

Personal Financial Planning

GENC3003 Assignment 2

University of New South Wales



Table of Contents

Current Situation.....	3
Goals and Objectives	5
Financial Strategy	6
Reducing Expenses	8
Budget	9
Plan of Action (Tick Box).....	11

Sample Only
Do NOT copy

Current Situation

SELF INTRODUCTION

I'm a 22 year old oversea student study in full time [DELETED] degree in University of New South Wales. I'm sharing accommodation with another university student in an apartment block and the freedom of life is wonderful. Fortunately, my parents want to give me a 'no-stress' university life in Australia so they pay for all the daily expenses and tuition fees until I finish my bachelor degree. And as a [DELETED] student in 3rd year, I don't have any jobs this semester and I try to study hard so that it will benefit my academic statement results when I graduate.

Age	22
Sex	Female
Residence	Share accommodation with friends in \$150/wk <ul style="list-style-type: none"> - The rent is included all the bills and accommodation rent together. I am currently sharing apartment with another flat mates and all the bills will mail to the apartment owner. I only need to pay \$150 from internet banking to my apartment owner.
Work status	According to the workload in studying [DELETED] degree. It is not easy for me to work on any part-time job. My parents deposit a lump sum to me include one year spends. The lump sum include tuition fee, daily expense, rents and other spends. Normally I will put next semester tuition fee into term deposit in period of 3-5 months. This year (2010) I put \$24000 with 5% interest term deposit, bank pay back to me at the end of each month.
Study status	Full time, study in University of New South Wales 3 rd year of [DELETED], will be graduated on July 2011.
Current Asset	<ul style="list-style-type: none"> • \$24000 term deposit with Commonwealth Bank at 5.00% interest rate for 3 months • Cash on hand \$300 • Savings account and net-bank account (daily spending), Varying Balance <ul style="list-style-type: none"> - Savings account \$700 - Net-bank account \$7600 • Jewellery 1000\$ • Digital devices (Laptop, Nano, professional camera) \$3500
Total asset	\$37,100
Current Liability	I do not have any credit card, debit card or loan need to cover. I pay the mobile bill or rent immediately and the payment link to my transaction account.
Insurance	As an overseas student, Australian Government suggest oversee students should purchase the Overseas Student Health Cover (OHSC) as a duty. And OHSC period need to cover the duration with student stays in Australia. The OHSC provide 100% out-of-hospital medical service, public hospital and emergency ambulance service.
Income	Gift from father: \$45000 for one year As an [DELETED] student, I found myself have stress with study and assignment so I pay more time on study without choosing a part-time job in semester time.
Will	I don't have a will during study in university. But I'm sure when I graduate I will have my will.

CURRENT EXPENSES

This table is the expense trackers that start recording from this semester to end of academic week 11. The almost three months' records improve my financial planning skills and also find the way how to save money.

Category	Monthly	Expenses	\$	
	Mar	Apr	May	Total
Accommodation	-900	-600	-450	-1950
Education	-14842	-15	-20	-14877
Income	50400	100	100	50600
Telephone	-60	-60	-10	-130
Food	-393	-436.5	-18.5	-1248.4
Transport	-49.6	-70	-65.6	-185.2
Miscellaneous	-113	0	0	-113
Personal	-216.5	-222	-20	-458.5
Leisure	0	-196	0	-196
Gifts	-20	-45	-30	-95
Clothing	0	-30	-60	-90
Total	33805.9	-1174.9	-974.1	31256.9

From the three months' records, have large percentage of expenses relate to food, accommodation, personal expense and transport. So my financial plan should relate to how to save my daily expense on the four categories. The 'Financial Strategy' part and 'Plan of Action' part will explain my saving plan in details.

Goals and Objectives

SHORT TERM GOALS (BEFORE GRADUATION)

- Successfully graduate with a distinction average result by July 2011
- Get a vacation job related to my major in Australia in summer or winter breaks (from July 2010)
- Save at least \$3500 for travelling to Africa after graduation (from now)
 - The amount of money save from daily spends and part time job in summer or winter holidays.

MEDIUM TERM GOALS (AFTER GRADUATION AND PLUS 5 YEARS)

- Get a full time job related to my major by 30/12/ 2011
- Obtain Australia Permanent Resident Visa by 30/12 / 2011
- Save at least 20% of my salary per month
- Stop the contribution from parents, and take at least 5% from my salary per month as a gift to parents when they retire by I got the first job
 - The 5% amount will add up and do long term and low risk investment to increase the value than give to parents.
- Share accommodation with my boyfriend in lower rent suburb after graduation
- Purchase a second hand car or struggle a company car
- Start investments in long term period with low risks start on 1/1/2012
 - Superannuation investment, term deposit, etc.
- Purchase a appropriate accommodation with deposit near work place, appropriate price, town house / apartment/ small house)under my name on 30/12/2013

LONG TERM GOALS (MORE THAN 5 YEARS AND UP TO 10 YEARS)

- Get marry with my boyfriend, and can offer the wedding at least 50% when I stabilize my work and have \$200,000 cash asset. And before 28 (10/09/2017)
- Seek a better job or try my best to advance in office (start from when I start working)
- Increase the saving budget (2016)
- Financially independent and invest share, properties and management funds through income (2016).
- Increase investment portfolio. Such as invest management fund, or buying Australian Share with Australian top companies
- Purchase a new car for family, will prefer SUV in market price when I'm in 30
- Payoff first mortgage by my age is 40
- Set up another ten years goal for child education in the future.

Financial Strategy

INCOME

- Allocate income into a high-interest saving account (above 5%).
- As research (My career, web), working in any companies in my field after graduation normally have annual payment at least \$50,000 (after tax and Superannuation). Therefore for each month salary at least save 20%+ or \$1000 for each month. And set the transaction account auto transfer my salary into high-interest saving account.
- In long-term, my career life become stable and has higher income than \$50,000. At least I need to save 15% for each month. 15% will not go for high risk investment such as investment property. Term deposit will be preferred.
- If I work in overseas after graduate, earn and spend in local currency and avoid translate into Australian dollar in low exchange rate.
- Working for extra 5 years increase the income salary.

EXPENSES

- Keep using expense trackers to record down daily spends, try to minimize spend or equal value spend for each month.
- Avoidance applying any credit card or debt card as a student; pay the tuition with B-pay or cherub and get ready for large amount expenses.
- Reduce monthly expense at least 20% or more in student life minimize any unnecessary cost such as cloths, dinning out or emotional shopping.
- When I get the first full time job, try to save most of the salary for the future expense or investment.
- If necessary, the work place is not that far from home, take public transport other than buying a car. Or purchase a second hand car and claim petrol fees from companies, or work hard and apply a company car to minimize spend.
- Before beginning a family, rent a town house or apartment block in a low rent suburb or rent near the workplace.
- Minimize tax in legal method. Set up an account for tax return for clearing tax deduction or claim. Pay income tax before financial year end (30th of June).
- In long term, increase the repayment to home loan and payoff the mortgage as soon as possible.
- Minimize unnecessary fee charge by investment, insurance and superannuation fund, such as unclear entry fees or exit fees, or unknown surcharge.

INVESTMENT

- Before graduation and just start my first job, I prefer put the saving money into low risk and short term investment. Such as term-deposit and saving account.
- Working more than 5 years experience, the asset may require me to invest in higher risk investment than low risk investment as the previous point. I may choose an online broker (Commonwealth Bank) to buy shares in the list of STW.

- Join a 'balanced' management fund such as ING, MLC or Colonial First State, my combination fund suggest include 30% Australian shares, 40% fix interests, 10% invest properties and 20% international shares.
- Purchase an old apartment block and reduce the property loan. I will not borrow margin loans for my investment because of the high risks.

INSURANCE

- Life Insurance
 - When I start working, start saving a lump sum and buy death cover for my family, and take out the death cover when I have children.
 - Prepare the Income Insurance such as Workers Compensation, when I get really sick and accident relate to working and choose the long waiting period (90 days) and 2 year benefit period.
- Health Insurance
 - According to OSHC during study in university it really cover hospital cover and general extras (Optical) and ambulance cost. After graduation, my health insurance not only takes out the private health insurance cover but also extra covers and ambulance cover in long term.
- Home Insurance & Contents Insurance
 - Buy home and content insurance when renting property, transfer the policy into a new home if I move.
 - Minimize the mortgage borrow from bank and avoid Lenders Mortgage Insurance (LMI), choose the higher excess and locate the excess into low risk investment.
- Vehicle Insurance (If I have a car)
 - Purchase second hand car and only require 3rd party insurance (CTP).
 - Or purchase comprehensive insurance, such as NRMA comprehensive insurance.
 - Or put my car as content item under contents insurance

SUPERANNUATION

- Choose low fees and high return big super fund such as Colonial First State Superannuation. Avoid entry and exit fees and select low administration fees super fund.
- Consolidate all Supers into one fund, decrease fees payment.
- Increase salary sacrificing into Superannuation for each year especially during young, choosing pay the super from saving account without tax bills.
- Retire at age of 65 to boost super and withdraw from super without tax payment after 65.
- Make sure employers cost 9% from my salary and put into my superannuation, and suggest my employer increase the super cost into 15%.
- Make sure my super fund is in a 'growth' option in long period (10 years+), I will not put my super fund link with my managed fund, and they must separate.

ESTATE PLANNING

Start set up a will after I getting my first job (by end of 2011), and clear the will in different aspect (home, investment, superannuation, etc.). I'm going to set up a perfect will and select beneficiaries even cover instructions of assets going if my spouse dead. My executor will be my best friend or my parents. The will should be different in any circumstance such as single, or have parent ship. And make sure my final will print in several copies and secure and lock in appropriate area (Bank & safe box).

Reducing Expenses

Expense trackers present my April expense around \$1500, therefore reduce total living expense 10% is 150\$. Start the reducing expense plan from April.

- From 3 months expense trackers can be seen almost dining or unnecessary food expense required. Therefore need to minimize dining or take away food. - \$50/month
- Reducing impulse personal item shopping, such as jewelry, expensive fashion cloths and make-up. - \$40/month
- Reduce the amount of buying coffee in university, use instant coffee instead of it. And bring a water bottle without buying from a shop every day. - \$70/months!
- Keep using expenses trackers to record daily expenses than compare each month expense and find out a method to reduce expense.
- Purchase monthly travel tickets or car pool with unit-mates. - \$5+/month
- My mobile is set in prepay to pay my bill, normally \$60+ per month. Change my mobile plan from prepay to monthly mobile plan in \$29 with Optus. - \$30+/month
- Purchase the on-sale or discount items in groceries, stop impulse shopping - \$5/week.
- Borrow textbook from university library rather than buy from book shop - \$200/semester
- Use the printing credit from computer lab in university; don't need to purchase a color printing machine - \$100/ year.

Budget

BUDGET FOR NEXT YEAR (BEFORE GRADUATION)

Income	Monthly \$	Total Amount \$	Remarks
Gift from Dad	N.A	45,000.00	Include all the expense for one year
Term deposit	100.00	500 (5 months)	Assume 5% for 5 months, put \$24000 into account
Total income		45,500.00	Gift from Dad \$ 5 months term deposit interest
Expense	Monthly \$	Year \$	Remarks
Tuition Fees	N.A	26,400.00	\$550 per U.O.C (2016 Overseas student)
Textbook & Stationary	N.A	400.00	\$200 per one semester
Furniture & Equipment	N.A	300.00	One time payment if I move home
Accommodation (Rents bills)	150.00	6,800.00	Pay for 10 month rent, and \$100/wk for no stay at home.
Food -Dining out	150.00	1,500.00	For 10 months. No more than this budget
Food -Groceries	300.00	3,000.00	For 10 months. No more than this budget
Mobile	30.00	360.00	For 12 months. No more than this budget
Personal Spends	50.00	500.00	For 10 months. No more than this budget
Entertainment	80.00	800.00	For 10 months. No more than this budget
Travel	N.A	1,200.00	Return ticket between Sydney and Hong Kong, go back once a year
Transportation	100.00	1,000.00	For 10 months. No more than this budget
Total Expense		40,260.00	
Potential Saving		3,240.00	Forecast in this budget

Recommendation

As the pass 3 months expenses records as a references, next year expense should be less or equal this budget. I mention 10 months mean the rest of 2 months in summer holidays I will go back to home town and take a rest for 2 months. So I'm lucky that don't need to record daily expenses in two months time, and save more money if I stay whole year in Australia.

The potential saving show I save \$3240.00 for whole year, that I also win the trust from my parents that I understand planning myself financial plan and set in budget. The rest of credits I will still put in my saving account for low risks investment. I trust myself can increase the amount of investment start from now.

BUDGET FOR AFTER GRADUATION

Income	Monthly \$	Year \$	Remarks
Salary	4,166.00	50,000.00	Assume the payment after tax
Expense	Monthly \$	Year \$	Remarks
Accommodation rent/ Mortgage payment	400.00	4,800.00	Share accommodation with friend or offer a second hand property far away from city.
Bills (gas, electricity, water)	130.00	1,560.00	Share with living partner
Furniture & maintain	50.00	600.00	Offer second hand furniture and buy the necessities of furniture
Super contribution	375.00	4,500.00	Minimum 9%, try to boost the super
Food -Dining out	50.00	600.00	No more than this budget
Food -Groceries	300.00	3,600.00	No more than this budget
Mobile	30.00	360.00	No more than this budget
Personal Spends	100.00	1,200.00	No more than this budget
Entertainment	80.00	960.00	No more than this budget
Private health care	50.00	600.00	Include extra covers e.g. Ambulance fees (10000)
public transport	250.00	3,000.00	No more than this budget
Other expenses (Gifts, Leisure, Miscellaneous)	100.00	1,200.00	No more than this budget
Total Expense		27,980.00	
Potential Saving		27,000.00	At least in this budget

Recommendation

The budgets plan for after graduation is plan graduate from post graduate to further 5 years. So in 5 years (single and young) is the important period that I develop my own will and also start the investment and boost my asset for further return investment. From above, assume I will employ by a consultant company, the potential saving per year I set at least \$27,000.00. So up to 5 years, my saving asset is up to \$135,000.00. I can use the asset to invest such as improve the amount in my combination fund.

In the 'Remark' column, I always state 'No more than this budget'. So I give a promise to myself that save money in detail. The consideration on amount of budget in each month is referring to the three months expense tracker records, and without any accidents, worse scenarios or still in single I will not over-budget.

Plan of Action (Tick Box)

SHORT TERM (BY END OF 2011)

- Successfully graduate with a distinction average result
 - ☐ Avoid any entertainment events on weekends and holidays, do revision and tutorial every night
 - ☐ Complete assignment and assessment early and with high quality conditions
- Get a vacation job related to my major in Australia in summer or winter breaks.
 - ☐ Start hunting job in July holidays 2010, and get a job in summer relate to my degree.
- Save at least \$3500 for travelling to Africa after graduation (Before June 2011)
 - ☐ Start saving daily expense and work in holidays, pack lunch and bring permanent water bottle when I go out, save at least 15% of weekly spends.
 - ☐ Avoidance of dining out and try the best to cook at home
 - ☐ Put all the saving money into saving account to earn monthly interest payment

MEDIUM TERM (2012-2016)

- Get a full time job related to my major
 - ☐ Start detail researches and complete an academic resume in winter break (July 2010), do preparation online test before job interview.
- Obtain Australia Permanent Resident Visa
 - ☐ Pass IELTS (International English Language Testing System) test by July 2011, and at least get average result above 7
 - ☐ Get the full time job relate to my degree as soon as possible
- Stop the contribution from parents, and take at least 5% from my salary per month as a gift to parents when they retire.
 - ☐ Save daily expense and add 5% saving budget month by month
 - ☐ Use the gift to invest low risk and long term investment or suggest parents put in their super if they haven't retired
- Share accommodation with my boyfriend in lower rent suburb
 - ☐ Move to a suburb far from city and rent a one- bedroom apartment block or share accommodation with friends. (After 2011)
 - ☐ Start save energy and water consumption to minimize the bills costs (now), stop using heater in winter and air conditioner in summer
- Purchase a second hand car or struggle a company car
 - ☐ Buy yearly travel pass and take public transport rather than have a own car for insurance and petrol payment (Before & Post graduate)
 - ☐ Apply for company car and buy a second hand car to claim all the petrol or insurance, service payment.
- Start investments in long term period with lower risks

- ☐ Before graduate and just complete degree choose low risk investment such as saving account and short term deposit, choose rate above 5%. Increase the amount by transfer salary to saving account after payment.
- ☐ Start a managed fund and increase the investment. Choose the high return dividend investment. Select the Australia top companies shares and fixed interest investment
- ☐ Start superannuation investment; boost the super in high amount from salary before having a child. And extend the working age up to 65.

LONG TERM (BEFORE 2020)

- Seek a better job or try my best to advance in office
 - ☐ Increase the salary and increase the save asset (Start from first job)
- Increase the saving budget
 - ☐ Base on the budget plan set for after graduation; however also increase the family life quality (have own car and raise children).
- Financially independent and invest share properties and management funds through income.
 - ☐ Payoff first property mortgage by 35 years old, and transfer all my investment gain into my super fund, and try to boost my super fund before my retirement.
 - ☐ Try to invest a commercial property and increase the risk in managed fund by hiring a experienced fund manager to manage my fund
 - ☐ Purchase a new house or apartment and rent out or sell in above market price for the old property. Use the gain amount from selling, then split in 30% on managed fund, 10% in superannuation and rest of 60% to first payment to new property and reduce mortgage payment.
- Payoff mortgage as soon as possible
 - ☐ Try to pay one more month payment to the mortgage per year
 - ☐ The cash investment can put into mortgage
 - ☐ Choose home loan with redraw facility and increase monthly payment at least \$500

Word count: 3500