



Starting your journey on the right path

OVERVIEW

Having the right mindset at the start of your career can build positive money habits and lead to effective wealth creation. Having the practical understanding of investment fundamentals provides the clarity to make important financial decisions early in life. This can maximise available cash flow and take advantage of the greatest asset we have - time. This case study illustrates the advantages of having the confidence to start early and provide your future self with greater options.

STARTING POINT

- Emily turned 23 and started her full-time work as a teacher earning \$60,000 per annum. For the first time she is receiving \$900 per week from her salary.
- She lives with her family and has minimal expenses and finds that all the surplus cash flow is being spent on her lifestyle.
- Her new employer has set up a super fund for her, and she recalls that she also has an industry super fund from her casual waitressing job.
- Between the noise from the news, social media and peers, Emily feels pressured but overwhelmed as to what she should be doing with her money.

CLIENT OBJECTIVES

1. Establish a realistic budget.
2. Earn better returns than keeping money in the bank or term deposit but keep the funds safe.
3. Know how the stock market works.
4. Go on annual holidays, with an estimated cost of \$5,000 per trip.
5. Know what super is and consider any options she should be aware of now.



IDENTIFIED RISKS

1. Lack of a clear purpose for building her capital can lead Emily to spend her money now.
2. Erosion of capital's purchasing power if money is kept in cash over long period of time.
3. Emily's lack of experience in share investing discourages Emily from considering to purchase shares.
4. Emily's super will continue to be invested across multiple super funds in default investment options that may not align with her risk appetite.

SFP WORK IMPLEMENTED

- Provided thorough practical education on investment fundamentals across four separate meetings.
- Established a budget that incorporates Emily's current living expenses of \$500 per week.
- Agreed on Emily comfortably setting \$100 a week aside for her annual holiday and \$300 a week aside for long-term investing goal.
- Set up new investment account on a wholesale wrap account platform with reporting which will assist Emily to focus on the right information.
- Invested \$300 per week in a diversified portfolio of Australian and international companies, with high liquidity and low ongoing cost, reinvesting all investment income.
- Consolidated Emily's super into a single account and adjusted her investment portfolio from a default option to a "High Growth" option.



ACHIEVED FINANCIAL OUTCOMES

- Emily stopped spending (wasting) her surplus income (over to \$200,000 in 10 years).
- She was able to save up to \$5,000 each year for overseas travel.
- She has built a capital of \$215,537 in 10 years' time in accessible environment.
- New investment can provide a sustainable income of approximately \$10,000 pa which can be spent or re-invested further.
- Emily's super has accumulated additional \$11,234 in 10 years, due to increased exposure to growth assets.

VALUE CREATED



Provided Emily with confidence to act early in life and maximise her financial situation.



Met Emily's short-term lifestyle goal of regular travel as well as long-term goal of having more financial options in 10 years' time.



Built important saving habits and created fundamental understanding of investing in the share market, including resilience to face the distractions of the financial media noise.



Options to utilise accumulated capital for a house deposit, fund her wedding or use as a life-time source of passive income to fund her holidays.



Knowing her retirement money is building over time and be in the know of what is happening to her employer contributions.



Increased ability to take advantage of compound interest concept over Emily's lifetime.


ASSUMPTIONS



This Case Study is illustrative only and is not an estimate of the investment returns you will receive or fees and costs you will incur. This Case Study is based on the following assumptions:

- 7% total net annual returns on High Growth investment option, 0.6% fees on both super and non-super investments.

GET EXPERT HELP

Speak to one of our financial advisers at Sydney Financial Planning, contact our team to make an appointment to get started.

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advice that stands the test of time