MyLife

MyLife Newsletter Spring 2014

Welcome to our latest newsletter!

The Happiness Report: How Australia rates

In recent reports it shows that Australians are among the world's happiest people. But while our strong economy has played a large part in keeping us smiling, the report also shows that money alone is not enough. Instead, true happiness means having the financial freedom to live the life you want. That's where good planning is essential.

It's official — Australians are among the world's happiest people. A new report from the United Nations Sustainable Development Solutions Network[1] puts us at number 10 on the world happiness league table.

According to the World Happiness Report, we're happier than our Kiwi neighbours, more content than the residents of the US and Ireland, and much more satisfied with our lot than the English and the French. But we still have some way to go to match the Canadians, at number 6, or Denmark — home to Lego, Queen Mary and the world's happiest people.

There's no doubt that our prosperity and our comparatively healthy economy plays an important role in Australian's overall levels of happiness. Our great climate, democratic freedom and relaxed lifestyle don't hurt either. But the report also confirms something that many of us have already realised all along — that while financial security is important, money by itself can't buy happiness.

What makes a country happy?

Of course, having enough money to feed, shelter, clothe and educate ourselves and our families is an essential first step in becoming happy. But as the report shows, there are plenty of other factors that rate high on the happiness scale too.

A strong health system leading to a healthy life expectancy is a key factor, along with adequate levels of social support. These are areas where Australia outperforms. But there are other important drivers where we compare less well, including perceived levels of generosity and corruption.

We also have higher than average levels of mental illness. According the report, 10% of the world's population suffers from depression or anxiety disorders. In comparison, 20% of Australians aged between 16 and 85 have suffered from a mental disorder at some stage in their life[2].

The report points out that happiness creates a virtuous circle. Happier people live longer and make better citizens. They also tend to be more productive and earn more money, partly because they are better able to pursue long-term goals, making them good investors. Happy people are also more generous too, donating more time and money to others in need. And all of these things help to create more happiness, keeping the cycle going.

Happily ever after

Comparing Australians to less fortunate countries, it's easy to see that a lack of money can cause unhappiness. But once you've reached a certain level of wealth, money is less important because of what it can buy, than the freedom it creates.

The report highlights that a major contributor to your sense of wellbeing is the amount of freedom you have to choose the way you live. That's where good planning comes in. Because financial planning isn't simply about becoming wealthy, it's about planning

Get On Top Of Debt Before It Gets On Top Of You

Australians have more than $38 billion owing on credit cards, which is an average of $4,900 per card holder . And if you hold multiple credit cards (which many of us do) your total credit card debt could be double or even triple this average amount. If this is the case, you may be paying a lot in interest repayments.

The cost of borrowing money

The ability to borrow money is a wonderful thing. For example, it allows us to buy items when they're on sale rather than waiting until we have the spare cash. And how many of us would be able to purchase a house with cash? Unfortunately, many people get too caught up in the euphoria of buying things without giving enough thought to how they are going to repay the money. The simple fact is borrowing money comes at a price. This price is your interest repayments.

Interest charges accrue on your outstanding debt until it is repaid in full. All it takes is a few different credit cards with different lenders on top of a large mortgage or personal loan and before you know it, you're feeling the pinch of too many interest repayments.

The costs may be higher than they first appear

Money that you borrow for personal use, such as credit cards, car loans and mortgages, is called non-deductible debt. This term refers to the fact that the interest you pay on this debt is not tax deductible. So when it comes to the real cost of your debt i.e. the after-tax cost, you may be paying more than you think. For example, if the interest on your credit card is 7%, that's the equivalent of paying 10.8% on an after-tax basis assuming you're on a marginal tax rate of 35%.

Focus on reducing your non-deductible debt

Due to the high after-tax cost of interest on non-deductible debt you should make it a priority to reduce this type of debt. If you have any surplus cash, consider using this money to pay a lump sum off your non-deductible debt, such as a credit card or car loan. This will reduce the amount of interest you're paying, making your repayments more manageable and improving your cash-flow at the same time.

And you can use this extra cash to reduce your interest payments elsewhere. For example, if you have a mortgage, you could direct this extra cash-flow to your mortgage offset account. This way, it will still be available to redraw if you need emergency funds, but it the meantime it will help reduce the total interest you pay over the life of your home loan. This may even reduce the number of years it takes to pay off your mortgage so you'll own your home sooner.

Should you have any queries in relation to this newsletter, please feel free to contact our office on 03 9017 4114 or email admin@mylife.com.au .

MyLife

25 Canterbury Road
Blackburn
VIC 3130
Australia

Phone: 03 9017 4114
Phone: 1300 889 446
Fax: 03 9013 0055
Email: admin@mylife.com.au

MyLife Financial Planning

www.mylife.com.au

Don't Put Your Lifestyle Choices in Jeopardy

Earning a good salary gives you a lot of freedom and choice when it comes to lifestyle. You can enjoy life's little luxuries, like dining out and travel, and still have enough money to put away for long-term goals like your children's private education and your retirement. But what if your salary stopped?

How long could you get by without an income?

If you're like most people, you probably haven't given a lot of thought to the possibility of not having a salary.

The idea of no salary coming in for one or two months may not even worry you too much, particularly if you have enough surplus cash or other assets to get you by.

But what if you weren't able to work for a longer period, say three to six months? This is how long you may be out of work due to injury or illness. Suddenly the lifestyle choices you and your family enjoy may be in jeopardy.

Protect the lifestyle you've worked hard to earn

You can avoid the risk of not being able to maintain your current lifestyle by having income insurance, also known as income protection. This insurance replaces your income for a certain period if you can't work due to temporary disability or illness.

You may be able to receive up to 75% of your taxable income plus the 9% superannuation guarantee. This benefit will continue to be paid until your benefit period expires or you are able to return to work.

Tax benefits

Income protection insurance premiums are usually 100% tax deductible. This means that if your marginal tax rate is 30%, your overall income will reduce by $31.50 for every $100 that you pay in premium.

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Email: admin@mylife.com.au

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