

# Financial Plan Assignment

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**Course:** Personal Financial Planning GENC3003

**Name:** [DELETED]

**Student Number:** [DELETED]

# Current Situation

Age:	19
Residence:	Family Home
Study Status:	Full time Student Bachelor of [DELETED] (2 <sup>nd</sup> year)
Work Status:	Casual employee, [COMPANY NAME DELETED] Min: 7.5 hours per week

## Current Assets:

Transaction Account:	\$150
Savings Account:	\$12,100
Managed Fund:	\$4,500
Laptop Computer:	\$500
Total:	\$17,250

Assets are evaluated according to today's estimated cash value.

## Current Liabilities:

None.

## Income and Expenses:

Category	Amount (per month)
<b>Income</b>	
[COMPANY]	140.89
Dividends	99.56
<b>Total</b>	1040.45
<b>Expenses</b>	
Education	-4.92
Telephone	-23.88
Alcohol	-35.11
Food	-171.28
Transport	2.12
Vehicles	-6.89
Gifts	-76.04
Clothing	-4.44
Personal	-18.4
Leisure	-54.84
Insurance	-5.68
Financial	-2.66
<b>Total</b>	-403.54
<b>Offset Total</b>	
	636.91

Only expenses paid for by me are included in this evaluation of expenses. Accrued expenses covered by my family have not been included in as they are not directly impact on my cash flow for each month.

The amount shown is a monthly value, based on the values obtained from the expense tracker assignment.

## *Insurance*

I am currently covered under my family's insurance policies for:

- Car
- Home and Contents
- Health

I have taken out my own insurance policy for:

- Income protection

## *Will*

To date, I have not constructed a will.

Sample Only  
Do NOT Copy

# Goals and Objectives

## Short term (0-12 months)

Financial goals:

- Put away \$500 spending money for family holiday to Italy (by 29<sup>th</sup> June)
- Save \$8,000 more into managed fund
- Transfer \$5,000 from ANZ online saver account to a 17 month ANZ term deposit at 6% interest pa
- Contribute \$50 per week to managed fund from savings account, leaving a minimum amount of \$5,000 in savings account as a savings buffer.

Personal goals:

- Maintain credit average (WAM) throughout 2010
- Exercise for a minimum of thirty minutes per day
- Construct a will

## Medium Term (1-5 years)

Financial goals:

Goal	'Achieved by' date
Save \$20,000 into managed fund while still at university (\$8,000 per year, next 2.5 years)	End of 2012
Apply for \$12,000 margin loan to increase total invested in managed fund to \$39,000	End of 2012
Purchase second hand car for \$5,000	End of 2012
Take out car insurance	End of 2012
Take out own home insurance	Start of 2013
Save \$10,000 into managed fund, first year in full time work.	End of 2013
Adjust margin loan to keep loan at 30% of total amount invested (total invested ~\$57,000)	End of 2013
Save \$10,000 into managed fund, second year in full time work	End of 2014
Adjust margin loan to keep loan at 30% of total amount invested (~\$85,000)	End of 2014
Purchase a 2 bedroom unit for \$350,000 in Northern Sydney district	End of 2015
Take out home and contents insurance	End of 2015

Personal goals:

Goal	'Achieved by' date
Graduate Bachelor of [DELETED]	End of 2012

Secure work as a [DELETED]	Start of 2013
Move out of home into purchased unit	Start of 2015

### *Long Term (>5 years)*

Financial goals:

- Increase savings buffer to \$10,000
- Salary sacrifice \$1,000 of income into superannuation each year.
- Pay off mortgage
- Upgrade property to a 4 bedroom house in northern Sydney.
- Become financially independent through investment in managed funds and property.

Personal goals:

- Get married
- Construct a new will to reflect my new situation with husband.
- Have a family
- Adjust my will to reflect my new family situation.
- Adjust insurances to reflect my new family situation (eg. take out death cover).

# Financial Strategy

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## Income

- Use the 'pay yourself first' method to save at least 70% of income each week.
- Manage spending and saving by using ANZ online banking. Transfer the 70% of income each week on a Wednesday night (Wednesday is pay day) to avoid spending any of the 70% being saved.

## Expenses

- To maintain knowledge of where I am spending my money, I will perform 2 months of **audit tracking** per year. I will commit to February and August being those months as they are likely to provide average spending information (ie. They are not high expense months, like December).
- At the conclusion of each of these months I will review my budget, making any changes I feel are necessary to keep it realistic.
- In all other months, **electronic tracking** will be performed. This will ensure I have a rough idea of the amount of money being spent (and saved) each month.
- By the end of 2012, I plan to purchase a second hand car for about \$5,000. I currently have that money in my high-interest bank account (ANZ online saver 4.5% interest p.a). I plan to move this money into an ANZ term deposit account for a 17 month term at a fixed interest rate of 6%.

## Investments

- Use ANZ internet banking to transfer \$50 per week from my 'ANZ Online Saver' account to my 'ANZ Online Investment account' (managed fund). This spreads my exposure to a potentially volatile market over a longer time period, potentially minimising losses on short term downturns of the share market.
- At the same time, I will be saving money from my job at [COMPANY DELETED] into the same managed fund. A target has been set of \$8,000 per year. The amount saved into this account will vary from week to week depending on the number of hours worked, but on average will be much greater during holiday times.
- By 2015, I plan to have at least \$85,000 (no appreciation of investment taken into account) invested in my managed fund. (The \$85,000 includes 70% my own money and 30% from a margin loan). At this time, I would like to purchase a 2 bedroom apartment in Northern Sydney. I will apply for a parental guarantee so I do not have to provide a deposit. I will use distributions from the managed fund to help make payments towards the mortgage.

## *Superannuation*

- I currently have \$1,500 superannuation in the growth option at the REST superannuation fund. I am happy with this fund as they have recently won awards for being the 'Best Growth Super Fund' from Money magazine, and the 'Fund of the Year' from Super Ratings.
- Allow employer to keep making super contributions on my behalf whilst I am still at university.
- Once I enter the work force full time, I will endeavour to salary sacrifice an additional \$1,000 into super. This way, the government will add co-contributions.
- If I find myself with more 'spare' money than I anticipated, I will consider salary sacrificing that into superannuation also.

## *Insurance*

- I currently have income protection insurance through REST superannuation fund. I plan to keep this insurance whilst ever I am working and adjust it to suit my level of income at any given time.
- I am covered presently by my family's insurance policies both for health, Car Insurance (NRMA) and House and Contents (NRMA).
- When I first get a car (2012) I plan to take out compulsory 3<sup>rd</sup> party insurance and 3<sup>rd</sup> party property insurance.
- When I get my first full time job and am no longer considered 'a dependant', I will take out my own health cover. This will be hospital and extra's cover from Teacher's Health.
- When I first purchase my property (2 bedroom apartment) I plan to take out home and contents insurance, most likely with NRMA - unless another product appears to be more suitable at the time.
- When I have my first child, I will immediately take out death cover and adjust my health cover to include them.

## *Estate Planning*

- Purchase a 'will kit' from the post office and draw up my first will.
- When my situation becomes more complex, and I see fit, arrange for a solicitor to draw up, and manage a new will for me.
- When my situation changes (eg. Get married, have children etc) update my will.

# Reducing Expenses

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My goal is to reduce amount spent each month (as calculated from expense tracker) by 10%. To achieve this I will:

- Reduce my food bill by eating out less often and when I do, going to cheaper locations for food. Eg. Go out for dinner at local RSL instead of more expensive restaurant.
- Reduce my food bill by packing snack foods from home therefore spending less on coffee and snacks from convenience locations such as ARC stores at uni.
- Reduce amount spent on gifts by giving more personal and creative (hand-made) gifts opposed to expensive store bought items.
- Travel by public transport to and from university each day unless there is a special reason to drive, thus saving money in fuel and tolls.
- Only withdraw from ANZ ATM's where possible to avoid ATM withdrawal fees.



# Budget

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For this budget, I have only included expenses paid by me. I have done this to provide a more accurate overview of my monthly cash flow.

Category	Amount (per month)
<b>Income</b>	
[COMPANY DELETED]	940.89
Dividends	99.56
<b>Total</b>	1040.45
<b>Expenses</b>	
Education	-5
Telephone	-20.50
Alcohol	-35.00
Food	-130.00
Transport	-4.00
Vehicles	-4.00
Gifts	-45.00
Clothing	-5.00
Personal	-15
Leisure	-55.00
Insurance	-5.68
Financial	-0
<b>Total</b>	-323.68
<b>Offset Total</b>	716.77

# Plan of Action

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- \$500 spending money for family holiday to Italy (June 29, 2010)
- Construct a will (August 1, 2010)
- Transfer \$5,000 to an 17 month ANZ managed fund (August 1, 2010)
- Save \$8,000 more into managed fund (May 30, 2011)
- Contribute \$50 per week to managed fund from savings account, leaving a minimum amount of \$5,000 in savings account as a savings buffer.
- Maintain credit average (WAM)
  - Semester 1 2010
  - Semester 2 2010
  - Semester 1 2011
  - Semester 2 2011
  - Semester 1 2012
  - Semester 2 2012
- \$8,000 more into managed fund (May 30, 2012)
- Complete Bachelor of [DELETED] (November 30, 2012)
- \$4,000 more into managed fund (November 30, 2012)
- Apply for \$12,000 margin loan (November 30, 2012)
- Purchase 2<sup>nd</sup> hand car for \$5,000 (December 1, 2012)
- Insure car with compulsory 3<sup>rd</sup> party insurance and 3<sup>rd</sup> party property insurance on car (December 1, 2012)
- Secure work as a [DELETED] - full time (February 1, 2013)
- Take out health insurance (February 1, 2013)
- Save \$10,000 into managed fund (December 1, 2013)
- Adjust margin loan to keep at 30% of total invested (December 1, 2013)
- Save \$10,000 into managed fund (December 1, 2014)
- Adjust margin loan to keep at 30% of total invested (December 1, 2014)
- Purchase 2 bedroom apartment in Northern Sydney for \$350,000 (December 1, 2015)
- Move out of home into purchased 2 bedroom apartment (December 1, 2015)