out Income Protection and Hospital Cover only insurance after securing a full-time graduate position
- ☐ Apply for Home Loan from Commonwealth Bank Variable and Fixed Loan Split Option (2015) and First Home Owner Grant Scheme to boost my deposit
- ☐ Take out Home and Contents insurance after purchasing a property
- ☐ Maintain a healthy life, non-smoker, non-alcohol, non-gambler and enjoy life with family and friends

Sample Only
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