



Enhancing Wealth 2016

April is here and hopefully the beginning of cooler weather after March's Indian summer. On the upside, with official interest rates at 2 per cent the Reserve Bank still has some firepower left if it chooses to cut rates further this year to help stimulate the economy. We hope you enjoy this newsletter and the articles specifically chosen to be relevant to your life stage.

The FM team is always ready to assist you, your family & friends with questions and queries, so please get in touch with your Adviser or refer them to the people they could help.

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THE changing face



OF DIY SUPER

Move over baby boomers, younger Australians are taking to self-managed superannuation funds in ever greater numbers. While the face of DIY super may be changing, the reasons for flying solo remain the same. Flexibility and control are the main drawcards, along with falling set-up costs.

The latest statistics from the Australian Taxation Office show that the number of trustees aged under 55 has grown significantly. Of SMSFs established in 2014, 71 per cent of members were under 55, up from 51 per cent in 2010 and 65 per cent in 2013. And the trend is expected to continue.

At the same time more women than men have set up SMSFs in recent times, particularly in the 35-44 age group. This is at odds with the long-held image that all SMSF trustees are wealthy older men. At June 30 last year, there were 65,771 female members in this age group versus 63,517 men.

Some of this change can be explained by the fact that Gen Y and younger Gen X have had superannuation since they started work, so many have built up a reasonable sum in their super by their mid to late 30s.

As a result, they now want to take advantage of the flexibility and control that an SMSF can offer.

Greater control

Not only can you invest in a wider range of assets in an SMSF, but you have control of when and what you buy or sell.

Another driving force for SMSFs is that when markets perform weakly, many Australians believe they can do better by

themselves and benefit from the lower fees.

Lower fees and the potential to outperform big super funds may prove particularly appealing for women who have forfeited years of superannuation contributions while they raise a family. It's a chance to catch up.

But it is worth remembering that SMSFs can just as easily perform badly in any given year. Just because you have control, it doesn't mean you are guaranteed positive returns.

In fact, some SMSFs may make the mistake of holding too much money in cash and not enough in growth assets like commercial property and international shares. In the current investment climate with the volatile stockmarket this may seem attractive, but cash rates are hardly setting the world on fire.

Cost benefits

The rule of thumb is that you need a balance of at least \$200,000 in your fund to make it cost effective.

While it may cost as little as \$200 to buy an off-the-shelf trust deed, which is the main set-up cost, annual running costs average about \$2500 depending on whether you do your own investing or get advice.

Of course if you know your SMSF balance is going to grow quickly over the next few years, then you may choose to accept higher relative costs in the early years.

Investment choice

One of the key advantages of SMSFs is investment choice. If you want to borrow to invest in property inside super, for example, then a self-managed fund is the only way to go.

You may even be able to borrow money to fund your investment using what is called a limited recourse loan. The advantage of this type of loan is that other assets in your fund are not affected if you fail to meet the repayments.

For those in their 30s and 40s, the longer timeframe till retirement can make borrowing to invest in property a good strategy. Do make sure though that your portfolio is diversified and you have sufficient cash flow in your fund to finance the mortgage repayments.

Despite the attractions of running your own super fund, it's not for everyone. It's a long-term commitment and ultimately the responsibility for making sure your fund complies with the rules rests with you.

If you would like to explore your superannuation options, please let us know.



Make time **for** downtime

Are you reading this in bed on your tablet? Or on the home computer, catching up with emails after dinner? Or on your phone while you're on the train to work?

If so, you're not alone.

According to the ACMA, 68% of Aussies use three or more devices to access the internet.ⁱ 10.7 million go online more than once a day. A study by Nielsen, commissioned by Facebook, found that the average user checks Facebook 14 times per day. Several surveys and reviews suggest that just over half of Australia's workforce spends at least a few hours each week working from home (or on the go) via the internet.

Whether you're conscious of it or not, chances are you feel the pressure to be 'on' 24/7. If it's not work emails or social media, it could be text messages, Skype, mobile calls – the list goes on. Being connected all the time has its upsides; you may feel more on top of your work, knowing you can respond quickly to any events. And staying in touch with friends and family can lend a great sense of security. But at the other end of the scale, it can be unrelenting and overwhelming.

How being connected 24/7 could hurt your health

The physical and mental health impacts are clear. Psychologists have studied the issue from several different angles.

For example there's multitasking, the ability to juggle multiple tasks is often lauded as a desirable quality. But a number of studies have shown that multitasking is not good for working efficiently. Nor is it good for your brain in the long run; it may impair your cognitive abilities, as you're not practicing concentrating hard on just one thing at a time.

Some have even found that the more things you try to do at once, the less effective you are at any of them. The scary part is, this happens even when you don't know you're multitasking; just having the option of checking your texts, emails or social media can be a substantial and constant distraction.

How to switch off

Conversely, the more time you spend 'switched off', the greater your well-being. Research on 'brain downtime' – naps, meditation, nature walks, going 'off the grid' etc. – suggests that the world's happiest and most successful people consciously practice switching off.

There are several simple ways you can start getting more brain downtime. Start by implementing a 'no screens' hour each day. Switch off all your digital devices for one hour at a set time. If this is easy, challenge yourself to go screen-free for longer each time.

Second, schedule in some time to get close to nature. Preferably, somewhere out of range of mobile and data reception. Visit a hiking trail, national park, or botanic gardens. Make sure you have physical contact with the environment, e.g. walk barefoot on the grass. Some spiritual and holistic health practitioners call this 'grounding' or 'earthing'.

Meditation isn't just for Buddhist monks – it's one of the fastest growing cognitive therapy methods in the world. You needn't spend hours at a time – just a short period of meditation can have measurable benefits. Try a book or an online guide to get you started with a good technique, or search for a free class near you.

Whichever techniques and activities you choose, it's important to schedule them in. If you simply wait until you're bored or feel like you have free time, it may never happen. Look at downtime as an investment – in your relationships, in your personal well-being, in your efficacy as a worker – that deserves allocated time.

And never apologise for taking time out to look after yourself.

ⁱ http://www.acma.gov.au/~/_/media/Research%20and%20Analysis/Research/pdf/Australians%20digital%20livesFinal%20pdf.pdf



Rise & shine

We Aussies have a reputation for being laidback, so it comes as a surprise that we don't tend to sleep in. When Jawbone crunched the data from the activity trackers it has sold around the globe it discovered the world's earliest rising international city wasn't frenetic Tokyo or bustling New York, but sunny Brisbane.

It seems the average Brisbanite leaps into action at 6.29am. And, according to another study, almost half of all Australians are up and at 'em by 7am.ⁱ

Apparently, millions of us have taken Benjamin Franklin at his word about health, wealth and wisdom arising from bouncing out of bed shortly after dawn. But does the evidence support Franklin's view?

Are early risers healthier?

Most early risers don't head straight to the workplace. Rather they set their alarm clock so they can kickstart their day with a yoga class, gym session, surf or jog. Of course, it's possible to engage in those activities later in the day. But without good time-management and self-discipline, exercise often gets put on the backburner as demands and distractions pile up.

While getting up early to exercise is a great way to fit physical activity into your day, it's difficult to determine whether getting up earlier makes people healthier, or healthy people get up early.

It may just be the post-workout meal rather than the workout itself that makes the difference. University of

Roehampton research found that early risers were more likely to eat breakfast.ⁱⁱ And people who eat breakfast are less likely to be overweight.

Answer: Probably

Do early risers earn more?

According to a Danish study, morning people earn 7 per cent more than evening people.ⁱⁱⁱ This could be because a society where most people start work by 9am favours people who enjoy an early start to the day. Early risers were shown to possess greater qualifications and had jobs in more lucrative fields than late starters. If a night owl possessed the same qualifications and job as an early bird, the difference in earnings would be only 2 per cent.

However, for every study showing larks out-earning night owls there's one that suggests the opposite. Studies from sources as diverse as the University of Madrid to the US Air Force have shown late risers have an edge in areas such as inductive reasoning and lateral thinking, which means they're more likely to have higher-paid, white collar jobs.^{iv}

Answer: The jury is still out.

Are early risers smarter?

The University of Madrid study also revealed larks do better in school. But again, chicken and egg arguments scramble the matter. School lessons and exams are typically scheduled for the morning and early afternoon, which would seem to give early risers an unfair advantage.

All is not lost if you are not great in the mornings though, as night owls had a preference for independent thinking and while that was a handicap in sitting exams it did stand them in good stead in their careers.

Answer: Well, they get better exam marks.

How do I resist the urge to hit the snooze button?

Irrespective of what studies show us, rising a bit earlier is a great way to squeeze more out of your day, whether you use the time to hit the gym, work on that novel, or just get a head start on your working day.

For those of us who struggle to get out of bed in the morning but would like to reap the benefits of an early start, here are some tips to help you rise and shine.

- 1. Have a good reason to get up earlier**
- 2. Go to bed earlier**
- 3. Don't eat just before retiring**
- 4. Switch off all electronic devices & keep the room dark**
- 5. Start small - set the alarm a little earlier each day**

i <http://www.smh.com.au/money/saving/larks-leave-sleepyheads-in-the-dark-20150630-gi165z.html>

ii <http://www.roehampton.ac.uk/News/Study-explores--morning--people/>

iii http://www.jstor.org/stable/23646456?seq=1#page_scan_tab_contents

iv <http://news.bbc.co.uk/2/hi/health/503631.stm>