

# Personal Financial Plan

Version 1

[NAME DELETED, STUDENT NUMBER DELETED]

## Current Status

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- **Age:**22
- **Residence:** Currently still living with parents with most of my living expenses subsidised by them.
- **Study Status:** Currently in final year of [DELETED] Bachelor degree.
- **Work Status:** Working part-time with 12 hrs/wk minimum of work.
- **Current Assets:**

✓ Clothing	\$1000
✓ Mobile Phone	\$250
✓ Ipod	\$80
✓ Computer	\$900
✓ Term Deposit @6.25%	\$6000
✓ Everyday Transaction Account (no fees)	\$500
✓ Savers Account (no fees)	\$1200
✓ Miscellaneous (Books, bags, etc)	\$500
Total	\$ 10,430

- **Current Liability:** HECs debt as of now is standing at approximately \$30,000. I carry no other liabilities since my essential living expenses are covered by my parents and I do not hold any debit cards.
- **Current Income:** Income includes direct pay from my part-time employer and indirectly from the living expenses covered by my parents.

Income from employer: \$900 per month (≈ \$10800 p.a)  
Income from family: \$600-\$700 per month (≈ \$7200-\$8400)  
Annual total income: \$18000-\$19200

- **Current Expenses:** Are as shown from expense tracker below which I have recorded for the last 2.5 months.

Category	Mar	Apr	May	Total
Accommodation	-525.17	-525.17	-240	1290.34
Education	-71.96	0	0	-71.96
Income	1724.55	1696.45	803.78	4224.78
Telephone	-61.5	-31.5	-30	-123
Alcohol	0	-50	0	-50
Food	-237.05	-297	150.75	-684.8
Vehicles	-121.38	-150.18	142.53	-414.09
Transport	-50.8	-69.4	-18.4	-138.6
Computer	-1.5	-39.95	0	-41.45
Personal	-10	0	-10	-20
Gifts	0	0	-120	-120
Clothing	-30	0	0	-30
<b>Total</b>	<b>615.19</b>	<b>533.25</b>	<b>92.1</b>	<b>1240.54</b>

Most of my expenses at the moment as a student are essentially on food, accommodation and travelling.

- **Insurance:** None at the moment which I am paying for. The only insurance is the comprehensive car insurance which my parents cover for.
- **Will:** Have not written a will at the moment.

## Goals and Objectives

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### ❖ Short term (end of 2010)

1. Graduate at the end of the year with a Bachelor in [DELETED].
2. Save regularly by using term deposits and I hopefully have accumulated a minimum of \$10,000 by the end of year, which will act as my savings buffer for the next few years.
3. Purchase a Will kit from the post office and complete it.
4. Go to Hong Kong for 2-3 weeks in the summer holidays for a break.
5. Start graduate research and hopefully get into a graduate program in an [DELETED] company

### ❖ Medium term goals (1-5 yr) dot points are chronologically ordered.

1. Live with parents like a student for 2-3 yrs
2. Find a charity to regularly support
3. Read and learn more about investment options in managed funds in various companies that offers them and gain investment experience.
4. Regularly save through a term deposit and with a savings account that extracts 10% of my pay each time I am paid. Regularly top up savings account with extra cash I have not spent.
5. Start an investment portfolio with managed funds when savings reach \$10,000 (Note: this is separate from my savings buffer).
6. Travel to Japan and South Korea within the next 5 years during my holidays.

7. Towards the end of the 5 yrs, I would like to move out and rent around a few suburbs which I am interested in purchasing my first unit in.

❖ Long term (5-10years)

1. Continue renting and looking for an appropriate property to buy preferably a 2 bedroom apartment costing between \$300,000 - \$350,000 close to a train station.
2. Take out private health insurance with hospital and ambulance cover.
3. Build up managed funds whilst maintaining LVR at 33%, aiming to have an accumulated amount of \$100,000 invested into managed funds.
4. During this stage I would be hoping to have an increased salary at around \$60,000 - \$70,000 and supporting more than one charity as I develop my career.
5. Take part in further study towards a management degree.
6. Organise a luxurious holiday to Europe for my parents as a gift.
7. At the end of 10 years I would hope that I have found a two bedroom unit within the price of (\$300,000-\$350,000) to purchase with first home owners grant, whilst applying for a parental guarantee which my parents are more than happy to help with.

## Financial Strategy

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### Income:

- Income should be generated from both labour work and from a managed investment portfolio with a diversification of investments.
- Increase income from labour work by gaining more experience overtime and also from investing in myself with further education training after working 5-6 years in the industry by doing a degree in management or MBA.
- Maintain diversity in the investment portfolio (mainly shares) and continually build up portfolio of managed funds as long term investment and use dividend payouts as a source of income.
- Keep a minimum of \$500 in a NZ everyday account so I am less likely to overdraw at the ATM, any income from pay into this account will be transferred to a high interest savings account to maintain a balance of \$500.
- Utilise term deposits for short term savings to obtain interest as income.

### Expense:

- For day to day expenses use everyday day account with \$0 ATM fees, or withdraw from supermarket cashiers to avoid ATM withdrawal fees.

-Avoid using credit card unless it is linked to an account (account where I get paid) which is set to pay off the credit card debit at end of each month to prevent myself from incurring interest fees.

-Avoid taking out loans to purchase goods, either save up for it or don't buy because you really can't afford it.(i.e.car)

-Bring my own lunch whether it is at university or at work. It's healthier and costs less.

-Learn to be content with what I have to reduce expensive and sometimes unnecessary upgrades and live within my means.

### **Investments:**

-Build and maintain a diverse investment portfolio

-When savings reach \$10,000 start a good quality managed fund with high growth (with a majority being invested in shares).

-Fees and quality of fund managers may obviously be different at that time so need to do some research into companies that offer managed funds, but as of now I am interested in 'Colonial First Choice Investments-Colonial Geared Shares' due to their consistent investment returns in the years before the GFC and is now steadily climbing back up, and also it seems to be a well managed company which gives me confidence in going with them.

- During this time I would like to regularly contribute towards my managed fund until it hits \$20,000, hopefully within the first two years after full-time employment as a graduate [DELETED] and being disciplined in my spending and saving regularly.

- I would take out a margin loan at that time and maintain my loan to value ratio (LVR) at 33%. I would like to raise my LVR to 40% as soon as my salary tips over \$80,000

- By the end of 5 yrs I would ultimately have a managed fund I would regularly contribute to and continue to maintain a LVR at 33%. Would like managed fund to be worth \$40,000-\$50,000.

-By the time my managed fund has grown beyond \$65,000, I plan to search for a two bedroom apartment to purchase within the price range of \$300,000-\$350,000.

-After purchasing my apartment I would rent the room out maybe to my brother for \$200/week. Whilst paying the minimal amount of mortgage repayments as I will use the extra money to use either as savings or for building the managed fund further.

-Payments towards the mortgage will come from managed fund dividends, rent and my job income.

-I also plan to invest in shares and would like to start with buying streetTRACKS ASX200 (a well diversified portfolio with only one stock= with low risk) to further expand and diversify my investments.

-Towards retirement I would start to funnel some of my investments into my superannuation account to top it up.

**Superannuation** Currently I am only with one superannuation company (PLUM) and will continue to stay with them as I work, with my investment option chosen as high aggressive growth. I would start to make additional contributions with gradual increase in the amount 10 years before I retire. At 55 if retirement age is 65 or 60 if they retirement age is pushed back to 70.

**Insurance planning** –I plan to take out private health insurance at the age of 24, with low premium and high excess fees, with the option of ambulance only cover. Currently I plan to go with NIB basic saver at just \$10.95 per/week, I get hospital cover as well as extras like general dental and optical. It will also waive the Medicare levy surcharge I get during tax.

### **Estate Planning**

Prepare a draft Will by purchasing one from the local post office, use this for the next 5 years or as I build up my investments.

Once my investments starts to become a large sum of money and I have purchased my own property and started a family, I should go see a solicitor to draft my Will to make sure my assets will go to my beneficiaries (Family or relatives) and with adequate backup clauses in case my beneficiaries or executors predecease me.

## **Reducing expenses**

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- Conduct expense audit every 1 months with the expense tracker to have a good idea of where the money is being spent. This allow me to adjust and reduce my spending in some areas and help to reduce my expenses overall.
- Based on my expense tracker, it can be seen that a majority of my spending is from eat out during lunch. In order to reduce that I should start pack my own lunch to university and even light snacks to stop me from purchasing food or snacks when I'm out.
- When dining out I should eat at good quality, and decently priced restaurants.
- Try to have dinner at home more, since parents are more than happy to feed me.
- If going to the cinema to watch a new movie, wait till Tuesday when tickets are cheaper.
- Take part in conducting more surveys in my free time for companies' market research as reimbursements with cash or free products are a big plus because they sometimes offer discount vouchers which help to reduce my spending when shopping.
- Refuel my car on a Tuesday or Wednesday when fuel prices are low.
- If in need of withdrawing from ATM which comes with a fee, I can withdraw from either Coles or Woolworths Check-out with no fees.
- Manage my holiday travels outside of peak seasons for cheaper deals.
- When taking out insurance, go for low premium fees with high excess fees. But make sure for private health insurance u get hospital AND ambulance cover.
- Do grocery shopping at Aldi and buy in bulk if possible and split the cost between other family relatives

- Use \$30 prepaid plans for mobile phone and use only text messaging as much as possible and only call when absolutely necessary. This allows me to spread the credits over 2 months before they expire.
- Try not to take out loans when purchasing for expensive items (i.e. Car) save up and pay it off in one go instead try to pay it off as quick as possible if a loan is taken out.
- Take out travel insurance if travelling overseas.
- Purchasing or researching for best prices on the internet can help reduce the expense you pay for some items.
- Taking public transport instead of driving when going out can save on fuel and parking fees.
- Learn to be content with what I have to stop on impulse shopping.
- If going out for a drink, do it during happy hour.
- Reward myself every once in a while and have fun in order to stick to the budget.

## Budget

### Budget as a student

My degree ends at the end of 2010 and below will be my budget for the rest of the year while living at home with parents covering me for accommodation, groceries, bills and car insurance. The expenses below are based on my expense tracker assignment and a miscellaneous category is added for take into account unexpected expenses and petrol is split among the drivers.

	Monthly	End of year (6months)
Income	\$880	\$5,280
Expenses		
Food, dining out +snacks,	-\$120	-\$720
Leisure (going out)	-\$100	-\$600
Mobile phone	-\$15	-\$90
Public Transport	-\$60	-\$360
Petrol for parents car	-\$70	-\$420
Personal	-\$30	-\$180
Gifts	-\$30	-\$180
Miscellaneous	-\$48	-\$288
Total savings	\$407	\$2,442

I plan to save an amount of around \$407 each month in order to try and accumulate a total savings of \$2442 by the end of the year which will be added to the rest of my savings money that is put in a term deposit to reach an accumulated value of \$10,000. I plan to spend conservatively and stick close to this budget.

### Budget for Post-graduation

After graduation I plan to find a full-time job as a [DELETED] graduate with a starting salary assuming to be \$52,000(based on current median [DELETED] salary for a graduate). I would mainly be taking public transport to work and use the car occasionally on weekends. In addition I also plan to live with my parents for a few more years while sharing all the expenses that they had covered for me during my time as a student. I would like to live like a student and spend conservatively while living with my parents in order to save enough to start an investment portfolio and take out private health insurance. My budget will be as follows

	Monthly	Yearly
Income	\$4,166.67	\$52,000
After (tax+medicare levy+HECS payments)	\$3,461	\$41,536
Expenses		
Food		
▪ Dining out	-\$150	-\$1,800
▪ Groceries	-\$75	-\$900
Accommodation		
▪ Rent	-\$480	-\$5,760
▪ Bills (electricity +water)	-\$50	-\$600
▪ Strata payments	-\$65	-\$780
▪ Council Fees	-\$23	-\$276
Mobile phone	-\$30	-\$360
Telephone	-\$10	-\$120
Internet	-\$100	-\$1,200
Clothing	-\$150	-\$1,800
Public Transport(monthly travel pass)	-\$148	-\$1,776
Personal	-\$30	-\$360
Gifts	-\$360	-\$360
Leisure (movie and outings)	-\$150	-\$1,800
End of year holiday (divided by 12 months)	-\$200	-\$2,400
Miscellaneous	-\$95	-\$1,140
Vehicle		
▪ Comprehensive insurance	-\$25	-\$300
▪ Registration fee	-\$42	-\$504
▪ Maintenance	-\$16	-\$192
▪ Petrol	-\$20	-\$240
Miscellaneous	-\$183	-\$2,196
Total expense	-\$1,997	-\$23,964
Total Savings	\$1,464	\$17,572

If this budget is successful in the first year after graduation, then I would theoretically be able to start a managed fund by the end of the year with \$16972 in addition to \$3000 which I will pull from my \$10000 savings buffer I had saved up for in the previous years. I would also take out a margin loan with LVR at 30%.



# Plan of Action

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## End of this year

- Graduate at the end of 2010 with a Bachelor in [DELETED] (November 2010)
- Saved up a savings buffer of \$10,000 (31<sup>st</sup> December 2010)
- Find a graduate program in a [DELETED] firm (31<sup>st</sup> December 2010)
- Construct a Will (July 2010)

## Next 5 years

- Have 10% of my salary automatically funnelled to a high interest progress savers account at ANZ when I get paid. (March 2011)
- Join a charity (i.e Cancer council or Red cross) (March 2011)
- Put any leftover money into the high interest savings account leaving only \$500 on the ANZ everyday account at the end of every month. (2011-ongoing)
- Learn more about managed funds and other investment options (2011-ongoing)
- Save up another \$10,000 to start an investment portfolio in a high quality managed fund (with a majority in shares) preferably at Macquarie Bank or ING which offer a reasonable fee. (October 2011)
- Move out and rent an apartment in several areas of interest to purchase future property (i.e. Cammeray, St Leonards, Glebe, Pyrmont) to get a feel of the community and security. (by 2013)
- Purchase contents insurance while renting with AAMI.(2013 whenever I start renting)
- Travel to Japan(December 2011)
- Travel to Korea (December 2012)
- Moderately build up managed fund (October 2011-ongoing)
- Purchase a second hand car for around 7000 and purchase third party property insurance (2013)
- Take out margin loan with LVR at 30% on the managed fund amounts to \$20,000 (June 2012)
- Review budget and plan of action (2015)

## With next 5-10 years

- Invest in further education in MBA at Macquarie University or UNSW, part-time study (March 2016)
- Build up cash buffer to \$15,000 (June 2017)
- Raise LVR of margin loan to 40% if salary is over \$100,000 (June 2017)
- Build managed funds invested to \$150,000 (January 2018)
- Keep renting around in the suburbs that are of interest and keep an eye out on the property market(2013-2018)
- Towards the end of the 10 years hopefully I can purchase a property at around \$400,000 maximum in price, and take out a parental guarantee. (June 2019)
- Purchase home and contents insurance with AAMI.(June 2019)
- Rent out the extra room in my unit for \$250 a week. (July 2019)
- Review my Will with a solicitor (November 2019)

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