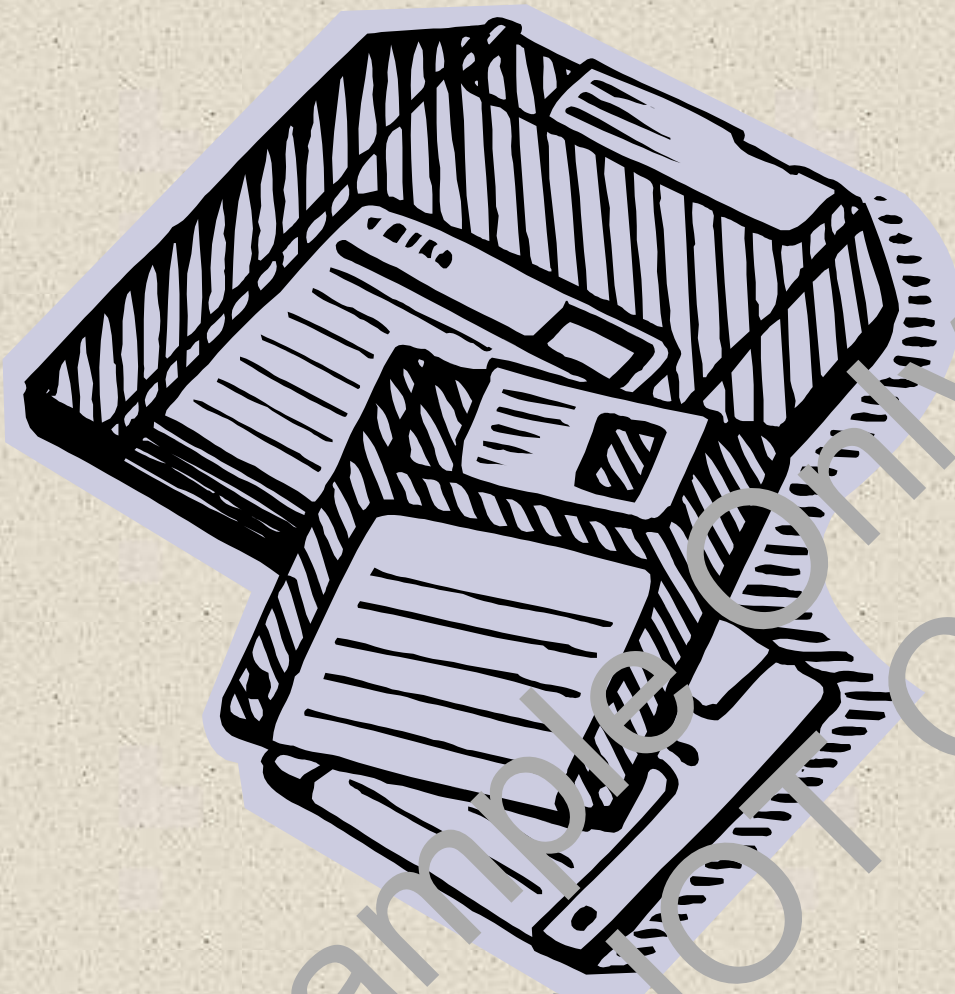


[NAME DELETED]

[STUDENT NUMBER DELETED]

GENC3003



Financial Plan 2010

Current Situation

Age 21

Place of Residence 1bdr apartment in [SUBURB DELETED]
Shared with partner
My share of rent \$290/fortnight

Study Status Full time
3rd year of a [DELETED] Degree
Will commence honours February 2011 to be completed by November 2011

Work Status Casual at [DELETED]
1 – 2 shifts/week averaging 8 hours/week

<u>Current Assets</u>	Netbank Saver Account with Commonwealth Bank	\$1100
	Laptop Computer	\$1000
	Superannuation with REST	\$908.33
	Digital SLR Camera	\$200
	TOTAL	\$2568.33

Current Liabilities n/a

Insurance I do not currently have any insurance

Wills I do not currently have a valid will

Current Expenses and Income

Category	Subcategory	Average Per Month	Total Per Year
Income	Youth Allowance	808	9696
	Net Pay	787	9444
	Scholarship	271	3252
	TOTAL INCOME	1866	22392
Accommodation	Rent	-580	-6960
	Electricity	-30	-360
Education	Education	-13	-156
Healthcare	Healthcare	-9	-108
Telephone	Local	-12	-144
	Internet	-25	-300
	Mobile	-30	-360
Alcohol	Alcohol	-194	-2328
Food	Dining Out	-69	-828
	Groceries	-169	-2028
	Snacks	-42	-504
Financial	ATM Fees	-1	-12
Transport	Bus	-12	-144
	Taxi	-16	-192
	Train	2	-24
Gambling	Gambling	-12	-144
Personal	Personal	-34	-408
Gifts	Gifts	-72	-864
Miscellaneous	Miscellaneous	-8	-96
Charity	Charity	-13	-156
Leisure	Leisure	-53	-636
Household	Household	-6	-72
Clothing	Clothing	-57	-684
Vehicles	Vehicles	-44	-528
Holidays	Holidays	-363	-4356
	TOTAL EXPENSES	-1830	-21960
	TOTAL	36	432

Goals and Objectives

Short Term Goals (present-Dec 2011)

- 1/06/10 Choose high growth option for super with REST.
- 5/06/10 Get a will kit from the post office and complete a will.
- 5/06/10 Reduce living expenses with the aim of spending \$1610 a month.
- 1/11/11 Complete university with a Bachelor of [DELETED] and first class honours.
- 1/12/11 Have a savings buffer of \$3000 saved in Netbank Saver account by saving \$100 a month until then.

Medium Term Goals (Jan 2012 – Dec 2015)

- 1/02/12 Gain employment in a [DELETED] based job with a starting salary of \$45,000 (based on information from career websites) equating to a salary of \$3750 a month.
- 1/02/12 Salary sacrifice 2% per year (\$900) and receive the government co-contribution to super.
- 1/02/12 Stay living in current apartment with rent of \$2060 a year and try to keep living expenses at a cost of \$1500 a month.
- 30/02/12 Get income protection insurance with REST super fund.
- 30/02/12 Get no-gap private health insurance of hospital and ambulance cover only.
- 1/12/12 Purchase second hand car for \$10,000 by saving \$166 a fortnight. Take out 3rd party property insurance and comprehensive insurance on top of compulsory insurances.
- 1/02/13 Save \$15,000 to invest in a high growth option managed fund with Colonial First State using a passive fund manager and apply for a margin loan of \$5000 (LVR=33%) by saving \$550 a fortnight prior to 1/12/12 when still saving for a car then saving \$1000 a fortnight from 1/12/12 to 1/02/13. After this date continue to invest in managed fund at \$200 a fortnight keeping LVR at 33%.
- 1/09/14 Get married to partner with a small inexpensive wedding and honeymoon for \$10,000 by each saving \$192 a fortnight for a year from 1/02/13-1/02/14 allowing 7 months for the payment of expenses.
- 1/11/14 Save \$30,000 for half of house deposit and arrange pre-approval for maximum house loan possible by saving \$715 a fortnight from the 1/02/13.
- 1/12/14 Advance in my career and receive a salary of \$60,000 per annum continuing to salary sacrifice 2% into super with REST.
- 1/04/15 Purchase 3rd floor house in the outskirts of Sydney with partner for \$600,000 paying a \$60,000 house deposit with a variable interest rate loan of 540,000 from the Commonwealth Bank. (Get a pest and building inspection before making an offer).
- 1/04/15 Get home and contents insurance.
- 1/04/15 Begin paying off home loan with partner at a fortnightly rate. Pay double the required repayments of \$1863 a fortnight i.e. pay \$1863 a fortnight each using income from employment and dividends from managed fund to reduce the term of the loan.

Long Term Goals (Jan 2016 onwards)

- 1/05/16 Switch health insurance to lower premium in preparation for starting a family.
- 1/05/17 Have a child.
- 1/05/17 Take out death cover of \$1,000,000 with REST.
- 1/05/19 Have another child
- 1/07/21 Receive pay rise to \$91,011
- 1/07/22 Finish paying off home loan (according to current interest rates).
- 2/07/22 Divert payments that were previously going into home loan into managed fund and increase LVR to 50%.
- 1/11/48 Convert super to non-commutable pension under "Transition to Retirement".
- 1/11/48 Salary sacrifice any income above \$35,000 into super.
- 1/11/53 Continue to work part time.
- 1/07/56 Retire.

Financial Strategy

The following financial strategy is based on my above goals and objectives taking into consideration the most likely outcomes for the future. As my situation changes I may have to reassess or alter some of my financial strategy.

INCOME

- Current income is \$22,392 p.a.
- Save \$100 a month until I graduate into my Commonwealth Netbank Saver Account (which has no fees and a 4.5% variable interest rate) to build a savings buffer of \$3000.
- Graduate with first class honours and receive a starting salary of \$45,000. This figure is based on current employment websites surveys and projections and may change due to inflation.
- Advance in my career and receive salary increases hopefully achieving a salary of at least the average [DELETED] graduate salary of \$91,011 (According to current information on mycareer.com.au).

EXPENSES

- Reduce expenses from \$1850 a fortnight to \$1500 using strategies from the reducing expenses section of the plan.
- Keep living expenses at \$1500 after I graduate to allow better saving for a house deposit and investments. Do this by remaining in my current accommodation I share with my partner and maintaining the same lifestyle and cutting out major holidays in the first 2 years after graduation.
- Purchase a second hand car for \$10,000 by saving \$416 a fortnight from when I first start employment after graduating.
- Get married to partner in a small/inexpensive wedding for \$10,000 by each saving \$192 a fortnight for a year from 1/02/13-1/02/14 allowing 7 months for the payment of expenses.
- Get a pest and building inspection before making an offer on any houses.

INVESTMENTS

- Invest \$20,000 into a high growth managed fund with Colonial First State using a passive fund manager. Save \$15,000 of my own money by saving \$550 a fortnight prior to 1/12/12 when still saving for a car then saving \$1000 a fortnight from 1/12/12 to 1/02/13. Apply for a margin loan with the Commonwealth bank of \$5000 so LVR will be a safe 33%. After this date continue to invest in managed fund at \$200 a fortnight increasing the margin loan and keeping LVR at 33%.
- Save \$30,000 for half of a house deposit by saving \$715 a fortnight from the 1/02/13 and arrange loan pre-approval with the Commonwealth Bank for the maximum amount allowable. Purchase a 3 bedroom home on the outskirts of Sydney for \$600,000 with partner

paying a deposit of \$60,000 of our own money and taking out a variable interest home loan with the Commonwealth Bank for \$540,000.

- Pay off home loan with partner at a fortnightly rate. Pay double the required repayments of \$1863 a fortnight i.e. \$3726 a fortnight, using income from employment and dividends from managed fund to reduce the term of the loan.
- Finish paying of home loan by July 2022 (according to current interest rates and Commonwealth Bank term calculator).
- Once home loan has been paid of focus on building managed fund by diverting payments previously paying of the house into the fund. Increase LVR to 50% and ensure savings are sufficient to withstand a margin call.

SUPERANNUATION

- Change my super with REST to the high growth option for maximum returns in the long term.
- Grow super by salary sacrificing 2% of income into it and receiving the government co-contribution of up to \$1000.
- Salary sacrifice the cost of insurance premiums as REST takes these directly from super which is beneficial tax-wise but reduces my superannuation.
- As salary increases and mortgage is paid off increase salary sacrifice amount aiming to sacrifice 5% of salary into super.
- At age 60 convert super to non-commutable pension under "Transition to Retirement".
- After age 60 salary sacrifice any income above \$35,000 into super.

INSURANCE

- After graduating and gaining employment take out income protection insurance with REST choosing the longest benefit waiting period to reduce premiums. Ensure that the protection refers to an inability to perform "own job" not just any job I am qualified to do.
- After graduation also take out no-gap private health insurance for ambulance and hospital cover through REST. Choose a higher excess to reduce premiums and have a savings account ready for excess payments if necessary.
- After purchasing my first car take out 3rd party property insurance and comprehensive insurance on top of the compulsory 3rd party insurance through AAMI.
- After purchasing a house with my partner take out home and contents insurance with AAMI making sure to include the cost of rebuilding, the cost of temporary accommodation, the cost of the land and the cost of getting plans drawn up in the valuation. Keep detailed records of assets and store the records in a location outside the home.
- Switch health insurance to lower excess one year before planning to start a family.
- After having first child take out death cover of \$1,000,000 with REST.

ESTATE PLANNING

- In the next week get a will kit from the post office and complete it leaving my partner and family as beneficiaries.
- After having children and purchasing home get a will drafted by a lawyer leaving partner and children as beneficiaries. Leave parents and siblings as secondary beneficiaries if my partner and children were deceased and a charity as the beneficiary if all of the previous beneficiaries were deceased or unable to be contacted. Leave my partner as executor of my estate.

Reducing Expenses

Current Expenses - \$21,960 per annum

Goal - reduce expenses by 10% which is \$2196

Reducing Expenses	Saving (AUD)
2 alcohol free months per year	388
Cutting down spending on alcohol by 40% in non alcohol free months	776
Switch from Telstra to TPG for home phone so it can be bundled with internet	72
Pack lunches and snacks for work and uni to reduce snacking expenses by 70%	352.8
Switch mobile to plan which only requires recharging every 2 months	180
Budget better for holidays, stay in cheaper accommodation and purchase flights during sale times to reduce holiday expenses by 20%	871.2
TOTAL	2640

By implementing these steps it is possible for me to cut down on expenses by \$2640 or 12%. This will help me to achieve my financial goals and allow me to save more money.

Budget

The following budget outlines my planned expenses and expected income until the end of 2011 when I graduate however I aim to keep my expenses in line with this budget after graduation to free up money to save for a house deposit and invest in a managed fund.

Category	Subcategory	Average Per Month	Total Per Year
Income	Youth Allowance	808	9696
	Net Pay	787	9444
	Scholarship	271	3252
TOTAL INCOME		1866	22392
Accommodation	Rent	-580	-6960
	Electricity	-30	-360
Education	Education	-13	-156
Healthcare	Healthcare	-9	-108
Telephone	Local	-6	-72
	Internet	-25	-300
	Mobile	-13	-180
Alcohol	Alcohol	-97	-1164
Food	Dining Out	-69	-828
	Groceries	-169	-2028
	Snacks	-12.6	-151.2
Financial	ATM Fees	-1	-12
Transport	Bus	-12	-144
	Taxi	-16	-192
	Train	-2	-24
Gambling	Gambling	-1	-12
Personal	Personal	-34	-408
Gifts	Gifts	-72	-864
Miscellaneous	Miscellaneous	-8	-96
Charity	Charity	-13	-156
Leisure	Leisure	-58	-696
Household	Household	-6	-72
Clothing	Clothing	-57	-684
Vehicles	Vehicles	-14	-168
Holidays	Holidays	-290.4	-3484.8
TOTAL EXPENSES		-1610	-19320
TOTAL		256	3072

This budget allows for a saving of \$3072 per annum although there will likely be unexpected expenses which this margin of excess will allow me to cover.

Plan of Action

- ☐ Get will kit and create a will
- ☐ Choose high growth super option
- ☐ Stick to budget at reduce expenses to \$1610 a month
- ☐ Save \$100 a month a create a savings buffer of \$3000
- ☐ Graduate and gain full time employment
- ☐ Salary sacrifice 2% of pay into superannuation
- ☐ Take out salary continuance insurance and health insurance
- ☐ Purchase a new car and take out the necessary insurance
- ☐ Invest \$20,000 in a managed fund with a \$5,000 margin loan
- ☐ Save a \$60,000 deposit with my partner and purchase a home for \$600,000
- ☐ Take out home and contents insurance
- ☐ Pay off home loan at double required rate
- ☐ Take out death cover of \$1,000,000 after having children
- ☐ Convert super to non commutable pension at age 60
- ☐ Review and rewrite financial plan as necessary and as my circumstances change