Stockbroking | Wealth Management | Corporate Advice

A Guide to Financial Independence

In your 20s

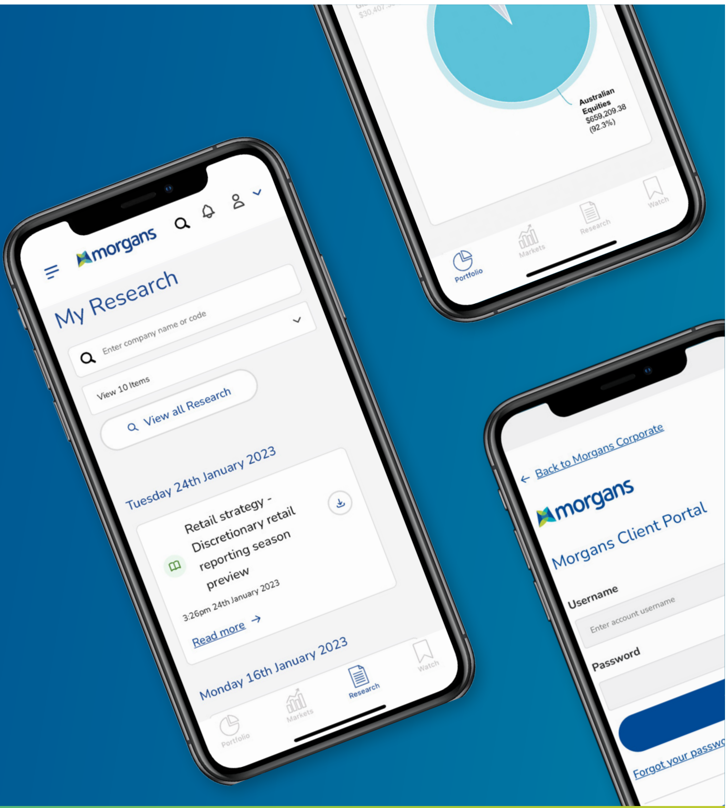
Wherever you are, we're within reach.

The new Morgans client website and mobile app is here.

For access to your adviser, portfolio, research, market information and more, download the app today.

GET IT ON Google Play

Download on the App Store



Awards and recognition

Morgans is proud to have been won the Best Retail Investor Access Award at the ARIA 2023 Best Practice Awards. This follows our previous recognition as the Best Australasian Retail Broker; an award we have won on six occasions.

AIRA
AUSTRALASIAN
INVESTOR RELATIONS
ASSOCIATION

Best Practice Awards

2023 WINNER | BEST RETAIL INVESTOR ACCESS AWARD

Follow us

Stay up-to-date with market news, company research and exclusive interviews.

@MorgansFinancialLimited

@morgansau

@morgans-financial-limited

@morgansAU

@morgans.australia

@morgansfinancial

@Morgans Financial Limited

morgans.com.au

morgans

Twenty something

In your 20s it can be difficult to think about issues affecting your financial future like superannuation and retirement. However, good planning and financial discipline now is important for your financial security; whether it's buying your first car, travelling overseas or saving for a house deposit.

People want different things at different stages of life; their priorities will change.

This booklet provides some practical ideas and strategies to help you prioritise your wealth plan, regardless of your stage of life.

Use the budget planner at the back to start the ball rolling. Our advisers are also ready to help guide you through your financial journey. Contact your Morgans adviser or call your local Morgans office to arrange an appointment.

Budgets

Establishing a budget and sticking to it, is the best way to manage your day-to-day living costs. It helps to ensure you always have funds available to meet your regular expenses e.g. rent, phone, electricity, groceries, fuel, car insurance, registration etc.

Having a good budget in place will also provide your best chance of meeting whatever short term goals you may have. Write down your net (after tax) income and then list your regular outgoing expenses.

This is your basic cashflow system, that is, inflow less outflow equals net cashflow. Doing this will help you determine what surplus cash you may have left over which can be put towards a dedicated savings plan.

Setting up a regular savings plan is a great idea as it encourages you to save your surplus money. Work out how much you can save on a regular basis (each week, fortnight or month) and how long it will take you to reach your specific goal. The money is debited directly from an appointed bank account into a chosen investment strategy so it makes saving that much easier.

Of course, not everyone has surplus funds left over after the bills are paid. In this instance, a budget allows you to review what outgoing expenses you are paying and whether these can be reduced. Consolidating debt, making lunch instead of buying it, shopping around for better insurance rates and credit card interest rates can all help you reduce your expenses. Cutting up your credit cards, or at least reducing your limit, can make a big difference to helping you manage financially.

We caution the use of a Buy-Now Pay-Later (BNPL) service as it could lead to significant debt issues for the unwary. Always be mindful of what you buy and always make sure you repay within the allocated time.

morgans

To help you get started with your budget, we have included a Budget Planner at the back of this guide... and the best time to start is now.

Regular savings plans

A regular savings plan is an arrangement you generally make with a fund manager to invest an initial lump sum followed by regular investment instalments; the most common instalment period being monthly.

Minimum monthly investments usually start at $100. You can nominate your own amount above this according to what you can afford to save. The regular payments can be deducted from a nominated bank account. This monthly payment is then invested on your behalf by the fund manager in the same manner as the initial investment.

Regular savings plans enable you to invest any surplus income you may have while still allowing you access to funds if required. It is a great way to save or invest for a short-term goal such as an overseas holiday, a car, or a deposit on your first home.

It also helps to reduce investment costs if you are building your wealth through ‘dollar cost averaging’. This means buying continuously over time so the cost of your investment is the ‘average’ of the prices you’ve paid.

Your regular investment purchases less units when prices are high and more units when prices are low. This means your money buys more which is the key to dollar cost averaging.

Debt management

If you have a credit card, as most young people do now, you need to be able to effectively manage the debt on these cards. It is so easy to get into financial trouble using credit cards.

Choose the appropriate credit card limit for your income. Students and low income earners who do not pay off the card each month should choose a budget card with low interest rates. Interest rates can vary from 7% to 24%, so shop around for a budget card.

Meeting your minimum monthly payment, or better still, clearing the balance can avoid higher interest rates and excess penalty fees. Meeting the minimum monthly repayment won’t clear your debt so try to repay as much as you can over the minimum limit to reduce the outstanding balance.

Don’t accept offers from the credit card providers to increase your credit limit. This is the next step to financial disaster. Stick to a limit you can manage. Remember, you have a legal responsibility to repay your debt so it is important you maintain control of your situation.

Finally, never use your credit card for investment purposes. If you want to start investing there are far more appropriate investment loans, where the interest is not only lower but also tax deductible.

Buy-Now Pay-Later (BNPL) services

This type of service, as its name suggests, means you can buy a product now and worry about the payment later. While this may seem like a convenient way to shop, it is fraught with danger if you cannot afford the repayments when due.

On the website, moneysmart.gov.au, you can refer to ASIC research which found that in order to meet repayments on time, one in five consumers:

- missed or were late paying other bills or loans
- cut back on or went without essentials such as meals.

Fees can also be a hidden surprise. Go to the moneysmart.gov.au website for tips on how to manage BNPL services.

Top money sites in your 20s

- moneysmart.gov.au
- savingsguide.com.au
- news.com.au/business/money/
- ato.gov.au/superseeker
- moneymanager.com.au

Superannuation

Superannuation is a savings vehicle where the main purpose is to provide funds in retirement. If planned well you can enjoy a comfortable lifestyle throughout retirement without having to rely too heavily on government pensions. Funds are built up via contributions over your working life and you can increase these contributions at any given stage.

Even though retirement may be a long way off, it is still important to understand the role superannuation will play in your future financial security. For now consider the following relevant contribution strategies.

Superannuation guarantee (SG) contributions

For the current financial year, your employer is obliged to make contributions of 11% (FY23/24)of your salary to superannuation on your behalf. These contributions are tax deductible to your employer and are therefore taxable within superannuation.

With the introduction of Choice of Super if you are eligible to participate in this scheme you can request your employer to direct the SG contributions into your nominated superannuation fund rather than the employer's default fund.

Government co-contributions

Applies to personal, after-tax contributions made to your superannuation fund. The government co-contribution payment of up to $500 (depending on how much you contribute) is paid into your superannuation account. This means the government is basically paying you up to a 50% bonus on your personal contribution.

To be eligible you need to be working (either as an employee or self-employed) so that at least 10% of your assessable income is from eligible employment. Visit the tax office website ato.gov.au to find out the current minimum and maximum thresholds for eligibility to the government co-contribution. Or speak to a financial adviser.

Wealth protection

In your 20s, you are young, healthy and enjoying life. Accidents and illness are often the last thing on your mind and the idea of protecting your wealth against these can seem a little over the top. You may not have a mortgage or dependants, but personal loans for credit cards, holidays, cars, even HECS or HELP, are still financial commitments, as is paying rent. How would you cope with these obligations should anything happen to you?

What do you need?

Income protection will provide replacement income if you are unable to work due to illness or injury. It will help you continue to meet your financial commitments and daily living expenses, such as rent, food, bills, and loan repayments.

Life cover provides your beneficiaries with a lump sum that can be used to clear any debt you may have, should your assets not be sufficient to clear it.

There are many great products and features from which to choose due to the competitive nature of the personal insurance market. This means you must think about everything from insurance levels to ownership structures and funding arrangements. Advice in these areas is paramount and these decisions should not be left to chance. It is important you speak with a financial adviser first.

Where to from here?

- **Set and implement a budget**
  Use the planner at the back of this brochure as a guide
- **Review your current debt situation**
  Get professional help if you need it
- **Set up a regular savings plan**
  It's as simple as segregating your bank accounts
- **Talk to a financial adviser about your superannuation and wealth protection needs**

Budget Planner	January	February	March	April	May
Income					
Salary/Wage					
Bonuses					
Investment income					
Interest					
TOTAL INCOME					
Personal expenses					
Credit cards					
Mobile phones					
Personal loans					
Gym/Club memberships					
Clothes and shoes					
Medical					
Food					
Transport					
Housing expenses					
Rent/Board/Mortgage					
Rates/Body corporate					
Telephone/Internet					
House/Contents insurance					
Insurance and wealth protection					
Income protection premiums					
Life insurance premiums					
Trauma/TPD premiums					
Private health insurance					
Education					
Child care fees					
School fees					
Extra-curricular fees					
Coaching/Tutoring					
Books					
HECS/HELP					
Car expenses					
Repayments					
Insurance					
Registration					
Petrol/Oil					
Maintenance/Tyres					
Motoring association fees					
Driver's licence					
Parking					
Other					
Restaurants					
Subscriptions					
Magazines/CDs/Books					
Gifts					
Donations					
Fitness					
Personal loan repayments					
Savings					
Regular savings					
Superannuation contributions					
TOTAL EXPENSES					

June	July	August	September	October	November	December

Stockbroking | Wealth Management | Corporate Advice

Queensland

Brisbane Stockbroking, Corporate Advice, Wealth Management	+61 7 3334 4888
Brisbane Edward Street	+61 7 3121 5677
Brisbane Tynan Partners	+61 7 3152 0600
Brisbane North Quay	+61 7 3245 5466
Bundaberg	+61 7 4153 1050
Cairns	+61 7 4222 0555
Gladstone	+61 7 4972 8000
Gold Coast	+61 7 5581 5777
Kedron	+61 7 3350 9000
Mackay	+61 7 4957 3033
Milton	+61 7 3114 8600
Newstead	+61 7 3151 4151
Noosa	+61 7 5449 9511
Redcliffe	+61 7 3897 3999
Rockhampton	+61 7 4922 5855
Springfield-Ipswich	+61 7 3202 3995
Spring Hill	+61 7 3833 9333
Sunshine Coast	+61 7 5479 2757
Toowoomba Chalk Capital	+61 7 4639 1277
Townsville	+61 7 4725 5787
West End	+61 7 3151 8300

Northern Territory

Darwin	+61 8 8981 9555

New South Wales

Sydney Stockbroking, Corporate Advice, Wealth Management	+61 2 9043 7900
Sydney Margaret Street	+61 2 8215 5000
Sydney Reynolds Securities	+61 2 9373 4452
Sydney Currency House	+61 2 8216 5111
Armidale	+61 2 6770 3300
Ballina	+61 2 6686 4144
Balmain	+61 2 8755 3333
Bowral	+61 2 4851 5555
Chatswood	+61 2 8116 1700
Coffs Harbour	+61 2 6651 5700
Cronulla	+61 2 8215 5079
Gosford	+61 2 4325 0884
Merimbula	+61 2 6495 2869
Mona Vale	+61 2 9998 4200
Neutral Bay	+61 2 8969 7500
Newcastle	+61 2 4926 4044
Orange	+61 2 6361 9166
Port Macquarie	+61 2 6583 1735
Scone	+61 2 6544 3144
Wollongong	+61 2 4227 3022

Australian Capital Territory

Canberra	+61 2 6232 4999

Victoria

Melbourne Stockbroking, Corporate Advice, Wealth Management	+61 3 9947 4111
Brighton	+61 3 9519 3555
Domain	+61 3 9066 3200
Geelong	+61 3 5222 5128
Hawthorn	+61 1300 382 075
South Yarra	+61 3 9006 9955
Southbank	+61 3 9037 9444
Traralgon	+61 3 5176 6055
Warrnambool	+61 3 5559 1500

Western Australia

West Perth Stockbroking, Corporate Advice, Wealth Management	+61 8 6160 8700
Perth	+61 8 6462 1999

South Australia

Adelaide Stockbroking, Corporate Advice, Wealth Management	+61 8 8464 5000
Exchange Place	+61 8 7325 9200
Norwood	+61 8 8461 2800
Unley	+61 8 8155 4300

Tasmania

Hobart	+61 3 6236 9000

1800 777 946
info@morgans.com.au

morgans.com.au