

infocus

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Achieving financial freedom

What does financial freedom mean to you?

The ability to travel the world and build a dream home? Or to be able to enjoy a simple but active retirement, and support some good causes?

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A photograph of a middle-aged couple on a boat, looking out at the ocean during sunset. The man is wearing a white shirt and the woman is wearing a striped shirt and sunglasses. The background shows the sea and the boat's rigging. Overlaid on the left side of the image is a blue and green geometric graphic with a pattern of white dots.

Achieving financial freedom

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We all have different desires and goals in life, but most of us share the dream that one day we would like to achieve our particular version of 'financial freedom'. The challenge is that most of us don't really know what it takes to turn our goals, be they vague wishes or burning desires, into reality.

However, with just a little bit of forethought, some expert advice, and by acting on that advice, we are much more likely to reach that goal of financial freedom.

Making the list

Your key ally in achieving financial freedom is your financial adviser, and amongst the most important things your adviser will need to know is what your goals are. So make a list and prioritise it. Which of your goals are essential, and which ones are you willing to compromise on?

Reality check

Just as we have different goals, so do we have different financial resources. One of the first things your adviser will do is run a reality check. Given your income and expenditure, job outlook, health and family situation, are your goals realistic and achievable?

Your adviser will also check if key goals are missing. For example, life insurance can be an essential tool for protecting your family's future financial freedom, yet many people overlook it.

With the big picture now clear, your adviser can develop strategies that will bring that goal of financial freedom closer to fruition.

Perfect timing

When's the perfect time to start your journey to financial freedom?

Today.

Because the sooner you get started, the sooner your goals will be achieved.

So think about your goals and desires. Importantly, write them down. Then make an appointment to sit down with your financial adviser, and take those critical first steps towards achieving your financial freedom.

The fast way to a life supported by passive income

Imagine that, without any effort on your part, enough money regularly pours into your bank account to meet (or exceed) all your living expenses. Suddenly, work becomes optional and a world of opportunities opens up. That's the ultimate in passive income – all your financial needs met without lifting a finger. The fast way to a life supported by passive income is to win the lottery or receive a large inheritance. Invested wisely, large lump sums can generate rental income, interest, share dividends and capital growth, all of which can replace an earned income but without the hard work.

Other forms of passive income include royalties on book sales, licensing fees on patents and, increasingly, income associated with creation of Internet content, such as YouTube videos. However, while these passive income streams may become geese that lay golden eggs, it takes a lot of effort to write a book, develop an invention, or create popular Internet content.

And the unfortunate reality is that we can't all be lottery winners or best-selling authors, genius inventors or Internet sensations. We can, however, start to build a passive income stream that will grow over time, replacing an increasing proportion of our active income. In fact, if you're working and receiving employer superannuation contributions, you're already on the path to generating a passive income. You may just have to wait awhile until you can enjoy it.

With its generous tax breaks superannuation is likely to play a leading role in most passive income strategies. However, with its restrictions on access, if you are some years away from retirement age you may want to pursue a more flexible approach to developing a passive income stream. How? It all begins with a savings plan.

This simply involves making regular contributions to a suitable investment vehicle. To begin with this might be an interest-paying bank account, but as your nest egg grows you can diversify into potentially higher performing investments such as managed funds, direct shares and eventually direct property.

Importantly, by reinvesting the income produced by your savings plan you'll tap into the power of compound interest. Over the long term, compounding is the powerhouse that will contribute the most to your future passive income stream. As the income produced by your portfolio increases, so do your options. For example, you might want to cut back on working part time.

One other form of passive income worth mentioning is the age pension. If you're over age pension age it may be a good idea to investigate strategies to maximise your pension entitlement. Just make sure the overall result is positive.

Ready to pursue the potential of passive income? Your financial adviser will be happy to help you take that first step.





Insurance – don't go it alone

There is no doubt that the very thought of claiming on your own insurance policy is depressing, but extensive research tells us that you (and even me) may be unable to work for an extended period during your life due to sickness or an accident. The problem is that nobody has any idea when that might happen. Please try to fight the urge to stop reading now and 'worry about it later' because there is an important message here

It's a confronting topic that makes us think about our own mortality. However, as a financial adviser I have helped many clients through the process. The worst can happen to anybody. If it does happen to you, you want to make sure that:

1. you took due care (supported by advice and help from someone in the know) when preparing your initial application, and
2. that you actually have the cover in place. The first question after, "are you ok?" is often, "do you have insurance?" If you think your answer would be "I think so" or "no", please stop now and consider how your family would cope in this situation, or more to the point, how would you cope financially if something happened to a beloved family member?

Where do you start if you don't have cover?

Find a licensed financial adviser who specialises in Personal Risk Insurance. I can help you here. The application process is so important to relieve stress in the event of a claim. It has to be done right, and the conditions and definitions (the boring stuff) must be spot on.

Don't be satisfied with approval of cover that required very little in the way of medicals or blood tests. You may think you have cover but it's a nightmare to be told at claim time your application is rejected because you 'broke the rules' since you forgot (often genuinely) to tell the insurer something small but now seemingly crucial.

A professional adviser will ensure you have insurability from the very moment the cover is granted. Yes, you will have

to pay for that advice, but it's invaluable. The last thing anyone wants when they have suffered a serious injury or have been diagnosed with a life-threatening illness is a delay. Or worse still, have any doubt the claim will be paid.

This is where the role of an adviser throughout is so important. Your adviser usually knows someone 'higher up' and 'in-house' who could assist through the process. That means, it's not only your adviser who is onto the insurance company but their internal contacts, often part of a large Head Office, which the insurer does not want to get offside. This alone is a huge advantage over buying insurance online, because who will be there to back you up?

So please don't put it off another moment – and this is the 'pulling-on-heartstrings part' – do it for those you love and who love you.