



your **money** your **future**

## Summer 2015

Welcome to the latest edition of our client newsletter! We've included a mix of articles designed to share our insights and experiences, we hope you enjoy reading them.

As we enjoy another season of sun and festivities, it's a great time to reflect on what was achieved in 2014 and what you want to focus on in 2015. Your goals for a new year might be big, bold and challenging, or they may be incremental steps towards a longer term ambition. Whatever you focus on, it's important to be confident that you have the financial support in place to make your goals a reality.

Taking stock of your finances, savings and estate planning is beneficial at the start of a new year. And continuing to help those you care about with their own financial literacy will go a long way to making 2015 a year of success for everyone.

A new year – like a new season – has all the promise of a fresh start. We hope you enjoy 2015!



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# New Year's resolutions for a wealthy 2015!

At this time of year, many of us will commit to do things a little differently in the New Year – to improve ourselves, help others or the environment, or simply avoid doing the same things all over again!

Head of Retail and Corporate Business, Craig Keary from AMP Capital has some sage advice: “Health and fitness” resolutions are popular as are intentions to “save more” or “pay down debt”. While these are all worthy pledges, we’d like to see people set more specific resolutions to grow their wealth during the year.”

Consider a resolution to contribute more to your superannuation. Or undergo a New Year health check of your finances – ensure your investments meet your needs, having the best rate on your mortgage and enough insurance. Why not invest time educating yourself about saving and investing; and maybe even challenge your children to become savers in 2015?

## Here are our top eight New Year's resolutions for a wealthy 2015:

**1. Set goals.** Start with what you want achieved by year end - then adjust your budget or behaviour accordingly. Perhaps it's going overseas in a year's time, so your action may be saving extra from the

weekly budget or an investment with an income level during the year that ensures you have enough money at the end for your holiday.

### 2. Talk about your goals.

Generally people who talk about their goals and resolutions are more likely to achieve them. Share your goals with someone you trust and respect and check in regularly to let them know how you're going.

### 3. Don't ignore your financial health.

Do the same for your finances as for your personal health and undergo a financial health check. Review your spending; commit to saving an amount each month; if you have a term deposit, look at other investments such as corporate bonds that might give a better return while interest rates are low; conversely, check your mortgage rate, are you getting the best deal? And review your insurance so you and your family have enough cover. Meeting a financial adviser will help put your finances through their paces.

### 4. Save more in superannuation.

It's not just saving more for a rainy day. Commit a little extra to your super in 2015 so you have more money later. With compound interest, adding extra dollars now means having more for your lifestyle in retirement. And now is a good time

to review your investments, having an appropriate mix of growth and defensive assets for your stage in life and for your goals.

### 5. Challenge your children.

If you have children, start them on the path of saving early. Encourage financial goal setting and help them map out a plan. Consider rewards when they do it. After all, the better your kids are with money now, the more it'll help down the track.

### 6. Invest in yourself.

Even if it's just making time to learn more – it's often one of the best ways to help achieve your financial goals. Lots of valuable information is available online - often free. Consider adding a few wealth management websites, blogs or books to your reading.

### 7. Don't leave it too late.

If you have long-term goals that require a lot of money, don't wait to start working towards them. If you'd like to retire at a certain age, your resolutions should include how much you need to contribute to super and then what strategy you should have.

### 8. Have fun!

It's not all about saving money to spend when you're older. Include fun and satisfying short-term goals to reward you or your family's good behaviour, keeping everyone motivated to achieve the bigger picture.

# Do you have a key person in your business?

If your business is like millions of other small or medium businesses in Australia, it's likely that you'll have one or more individuals whose involvement is critical to its success.

This 'key person' might be important because of their investment or experience, their technical expertise or their business connections. And while we don't like to think about it, no longer having this key person involved could put undue pressure on you and the business, affecting your health and wellbeing, and potentially the long term financial viability of the business.

But there's a few ways business owners can minimise the impact of this risk, and using a mix of options is usually the best approach.

## Who is a key person?

A key person is anyone whose continued association with your business provides a significant economic gain. This can mean any of the following:

- increased sales and revenue
- cost savings
- increased profit
- increased goodwill
- ability to access finance, and
- ability to access or retain customers.

A key person can include employees, owners of the business, managing directors, even suppliers— generally those persons whose loss would have a significant impact on the financial viability of the business.

A non-working shareholder, such as a silent partner, who puts up their personal assets as security for business loans may also be a key person if the business relies on these guarantees.

## Plan ahead

Like most risks, planning ahead can significantly impact how well you deal with the risk if it does occur.

Business owners can address key person risk in a number of ways. For example, owners might have a succession plan in place where the next generation of leadership is being primed, or a staff training program where knowledge is regularly shared and documented.

Or, they may have alternative investment options in mind, and a business which relies on key supplier relationships may have already investigated alternatives should something happen in the supply chain. Whether formal or informal – business planning is always a good idea.

Adding insurance to the mix is a financial option to help businesses through the difficulty of replacing a key person. Most businesses take out insurance cover against damage from fire or public liability or professional indemnity. But for many businesses their most important assets - their key people - are left unprotected.

## Should you include insurance?

Key person insurance is usually life, total and permanent disability (TPD) or trauma cover taken out on the life of a key person.

The idea is that a business can use the insurance proceeds to replace lost revenue, repay debt, cover expense items or inject required capital into the business.

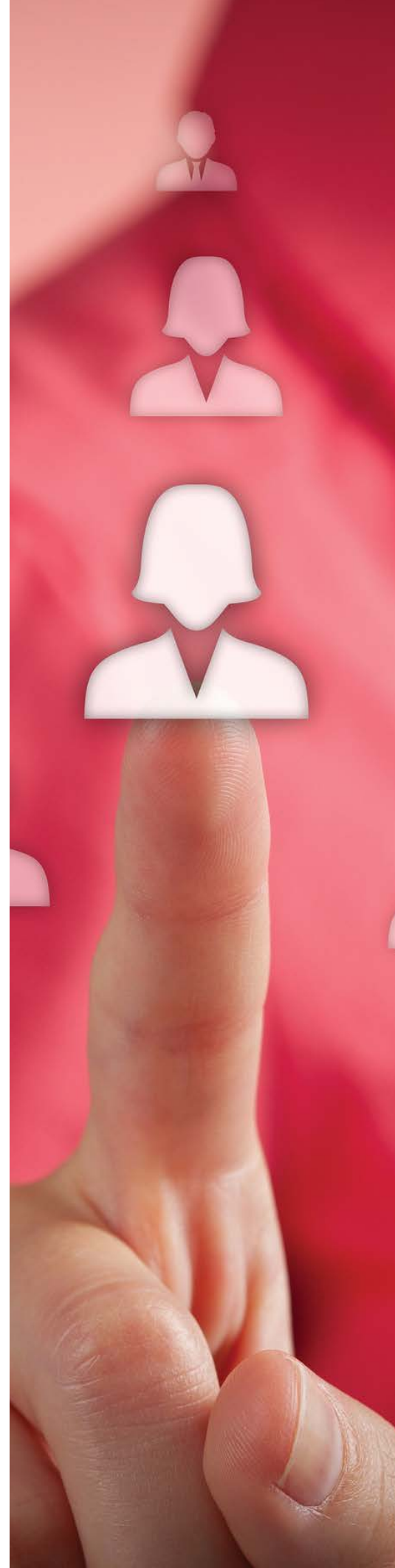
As the purpose of insurance is to ensure the ongoing viability of a business, policies taken out to protect the business are typically owned by the business. With premiums typically paid by the business.

## Preparing your plan

Your adviser can help you work out a plan that suits your needs with the right mix of options for your business. Key things to consider include:

- which activities and inputs are key to your business and why
- estimating the loss of revenue or profits
- whether any clients would be lost and the impact
- how you would find a suitable replacement and the costs involved, and
- what it will take for the replacement to be fully functioning and the cost.

Including key person considerations in your business planning can help clarify what's needed to suit your circumstances, giving you peace of mind so you can confidently make your business flourish.





# Fight for the fittest

## – Insurance discounts for the active

Rupert Murdoch wears one, so does Gwyneth Paltrow. Wearable fitness devices are the latest must-have accessory for health conscious media moguls, celebrities and ordinary Australians. So it was only a matter of time until health insurers got behind the trend.

Some major health funds have recently launched campaigns to attract new members by offering them free fitness-tracking devices. Wristbands such as Fitbit, Polar Loop, Jawbone and Vivofit, which normally retail for more than \$120, are among the wireless activity trackers insurers have been giving away to lure policy holders.

These high-tech accessories not only count distances walked or run and calculate calories burnt, but some of them also measure heart rates, blood oxygen and glucose levels. The data is transferred to a smart phone or PC, where it is logged and analysed to give a general indication of wellbeing.

While gadget giveaways may seem like a gimmick, it's not surprising that insurers are encouraging members to be more active and monitor their own progress rather than rushing to the doctor as their first line of defence.

### A growing problem

Although Australians are among the world's most long-lived individuals, with a life expectancy ranked in the top ten out of more than 200 nationalities,<sup>i</sup> there are growing concerns that our Western lifestyles are contributing to soaring obesity rates and chronic illness.

Obesity can precipitate diabetes, stroke and heart disease, which in turn creates a

significant burden on health systems struggling to treat an ageing but increasingly unhealthy population. Treating diabetes alone costs more than \$10 billion a year and 10 per cent of that is estimated to be related to obesity.<sup>ii</sup>

Currently, about a quarter of Australians are classified as obese, but this figure is forecast to rise sharply to two-thirds of the population in a decade's time, if sedentary lifestyle habits persist.<sup>iii</sup>

Health authorities estimate that treating obesity-related conditions costs the economy almost \$57 billion a year.<sup>iv</sup> With obesity also affecting 25 per cent of children, the future of healthcare looks costly and unsustainable.<sup>v</sup>

It is no surprise then that governments are scrambling to limit costs in the face of an increase of almost 75 per cent in health funding over the past decade.<sup>vi</sup> Australia spent \$147.4 billion on health in 2012-13, almost 10 per cent of the nation's economic turnover.<sup>vii</sup>

### Focus on prevention

Faced with the rising cost of hospital care, health insurers are doing their bit to encourage Australians to remain healthy with a range of incentives including mobile apps and online exercise and dietary programs as well as free fitness tracking devices.

One innovative fund<sup>viii</sup> will soon offer members a free support program to help those who have been discharged from hospital to manage risk factors associated with their illness and hopefully keep them out of surgery in future.

The program provides over-the-phone assistance with medications, guidance on increasing activity levels and tips on maintaining a healthy weight.

Other fitness-related giveaways to those who sign up include vouchers in the hundreds of dollars for fitness products such as running shoes, discounts on big brand vitamins, gym memberships and weight control programs.<sup>ix</sup> One fund has even offered a separate policy which provides rebates on the cost of gym membership, sports gear and bike repairs.

### Reducing health costs

While the business case for insurance companies to control costs is compelling, it is even more so for individuals whose out-of-pocket expenses as a proportion of total health funding, at 17.8 per cent, are high by international standards.<sup>x</sup>

Perhaps keeping tabs on your personal fitness could be the best insurance against big medical bills and poor health. But before switching funds based on a special promotion, shop around for the policy that best meets your needs.

- i <http://www.health.qld.gov.au/epidemiology/documents/burden-disease-study.pdf>
- ii <http://www.diabetesaustralia.com.au/Understanding-Diabetes/Diabetes-in-Australia/>
- iii <https://www.nhmrc.gov.au/your-health/obesity-and-overweight>
- iv <https://www.nhmrc.gov.au/your-health/obesity-and-overweight>
- v <http://www.theaustralian.com.au/news/features/how-did-our-kids-get-so-big-so-quickly/story-e6fgr8h6-1226934386998>
- vi <http://theconversation.com/tough-choices-how-to-rein-in-australias-rising-health-bill-13658>
- vii Australian Institute of Health and Welfare, <http://www.aihw.gov.au/media-release-detail/?id=60129548933>
- viii <http://www.frankhealthinsurance.com.au/member-area/health-programs>
- ix <http://www.bupa.com.au/health-insurance/switch-to-bupa>
- x <http://www.smh.com.au/federal-politics/political-news/governments-spend-less-on-health-while-outofpocket-costs-highest-in-a-decade-20140923-10kerb.html>