



Your guide to **Financial Freedom**

This guide will make understanding your finances easier and help you get started on the path to financial freedom today.



Life is full of personal ups and downs and it's not always easy, particularly in regards to your finances. It doesn't always have to be that way, though. While you can't expect to change the everyday ebb and flow of life, you can work to stabilise your finances over time. With careful planning you can work towards financial security and you may even eventually find your way to total financial freedom. It sounds like a dream, doesn't it?

Financial freedom isn't something that only the wealthiest people can attain; it's perfectly achievable for the everyday person. You need to be dedicated, determined, and hardworking to realise your financial goals, but with the right plan, it is possible.

This guide will help you begin to clearly define and develop your financial goals. It might even get you on the path to attaining them. This guide isn't a definitive process: but it will get you headed in the right direction.

Financial planning is about choices: understanding those choices is what turns your dreams into reality. There are numerous components to a financial strategy and it is imperative that you fully understand how each will affect your financial position, now, then, and in the future. One of the very first steps is understanding where you are now. Every journey has a beginning.



STEP 01 | Assess Your Current Situation

Even if you haven't accumulated large sums of money, you have to start somewhere and it's impossible to get going if you don't have a clear idea of where you currently stand.

The key is to not only look at the total in your bank account but your total accumulated wealth. This means any assets you currently own such as your vehicle, your home etc. Unfortunately, it doesn't stop there: you will then need to subtract your 'liabilities'. Your liabilities are what you owe. Any current financial debt should be included in this total.

The number leftover is your net worth. Your net worth is potentially the most important tool to beginning your financial planning. Without your net worth, it would be impossible to measure your growth or declines. If your net worth is steadily declining rather than growing then you know that you need to make some essential lifestyle changes if you are going to move closer to your financial goals. On the other hand, if it's steadily increasing, then pat yourself on the back because you're on the right path.

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STEP | Develop 02 | Goals

Now that you've determined where you currently stand, it's a good idea to get moving on developing your goals so you have a clear idea of where you'd like to stand in the future. It's impossible to get from Point A to Point B if you don't know where those points are, right? Right. So sit down and make a plan.

When developing your financial goals it's important to be realistic. Don't overpromise yourself anything, like retirement at the age of 45 when you're currently 37 and don't have any savings. We're not saying to give up on the concept of early retirement but perhaps you should push it back by a few years.

That being said, we also don't want you to sell yourself short. If something seems hard to achieve, that doesn't mean it's impossible. If you're unsure and need help it's a good idea to engage a professional to make sure you're heading in the right direction. Otherwise, just get started on those goals.

When goal planning it's always a good idea to start by developing a 5-year, 10-year and 20-year plan. Where are you now and where do you want to be in five years? Would you like to purchase a house? Perhaps five years from now you'd like to start your own business, spend more time with family; or retire and keep up your current standard of living. Whatever your goal is, write it down. Keeping in mind that these goals are not written in stone, they are merely a guideline for you.

A word to the wise, when developing your goals, be sure to involve your partner if you're in a serious relationship. It's absolutely essential that the two of you are on the same page in regards to your financial future. It doesn't have to match up perfectly (relationships, like money, ebb and flow and your goals may be altered) but it's helpful if they align in the very basic sense.



STEP 03 | Cash Flow

“Cash is King”. No more accurate a statement has even been written. The central focus of every financial strategy is cash flow: without this nothing else works. If you want to work towards total financial control you need to analyse what you’re spending your hard-earned money on.

Everyone has a different system that works for them. Some people prefer to rely on Excel to keep track of the details, while others like to be a bit more ‘old school’ and use pen and paper. We don’t care how you go about tracking your spending, but it’s essential that you do it in order to keep your spending under control.

So what are the items you need to watch for? In the end, we want you to determine whether you have a surplus of cash or a deficit at the end of the week, month, and year. Are you living within your means or are you stretching yourself too thin? If you’re stretching yourself thin then you should do one of two things: either cut back on your spending until you’re sitting at a surplus or you’ll need to increase your income. It’s that simple and that difficult.

If you and your spouse have separate credit and debit cards it’s often difficult to understand the overall flow of money within the household, so by writing it all down and tracking it you’re able to gain a better understanding and develop better goals thus getting you one step closer to total financial freedom.

If you do need to cut out some of your spending there are creative ways to do so. Consider renegotiating your mortgage rate; or consolidating your debt to one low interest rate loan rather than paying multiple interest rates. There are ways to creatively cut back your spending so you don’t feel the impact to your everyday life as much. You’ll just need to think outside of the box.



STEP | Investing

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Investing is one of the best ways to grow your wealth. Investment isn't as simple as buying a share portfolio or investment property: there are hundreds of variables that left unchecked, could turn a very successful investment into an endless money pit. Some of the key components of investing are taxation and tax structuring; investment selection; and debt, borrowing, and leverage.

Taxation and tax structuring. Without doubt the most important component in any financial strategy is taxation and appropriate tax structuring. The first step is the identification of goals and objectives; next comes the design of tax and tax structuring. Poor tax planning will undermine any financial strategy, no matter how well designed. A prime example of this is superannuation. Super means retirement. The modern superannuation system offers enormous opportunities for retirement and can also be utilised for immediate benefits: something most people don't know about.

Investment assets. Investment assets are simply a means to an end. Too often investment assets are selected prior to the construction of the underlying strategy. Appropriate asset selection occurs after all other components are in place and the decision must be governed by narrowly defined financial parameters: never emotion

Debt, Borrowing, Leverage. One of the most powerful weapons within any financial design is the ability to borrow money: to leverage existing or new assets provide significant advantage that can exponentially increase the overall result. Carefully designed and managed debt structures are imperative to financial success

If you're going to make an investment then it's important to enlist the help of a professional to assist in developing a strategic plan to ensure the best results within your personal timeline. While your professional investment specialist will make strategic decisions for your benefit, the end results should be in line with your expectations. If you look into its total ongoing it may not be exactly what you imagined, so don't be surprised. Investments are not an overnight trick to success they are a long-term plan to help you get where you want to go.



STEP 05 | Make your super work hard for you

A 30-year-old earning the average income will end up with \$1.5m in their super by the age of 65, just from employee contributions.

Enlist We find most people are concerned about their day-to-day funds and investments rather than their super. The truth is the sooner you start making the right decisions with your super fund, the faster this will grow and the more you'll have in the future.

There are a number of strategies to grow your financial portfolio. It is important that you watch your super frequently and have a long-term plan in place. You work hard for your super contributions, so make your super fund work hard for you. We can help you understand your options and choose a fund for you.

"I can't change the direction of the wind, but I can adjust my sails to always reach my destination."

- Jimmy Dean



STEP **06** | **Asset Protection/ Risk Mitigation**

Things don't always go to plan. Good asset protection and risk mitigation can prevent financial disaster: you can't stop things going wrong but you can stop their financial impact. Insurance is an item that's not necessarily fun to think about, but in the end is an important element of financial freedom.

Your level of insurance has cycles. As your circumstances change, so too does the amount of insurance you require. Insurance is designed to protect the things you can't afford to lose. As you develop your financial position, your requirement for insurance will decrease.

In your early adulthood, debt levels are usually high. The expense of children, a new home, perhaps university or educational debts: all of these things mean you will rely greatly on your wage levels. At this stage in life, income protection, as well as life and disability insurance, is essential.

As you get older, your financial situation typically improves: the kids have left home, your mortgage is less, and your investments have gained equity. Should you run into financial difficulty, you have some assets that will help limit the impact of that event. You will still need income protection, but perhaps disability insurance is no longer as important.

In the final stages of your working life, or in the early retirement years, the need for life insurance becomes less. When you have little or no debt, your amount of life insurance can be reduced significantly. If your investment asset income is enough to meet your living expenses, and if you no longer need to protect your wage, income protection is no longer necessary.

It's essential to discuss asset protection and risk mitigation with your insurance provider or professional advisor to ensure that you're properly covered, no matter your stage in life.



STEP 07 | Put It All together

Now that you've done the legwork, it's time to put it all together and create your physical financial strategy. You should aim for a clearly defined and well-articulated strategy that takes into consideration what you're looking to achieve as well as unforeseen circumstances.

The things you must include within your financial plan are as follows:

- ✦ Where you stand now
- ✦ What your financial goals are
- ✦ Your investment, taxation, and asset structures
- ✦ Your review structure – the process by which you will benchmark the achievement of your strategy relative to your original and ongoing goals
- ✦ Exit strategy – understanding that once you've achieved your goals how you transition into financial freedom
- ✦ Asset protection/risk mitigation- a plan for the unexpected
- ✦ The steps to achieve your goal (the implementation process, what needs to be done when and how)

Once you have formulated a financial plan and put the various components into place the next step in the process is probably the most important: maintaining the strategy. You must constantly review your strategy, ensure the goals are still relevant, ensure the values that you've placed upon those goals are still going to give you the lifestyle and expenditure you need.

We believe in a simple equation: Financial Education = Financial Freedom

If you're unsure how to begin, looking for a second opinion, or want professional assistance, we're here to help.

Financial planning is about choices. Understanding those choices is what turns your dreams into reality. Our focus is defining and identifying choices that matter to you.

We at Financial Solutions specialise in providing advice across the full spectrum of financial affairs. With experience, knowledge, and a passion for client education, our processes ensure that you make the best choices.

Contact the Financial Solutions team and take the first step towards financial freedom today.

How close are you to achieving your financial dreams? Contact us to find out.

