FIDUCIAN FOCUS

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The gift of financial intelligence.

As a parent or a grandparent it is often tempting to give a gift of an envelope full of cash for birthdays and Christmas, but is this teaching the younger generation valuable money lessons?

There are better ways to invest in the future of your off-spring which helps them master money earlier, for a more secure financial future.

Start with the basics

Before you even consider gifting your junior family member with money, it's important you instil in them the mantra that money isn't only for spending, it's for creating wealth too.

Why? Because their early interactions are likely to involve spending, so it's critical you teach them from a young age they need to hold on to some of that money for a rainy day.

A savings account

A piggy bank is fine for tiny kids, but once they grow a little older a savings account is a brilliant way to teach them how banking works.

Shop around for a savings account which pays a decent amount of interest. You'll likely be required to sign on as a co-owner of the account until they are old enough to take complete control of the finances.

Think investment funds

Opening an investment account for your child or grandchild will provide them with a kick-start to their future financial security, as well as helping them understand the basics of investing in an educational and safe way.

You can also start putting a long term investment strategy together, ensuring it is realistic for their age and financial literacy.

For more information on investment strategies to bolster wealth, you can visit Fiducian Funds.

Set up some rules

A kid's life is already jam packed with rules - rules designed to put boundaries in place for their safety.

And just like rules for kids are necessary for life, they are just as crucial when it comes to teaching them about how to manage their money.

Perhaps one of the most critical rules is: 10% of your salary should be put aside for emergencies, 20% for investing, 10% for superannuation contributions and 60% for spending.

According to financial counsellor Scott Pape — better known as the "barefoot investor" — children should also earn their pocket money as opposed to giving them money for nothing.

"My view is that you should be paying pocket money," he told the ABC in an interview.

"[But] a lot of parents will either not pay pocket money, or it fizzles out, or they're actually giving their kids money without them having to work."

Get started on Superannuation

Helping your teenage family members set up a Superannuation fund is another great way to set them up for financial success. As they start to get part-time and holiday jobs, helping them select and control their Super will prevent them from having multiple Super accounts with small amounts of money being eaten up with fees.

With so many different Superannuation products available, it is best to talk to your financial planner to find the right one for your family members.

Remember, setting up the next generation for financial success is like learning to ride a bike - you get them set up and help them understand what they need to do and what not to do, and then send them off on their ‘wealth bike’ armed with the skills and knowledge to make considered, intelligent decisions about their finances.

For more information and tips on how to maximise your wealth, book a free consultation with Fiducian Financial Services.

Once upon a time we used to have to wait until a wealthy relative passed away before we received an inheritance.

What many people don't understand is there is more than one way to transition wealth to the next generations which help them financially thrive over the course of their lifetime.

Here are some out-of-the-box ways to pass your assets to family and friends before you die.

Creating a family trust with regular distributions

Creating a family trust with regular distributions is one way of ensuring your loved ones are set up for financial success.

A family trust has a lot more flexibility than super and is worth considering for larger sums of $1 million-plus.

It's imperative you get the structure of your family trust right upfront as any adjustments can incur fees and tax charges.

Using your assets to help now

There are three key ways you can help your family get into the ever-challenging property market:

- Deposit gift: You can gift funds to cover a property deposit and have the recipient responsible for the rest of the loan. It's important to specify the home you purchase is owned by your child.

- Buying for a minor: It is possible to purchase a home for a minor (under 18 years of age). You become their legal representative and are responsible for the management of the property.

- Using a trust: Using a trust to buy a property means you will be the trustee of the trust and when the time is deemed right you can pass control of the trust to your chosen family member.

Creating a personal succession plan

Creating a personal succession plan ensures the right assets will be distributed to the right people while you're still alive. Having a personal succession plan also ensures your loved ones have access to funds which help ensure their financial prosperity for years to come.

The main benefits of a personal succession plan include:

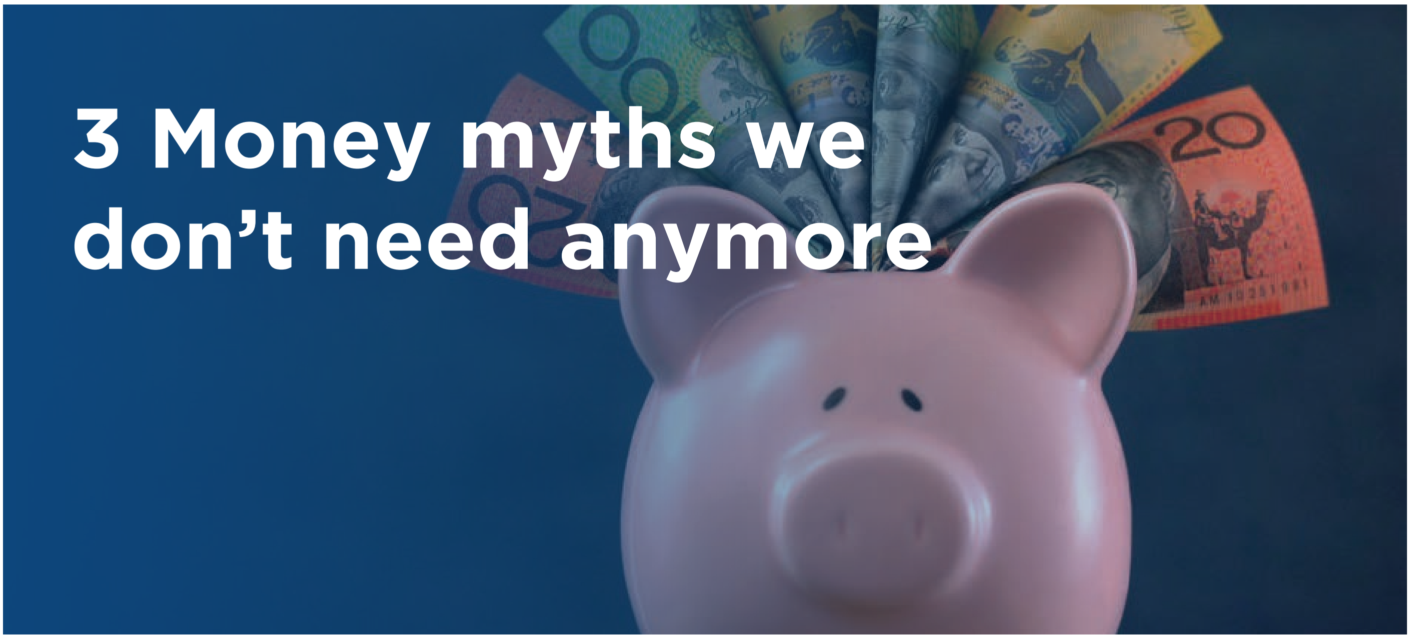
- Make sure the right assets go to the right people and at the right time

- Allows your loved ones to inherit money while minimising the amount of tax they have to pay.

Gifting shares is another way to ensure your family is looked after financially. According to the Australian Tax Office (ATO), when gifting shares you need to factor in Capital Gains Tax (CGT) and any gains or losses need to be factored into your tax return lodgement. The ATO also recommends you "treat the shares as if you disposed of them at their market value on the day you gave this gift". Beyond shares, other items you can give as gifts during your lifetime include art, furniture and antiques.

When it comes to passing assets on to your heirs to set them up for success, there is no one-size-fits-all solution. For more information and tips on how to set yourself up for financial success, book a free consultation with Fiducian Financial Services.

3 Money myths we don't need anymore



There's no denying our first financial lessons come from our immediate family or the people closest to us. However, the money lessons being instilled in us are rarely sound financial advice which will work in our favour.

Here are some ways to turn unhealthy money mindsets into smart financial decisions.

Myth 1 - Save your way to retirement

How many times have you been told the only way to make money is putting it in your bank account?

The truth is, nobody ever got rich by saving money with a traditional bank.

Investing on the other hand, is a way for your hard earned money to work even harder to help you meet your financial goals.

Long-term investing looks at investments for ten years and beyond. The benefit of long-term investments is you can ride out any downturns in the market and give your investments more time to go up in value.

For those with an appetite for risk, short-term investments are an option to bolster your wealth. Investing in short-term, high return assets will allow you to collect immediate returns.

- Know how your super is being invested: understanding how and where your super is being invested is critical as this is one of the biggest investments you'll have
- Consider voluntary contributions: remember, the idea of super is for you to access it later on in life, so adding to your contributions can help boost your balance

- Make the most of the tax benefits: there are a bevy of tax benefits available inside Australia's super system. This includes tax deductible contributions, co-contributions from the government, and spouse contributions. So make sure you're across any tax benefits to boost your wealth.

Myth 2 - You need to be a millionaire to invest in property

Many 'ordinary' Australians believe property investment is something 'people with a lot of money' do - not realising how accessible - and profitable - this kind of investing can be.

With interest rates at a historic low (yes, even with the recent increases!), 'good debt' is easy to get and providing you have equity in your home, a stash of cash or a share portfolio, getting a foot in the property investment door isn't as hard as you might think.

Over the long-term, the value of well-located residential real estate may increase, however, like any investment, property too runs in cycles of high to low.

It's also important to note property investment is not a get-rich-quick scheme, it can take up to 30 years to develop financial freedom through property investment/s.

Myth 3 - Get a good job and work hard

There's a set system which was drilled into generations of Australians: work hard at school, do well at university, get a good job at a good company, and you'll be financially secure for the rest of your life.

Newsflash: this is no longer true.

We're in a new world of work. People today will have on average, 10 jobs in their lifetime with at least one - if not more - complete career changes. And their work will be a mix of full-time, part-time, and freelance/contract, with the occasional side hustle.

Gen Z (born in late 1990s to 2000s) are stepping away from the typical success formula and working for themselves. Countless millennials are going the side hustle route and turning their dreams into full-blown multi-million dollar businesses.

Remember, each individual will need to carve out their own unique path to wealth; one which fits in with their goals and takes advantage of all the ways financial gain can be made in today's tech driven world.

Educating yourself and becoming financially literate is one of the best investments you can make. Finding a trusted mentor or advisor who has a deep understanding of how to leverage your particular situation is invaluable as you build and execute your wealth strategy.

Speak to a Fiducian financial planner to find out what you can do today, book a free consultation.

Protecting generational wealth

When planning to pass your assets onto your descendants, there are many things to consider. One of the most common questions people ask is:
How do we protect our wealth so it ends up where we want it to go?

Before we delve into how to protect your wealth, we first need to look at what the common risks are so you understand what you are protecting your assets against.

There are three main risks:

1. **Greed**
   People's perception of wealth, entitlement, and who 'deserves' what, is as varied as snowflakes - so leaving the distribution of assets 'up to the discretion' of an individual or group of individuals can look like an uncomplicated, economical and 'nice' way to pass on your wealth. However, this can go very wrong very quickly and result in the loss of the majority of the assets to legal fees, and taxes. The very opposite of what the initial asset holders intended.

2. **Tax**
   Understanding how assets are taxed when they are passed from one entity to another is complex and ever-changing. While people might think they are doing the right thing now, they are often unaware of the future implications of how they are structuring their assets and what will happen when they are transferred to a beneficiary.

3. **Bankruptcy**
   A Bankruptcy will jeopardise your assets if they are not properly protected against creditors. Bankruptcy is less of a risk for an asset holder who has small or no business holdings, doesn't have significant debt, or is not inclined to engage in high-risk investments.

- so understanding what your personal risk-profile is will help you make the right decisions about your succession planning and structure.

Depending on what your specific financial situation is, you will need to protect your assets in different ways against each of the risks.

In practical terms, there are essentially two ways you can secure your assets for future generations.

Superannuation

The first is to put assets into a superannuation fund which means you get the benefit of the fund while you are alive and then it is dissolved and passed onto your beneficiaries when you die.

Superannuation is considered a stand alone entity and as such will not be affected by a bankruptcy, whereas all other assets - shares, cash, and property - are vulnerable and may be liquidated to pay creditors in the event of you being declared bankrupt.

Superannuation is considered to be ‘outside’ of a will and subject to superannuation death benefit rules - which simply means you are able to nominate specific people (as outlined in the SIS Act) who will get the assets from the superfund. If there is no entity nominated, the fund is then included in the deceased estate’s will - and therefore potentially at risk of being challenged.

Trusts

The second is to put your assets into a trust (most often a discretionary family trust) and define the terms and entities the assets will be given to. Trusts do offer some degree of protection, however, it is essential you get advice from your tax agent, a wills and trusts lawyer, and a financial advisor. Depending on your specific circumstances, there are many things you can do to increase protection, decrease risk, and minimise tax.

Paradoxically, the less assets you have the simpler it is to protect them. Once your assets exceed the standard share portfolio in a superfund and the family home, and you move into independent investment portfolios, business holdings, property portfolios and art collections, things start to get more complex. In these situations, it is even more essential to have your trusted trio of specialists - tax agent, legal counsel and financial advisor - as you will be undertaking a balancing act between security, tax minimisation and ensuring your wishes are carried out as you want them to be.

Fiducian’s financial planners have decades of experience helping people navigate their succession planning and ensuring they make the best decisions possible. Contact us today for a free consultation and see how you can protect your wealth.

Economic Overview

Global Economy

The global economy has been heavily buffeted this year by inflationary pressures that have been steadily slowing growth. Last year, according to the International Monetary Fund (IMF), the world economy grew by 6.0%, as it rebounded from the previous year's pandemic-induced recession, the most severe since the Second World War and which saw the global economy contract by 3.0%. In its latest report (October 2022), the IMF is forecasting real (inflation adjusted) global growth to be 3.2% this year and then only 2.7% in 2023, with 'the balance of risks firmly tilted to the downside'. The advanced economies as a group are forecast to grow by 2.4% this year and then only 1.1% next year, with US growth expected to be 1.6% in 2022 and only 1.0% in 2023. Growth in the Euro zone (3.1% this year and only 0.5% in 2023) and in Japan (1.7% and 1.6%) is also expected to be less than robust. Most of the developing world is also facing stresses, with China forecast to expand by only 3.2% this year and 4.4% in 2023, although India is expected to grow more rapidly, with growth rates forecast to be 6.8% and 6.1% over this period.

This general forecast of weak but still positive global growth is predicated on economies being able to overcome what the IMF terms 'steep challenges', these being 'the lingering effects of three powerful forces: the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflation pressures, and the slowdown in China'. The IMF also notes that 'more than a third of the global economy will contract this year or next, while the three largest economies – the United States, the European Union and China – will continue to stall. In short, the worst is yet to come'.

This slowdown is being hastened by a rapid tightening of monetary policy, including hefty interest rate increases that the IMF argues 'will work their way through the economy, weighing demand down and helping to gradually subjugate inflation'.

Investor Opportunities

It is important to keep market declines in perspective as global share markets have until recently enjoyed a long bull run. Over the full 2021 calendar year, major market rises included 27% for the broad US market, 21% for the Nasdaq, 14% for the UK, 16% for Germany, 29% for France, 5% for Japan, 5% for China, 22% for India and 13% for the Australian market. Furthermore, these strong rises followed a very strong bull market through 2019 and 2020 in most cases. As such, by the start of this year some markets had been looking quite fully valued.

This year has seen significant declines for many of the major markets but this means that many stock markets are now more attractively priced than previously and appear better value than other investments, such as bonds or cash. Looking ahead, this recent market correction, although mostly the result of tragic circumstances, could offer an opportunity for investors focused on longer-term returns to access markets that may have already 'priced in' much of the negative news.

Stay invested

Our advice to investors is to stay well diversified across asset sectors such as through our diversified funds, which comprise the Fiducian Capital Stable, Balanced, Growth and Ultra Growth Funds. Certainly, now is not a time to panic, to sell out in haste and to potentially realise capital losses in some cases. We believe that it is better to stay invested and ride through the current period of market correction, after which share markets could potentially resume an upwards trajectory in time. We also strongly advise against trying to pick the bottom of this market.

Welcome to our new Financial Planners

Deborah Smith	Fiducian Financial Services Sydney CBD
Lauren Shen	Fiducian Financial Services Ultimo
Matthew Roach	Fiducian Financial Services Sydney CBD
Satinder Kaur	Fiducian Financial Services South Perth

A time for family and friends and to wish you Merry Christmas and a Happy New Year

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