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## A worthwhile investment

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Beau Pearson

**WITH personal debts among young people at record levels and the housing market increasingly difficult to get a foothold in, the ability to effectively manage your finances is becoming critical.**

The decisions you make when you start your career can mean the difference between financial security and the economic equivalent of chasing your tail.

That's why an increasing number of people under the age of 30 have made the decision to consult a financial planner.

Majella Wealth Advisor's Lisa Faddy said that while young people needed to weigh up the fees charged by a professional with what their goals are, the ability of a financial advisor to tailor a plan specifically suited to their client can make a difference.

"What a planner should be able to do is give you a strategy and a structure that is appropriate for you as an individual," she said.

"People try and do it themselves, but it is a complex area and different funds will suit different people for certain reasons.

"I do think it's harder to do without a planner."

Faddy has certainly seen an increase in the number of young people that have sought financial advice from Majella.

"We have a number of clients in their 20s who have come to us and told us that they're earning good money but they're spending it all," she said.

After setting up a regular savings plan, along with some extra gearing for investments, Faddy said her clients soon reaped the benefits of professional advice.

"Some of our clients, after a year or two, had more than enough for a deposit for a house," she said.

Faddy said that people in their 20s are in the best position to be able to save.

"If people can set up the discipline and set up something regular, it's definitely the best time to do it," she said.

"Once you have children it starts getting a great deal harder."

For those of you not willing to part with your hard-earned for a financial planner just yet, Faddy does offer some tips when establishing a savings plan.

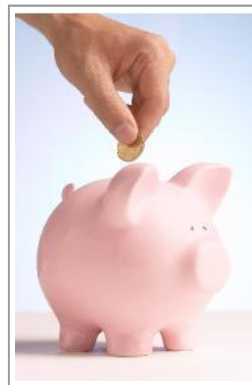
"However much you earn, you should put a percentage of that aside," she said.

"Whether you're earning \$100 a week or however many thousand dollars a week you should take, say, 10 percent of that and put it aside.

"It's all about starting to learn the discipline in order to save money."

Some of the interest rates offered by online savings accounts could also help boost your savings.

"Because the interest rates are quite high, online savings accounts are actually a pretty good option for a lot of people," she said.



"Rates are around 6.5 to 7 percent, so as long as it's with a reputable bank it's quite an attractive option."

For anyone who already finds themselves in financial difficulty, developing a plan to clear their debts is vital.

"If you've already got yourself into trouble then you'll need to start doing some serious saving and really sit down and set out a budget," Faddy said.

"Work out how much discretionary spending you have, for going out, or going to the pub and generally enjoying yourself, but make sure you set a limit."

Paying credit debts on time, before the high interest rates kick in, is also crucial.

"If you can't pay your credit cards on time then you should cancel them until you are in a position where you can afford to pay them straight away," she said.

The amount you spend on a car should also be kept in check, according to Faddy, especially due to their depreciating nature.

"You should get a car well within your means," she said.

"Cars are something I don't think people should spend too much money on."

So you've got your debts cleared and you're starting to think about buying a house, but with skyrocketing house prices and fluctuating interest rates, having a solid deposit is essential.

"If people can save a 20 percent deposit it works out better for them," Faddy said.

Not only does this take a significant chunk out of the amount you need to borrow, but it also means that you don't need mortgage insurance.

Faddy is especially wary of 100% home loans.

"I think you need to have worked out the discipline of saving beforehand, otherwise you can get into trouble by not being able to make the repayments," she said.

"If you're used to saving regularly then you're less likely to struggle."

Faddy said the decision to seek professional financial advice is one that depends on individual circumstances, but the services offered by a financial planner definitely help.

"What a planner should be offering is an overall strategy, they should be able to manage more effectively how they structure your investments," she said.

"For instance, whether you have borrowed money, what money you put through your home loan, and have you got appropriate income protection if something went wrong.

"They look at what's appropriate for you, not just a one size fits all solution."



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