Stratagem
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Teach your Gen Y about money

If you have a Gen Y in your family, you may have noticed that their attitude to money is different to yours.

Generation Y in their mid-20s to early-mid 30s, also known as Millennials, have had unprecedented access to information, technology, travel and mobility – giving rise to their different attitudes to work and money.

They have experienced an environment of economic volatility, effecting their employment and earning capacity, and live in the family home longer. Research suggests a range of trends in how Gen Y thinks about money. Here are some topics to engage your Gen Y family-member to improve their financial management skills:

Create rules around the Bank of Mum & Dad

Whether borrowing, paying rent or contributing to household expenses, ensure your Gen Y is accountable for their use of the 'Bank of Mum & Dad'. Pulling their weight and paying their share of household expenses creates broader awareness around the practicalities of running a household and the cost of living independently.

Involve them in a long-term savings goal

Studies indicate that Gen Y do show consistent savings habits on a month-by-month basis, however this does not necessarily equate to implementing long-term savings habits. Whether it's an apartment or buying dad's old car, help them create a tangible long-term savings strategy.

Engaging with superannuation

Gen Y are likely to be disengaged with their super, often having several super accounts due to multiple short term jobs. Talk to your Gen Y about managing their super, for example by selecting an investment option most appropriate for their life stage and risk preference, or consolidating multiple super accounts to reduce fees. This helps prepare them for making ongoing informed judgements and decisions about their superannuation.

Discuss debt

Gen Y is recorded as having more debt at an earlier age than any other generation. Possibly due to student loans, this trend is also resulting in longer debt repayment periods. If your Gen Y has a loan or credit card, make sure they're aware of their total principal and interest payments and help them create a practical repayment schedule. This may be part of a larger debt management plan.

Help them put a budget plan in place

While Gen Y is capable of creating a budget, few actually do it. From writing up a basic Excel budget at home to visiting a financial adviser for options on future financial savings and goals, encourage them to put numbers down on paper as tracking finances is a highly valuable habit to establish.

Encourage the entrepreneur

Statistics show that with a strong tendency towards entrepreneurship, this age-group comprise a large section of new company registrations. If your Gen Y has a small business idea, you can guide them in turning this idea into a tangible outcome by providing personal, financial and administrative insight from your own experiences. Running a business is a worthwhile way to understand how to be money wise.

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Investment, super or mortgage?

If you've received a bonus, a pay rise or have surplus cash to invest then you may want to think twice about leaving this money in the bank as current low-interest rates are not likely to provide much of a return on your investment.

But what else should you do with the money? Some of the more common alternative strategies may include:

- Investing in your own name
- Using the money to reduce a personal mortgage
- Topping up superannuation

Factors such as your timeframe until retirement, your tax-bracket and whether you'll need to access the money in the future will all impact on which savings strategy is most suitable for you. There are a number of general advantages and disadvantages to these strategies that you may wish to consider before making a decision:

Advantages of reducing a home loan:

- Peace of mind in knowing that the home loan balance is reducing and progress is being made towards becoming debt-free.
- Reducing debt frees up cash flow which you can use to implement other investment and savings strategies.
- Repaying non-tax deductible debt as quickly as possible helps to reduce the overall interest expense on the loan.
- As the value of the home increases so too will the equity available in the home, which could be used for future investments, borrowings or to renovate or purchase other assets such as an investment property.
- The family home is a capital gains tax free investment.

Disadvantages of reducing a home loan:

- Home loan repayments are made from after-tax dollars. For example, if your marginal tax rate is 32.5% this means that for every $100 earned, you have just $67.50 to repay on your home loan*.
- Potential for opportunity cost when returns from investments or superannuation are higher than the interest you are paying on your mortgage.
- Not all home loans have a redraw facility which means that you may not be able to redraw money, should you need to access it in the future.
- Some home lending providers do not allow for additional repayments or early repayment of a home loan without penalty.

** Tax rate doesn't take into consideration Medicare levy, offsets or rebates.*

Advantages of investing:

- Ability to diversify savings by investing in a range of asset classes such as cash, fixed interest, shares and property.
- Option to access the funds if required by making a withdrawal from the investment when needed subject to exit costs, fees and capital gains tax.

Disadvantages of investing in your own name:

- Investment must be made from after-tax dollars.
- Returns from any investments owned in a personal name will be subject to tax at marginal tax rates.
- Tax may apply to any capital gain made on the investment. No discount will be available if the assets are bought and sold within a 12 month period.

Advantages of investing in super:

- Superannuation is a tax-effective environment. Earnings are taxed at a maximum of 15%.
- If you're self-employed, you may be able to claim a tax-deduction for contributions of up to $30,000 if you are under age 50 or $35,000 if over.
- Boosting super will increase the capital you may have available in retirement.
- Salary sacrificing to superannuation allows you to use pre-tax income to make a contribution. This is a tax-effective way to build your future savings. Contributions are taxed at 15% which may be less than your marginal tax-rate.
- If you use your after tax income to make a contribution to super then no contributions tax is payable.
- If you earn $49,487 or less and make after tax contributions to superannuation, you may be entitled to the Government's Co-Contribution scheme.

Disadvantages of investing in superannuation:

- Superannuation is a long-term investment and money invested is generally not accessible until you reach your preservation age and have retired from the workforce.
- The performance of the superannuation fund will depend on the investment option/strategy selected for the fund. If the fund has a large exposure to growth assets such as shares or property, then the investment returns may fluctuate in line with market movements.

Selecting the best option will depend on your personal situation and individual goals and objectives. There is no 'one size fits all' approach to decide whether to direct spare cash to invest, reduce a mortgage or to top up super. As these strategies can be complex in nature and everybody's situation and goals are different, it pays to seek advice. And remember that it doesn't have to be one or the other, often a combination of strategies can also work well.

New Intralink home loan finance partnership

"One in three home-loan customers could be costing themselves thousands of dollars by failing to ensure they are getting a competitive rate" according to a recent Galaxy research report.

Intralink believes it is a good idea to have an annual check of any financial product you own. And right now, with interest rates at historic lows and aggressive competition between lenders, a home loan health check makes perfect sense. We understand that often it's easier to stay with your current provider due to the effort of finding, negotiating an implementing a better deal.

As a result, Intralink is excited to announce we have partnered with a specialist debt referral business to provide you and your family mortgage solution options, sourced from a panel of over 30 different lenders. This extension of our financial services enables you access to Matthew Gatt, our dedicated lending manager. He will provide you a hassle free, in depth complimentary review of your current home loan to see what you could save. And then assistance to easily manage the switching process to capitalise on a better deal, if this is the case.

Please let your advisor know if you wish to have a review. For the sake of five minutes of providing some basic details of your current home loan arrangements you could save thousands of dollars each year.

How will the Budget super announcements impact you?

To date there has been plenty of discussion about the recent significant super changes. And there is still some uncertainty about what will actually be legislated. If you have questions about the below changes be sure to consult your Intralink Advisor, who can assist in navigating the best way forward for you!

New Rule	Effective Date	Intralink Commentary
Deductible Limit Cut to $25,000	1 July 2017	While many of the other changes are not completely unreasonable, this is bad policy. It just does not allow people to build their super to decent levels. We should be encouraging more people to save rather than saying this does not affect most people, because they do not save for retirement.
Transition to Retirement Pensions receive no tax benefit	1 July 2017	The asset backing these pensions will be taxed in the same way as accumulation, rather than tax free pensions. Unless funds are required, they provide no benefit. It is important to determine if you are able to run Account Based Pensions instead.
$1,600,000 maximum in pension phase	1 July 2017	$1,600,000 per member will be the most anyone can have in pension phase. The rest will need to be moved back to accumulation. Tax free withdrawals remain post 60. This was a way to effectively apply some tax to pensions without breaking the promise of not taxing pensions e.g. $1,600,000 x 5% = $80,000 which is about the level of tax free income you could have per member in the fund.
$500,000 After Tax Contributions Limit	Applies now and to contributions since 1 July 2007	This may be a problem for a lot of people who were looking to build up their super with after tax contributions. There are arguments about whether this is retrospective or not, but that is really semantics as they did not ask people to pull out money above these levels if they were exceeded pre Budget night.
Contributions for people 65-75 even if they do not meet the work test and goodbye to the 10% test	1 July 2017	This just gives you longer to contribute without meeting the work test if required. Handy if you have other taxable income outside super.

Protect yourself against identity theft

With the rise in use of social media, online banking, email and apps, the risk of identity theft in Australia is on the increase. The Australian Bureau of Statistics reported that last year 770,000 people were a victim of identity crime costing a staggering $1.6 billion dollars.

Identity theft happens when your personal information such as name, address, date of birth or mother's maiden name are stolen and then used to commit theft. To reduce the risk of becoming a victim it is important that you protect your personal and financial information.

Your personal information can be accessed in many ways including:

- Theft of personal information from home, car or wallet
- Theft of financial statements and mail from letterbox
- Obtaining personal information from paperwork that has been thrown in the rubbish
- Accessing personal information via your social media profiles and accounts
- Obtaining information from you via the internet or email, often referred to as "phishing". These emails often come posing as the ATO, your bank or a brand you trust or do business with.

With your personal information an identity thief could:

- Withdraw money from your bank accounts by internet or over the phone
- Open new bank accounts or apply for credit in your name
- Apply for a drivers licence or passport
- Establish home phone or mobile phone contracts or accounts
- Apply for Government payments or allowances
- Damage your credit rating
- Access your superannuation benefits
- Commit crimes under your name
- File for bankruptcy under your name.

Oversharing of personal information and not taking enough precautions is risky. The consequences of identity theft can be costly, stressful and time consuming to rectify. Increasing your awareness and using safe practices is the best way to protect yourself.

Here are our top ten tips:

1) Reduce the risk of postal fraud by securing your letterbox or having mail delivered to a PO Box.
2) When on holidays arrange to have your mail collected by a trusted friend or held at the post office.
3) If moving arrange to forward all mail to your new address and advise your bank, credit card, superannuation, insurance and utility companies of your new address.
4) Do not share passwords or personal identification information online or via social media, such as birth date, mother's maiden name or phone number. If you do share some of this information via social media check account privacy and security settings to limit access of this information to the public.
5) Do not throw away paperwork containing personal information or account details, including bank and credit card statements, phone and utility bills. Consider investing in a shredder for peace of mind.
6) Check monthly bank & credit card statement transactions. Investigate any suspicious activity, such as small payments to unknown companies or people.
7) Regularly check your credit file. You are entitled to obtain a free copy of your report each year. You can also register for credit alert services, which can notify you if your credit file changes.
8) Only make online payments or share personal information online if you are using a secure website. A secure website will have a URL which begins with Https:// - note the additional 's' for secure. And be careful doing transactional activities on your mobile phone in public.
9) Install anti-virus and protection software on computers and mobile devices and keep it updated to be safe from hackers, scammers and viruses. Use password protection, auto-lock functions and update passwords regularly.
10) With emails never open any attachments or forward emails from unusual and unreliable sources, or open files from people you do not know personally.

Taking a conscious and deliberate approach to how you share, store and dispose of personal information and being careful with who you share information is the key to safe-guarding yourself against identity theft.

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