

10 Steps To Create More Wealth Report

*Discover opportunities on how
you can create more wealth
using 10 simple steps*



**By Andrew Newman
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Founder of CMP Financial Planning
Wealth Creation Specialist**

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Important information

Disclaimer

This publication provides an overview or summary only and it should not be considered a comprehensive statement on any matter or relied upon as such. While the information contained in this publication is based on information obtained from sources believed to be reliable, it may not have been independently verified. To the maximum extent permitted by law: no guarantee, representation or warranty is given that any information or advice in this publication is complete, accurate, up to date or fit for any purpose; and I am not liable to you (including for negligence) in respect of any reliance upon such information or advice. The information in this publication does not take into account your objectives, financial situation or needs and so you should consider its appropriateness having regard to these factors before acting on it. With regard to the case studies and financial projections, past performance is no guarantee of future performance.

References

Some of the information for Step 1 has been sourced from the “Understanding Money” website at: www.understandingmoney.gov.au

Some of the information for Step 2 through to Step 10 has been sourced from Securitor Financial Group Ltd.

The information for the Case Studies in Step 9 has been sourced from the publication “The Claims Collection - Six true tales of sound financial planning” by ING Life Limited.

About Andrew Newman

Let me tell you about my background and how I am qualified to discuss wealth creation.

After completing a Bachelor of Engineering (Honours) in Electrical Engineering at RMIT in 1991, and being young and entrepreneurial, I established a small niche electrical business with a friend. However, after several years of successfully operating the business, we both lost the passion for the business and decided to sell up in 1997.

While holidaying on the Greek islands in 1998, I discovered a new passion – investing. Upon returning to Australia, I established a business investing my own money. However, after several years of investing my own money, I again felt something was missing.

I then discovered my true passion - financial planning. Financial planning not only includes investing but many other areas of finance such as budgeting, insurance, managing debt, managing tax and superannuation. However, the big attraction of financial planning was helping other people achieve a balanced lifestyle and improving their financial situation.

I completed a Diploma of Financial Services (Financial Planning) in 2004 and then secured employment. After working for 4 years in the financial planning industry at various firms including a boutique financial planning firm, a stock broking firm and 2 chartered accounting firms, I had gained extensive experience working in different financial planning firms.

I was ready to take the best ideas I learnt and establish my own financial planning business CMP Financial Planning in August 2007.

I am in the final stages of completing an Advanced Diploma of Financial Services (Financial Planning) and I am also an Associate Financial Planner (AFP) practitioner member of the Financial Planning Association of Australia Limited.

I am an Authorised Representative of Securitor Financial Group Ltd (Securitor). CMP Financial Planning Pty Ltd is a Corporate Authorised Representative of Securitor. Securitor ABN 48 009 189 495 AFSL 240687 is owned by the Westpac Banking Corporation.

Step 1 – Establishing a budget

A budget helps you understand where your money goes so you can take control

Do you have trouble budgeting? You're not alone!

Budgeting is a little like keeping to a strict diet or a healthy exercise program. We know we should do it, but we can always find a reason why we don't.

Budgeting helps you understand where your money goes so you can take control. A budget can also help you decide what you want and how to achieve it.

Case Study – Con

If Con works for another 25 years and his current weekly salary is \$900, Con can potentially earn over \$3 million (or \$1.8 million in today's dollars) as shown below.

Your most important asset is your ability to earn an income

Total Salary During Balance Of Working Life (in Today's Dollars)							
Balance Of Working Years	Starting Weekly Salary						
	\$600	\$700	\$800	\$900	\$1,000	\$1,100	\$1,200
5	\$157,584	\$183,848	\$210,112	\$236,376	\$262,640	\$288,904	\$315,168
10	\$339,530	\$396,118	\$452,707	\$509,295	\$565,883	\$622,472	\$679,060
15	\$561,995	\$655,661	\$749,327	\$842,993	\$936,659	\$1,030,324	\$1,123,990
20	\$844,441	\$985,182	\$1,125,922	\$1,266,662	\$1,407,402	\$1,548,142	\$1,688,883
25	\$1,211,948	\$1,413,940	\$1,615,931	\$1,817,922	\$2,019,914	\$2,221,905	\$2,423,896
30	\$1,697,927	\$1,980,915	\$2,263,903	\$2,546,891	\$2,829,878	\$3,112,866	\$3,395,854
35	\$2,347,634	\$2,738,907	\$3,130,179	\$3,521,451	\$3,912,724	\$4,303,996	\$4,695,268
40	\$3,222,911	\$3,760,062	\$4,297,214	\$4,834,366	\$5,371,518	\$5,908,670	\$6,445,821
45	\$4,408,686	\$5,143,467	\$5,878,248	\$6,613,029	\$7,347,811	\$8,082,592	\$8,817,373

Assuming salary increases at 7.5% per annum and inflation at 3% per annum

However, we'll only manage to save a fraction of this for ourselves. Where does it all go?


A large proportion is spent on non-essential items such as jewellery and designer clothes. These purchases add up, making it very difficult for us to reach our long term savings goals.

Most of us spend our money first and then see if there's anything left over to be saved. There usually isn't. This approach should be reversed: begin by putting away a given amount and then paying off essentials such as rent and food. The remainder can then be spent guilt-free.

Want to start a budget plan?

You can use the budget planner that follows to prepare and maintain your own budget. This budget planner is from the "Understanding Money" government website. The items used are just suggestions. Feel free to change them or add new ones if you need to. There are no hard and fast rules. Remember it's your budget so you need to make it easy for you to use.

If you would like a copy of this budget planner in Microsoft Excel format, contact me by email and I will provide you with a copy. Once you receive the budget planner, save it to your computer and enter your income and expenses.


Understanding money pays off

Budget planner

How to use: choose a time period (e.g. fortnightly or monthly). Type in your regular income and expenses. Remember to use the same time period for income and expenses.

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You can use the following 6 steps to prepare and maintain your budget planner:

1. **Pick a timeframe:** Do you need to use your budget planner as a weekly guide, a fortnightly guide or a monthly guide? You might like to match your budget planner to your pay period. This can help you make sure day to day expenses and bills are covered. Another option is to do a quarterly or annual budget planner. This can help if you want to save for large irregular bills or annual plans like holidays. Once you've decided on a time frame make sure all the numbers you write down match it.
2. **Estimate your income:** Include regular income such as salary and bank interest, using after-tax figures if you can. If your work is irregular and you don't get the same amount each pay day, try to estimate an amount close to what you are likely to get on average. Don't include irregular income like a tax refund or an annual bonus as you may not get it.
3. **Estimate your expenses:** The budget planner includes sample expenses and some blank spaces in case you need to add any other expenses. Include any savings you want to set aside. Payments into savings should count as expenses in your budget planner to make sure you don't spend the money on anything else.
4. **Net result:** When you've estimated your income and expenses, you can clearly see how much regular income you receive and where your money goes. Your total expenses are subtracted from your total income to give you your net result.
5. **Fine tune and plan:** Is the net result what you were expecting? You may need to review your income and expenses estimates. Have you correctly converted income and expenses to the time frame you are using? Does your budget planner show you are spending more than you earn? If you want to stick to your budget you may need to look at your expenses. If you need to trim your expenses, look at reducing your non-essential items first. Don't cut them all out. If your budget is too tight, it will be harder to stick to. If you worry that an unexpected bill will derail your budget, the best way to prevent this is to plan for it. Try to save enough to give yourself a small buffer you can use for emergencies. If you do blow your budget in one period, see if you can make a temporary adjustment in the next period to bring things back on track.

6. **Keep it up-to-date:** Keep track of your income and expenses, and adjust your budget planner if you need to. It's a good idea to complete an annual review of your budget planner and your plans.

Here is an interesting statistic...

People who received financial advice saved \$2,457 more each year than those who had not received financial advice, according to a recent KPMG Econtech research report.

Based on this, people receiving financial advice could potentially be \$49,140 better off over a 20 year period. If these funds were invested the result would be even better.

Case Study – Sally

Sally recently received a copy of the budget planner, which she saved to her computer. She typed in her income and expenses, changed some items and also added some new ones.

The budget planner gave Sally a clear picture of where her money was going and where she could make changes. Sally was not saving – whatever came in, went straight out again!

Sally organised a proportion of her monthly salary or \$400 per month to be automatically debited to a high interest online savings account. Using this as starting point, Sally then needed to reduce her expenses by \$400 per month. To ensure Sally's essential expenses such as rent and food could be met, she reviewed which of her non-essential items could be either reduced or eliminated.

Sally made the following changes to reduce her total expenses by \$400 per month:

- Take lunch to work 4 days per week saving \$160 per month.
- Buy more generic brands from the supermarket saving \$80 per month.
- Cancel the pay TV channels she didn't watch saving \$20 per month.
- Reduce impulse buying such as shoes and clothing saving \$90 per month.
- Take a homemade coffee with her when commuting to work saving \$50 per month.

Assuming an annual return of 5% and based on saving \$400 per month, after 20 years of compounding interest, Sally could be \$163,343 (or \$102,089 in today's dollars) better off compared to doing nothing as shown in the chart below.

