Informing
YOU

Spring clean: Celebrate wins and manage losses

We have arrived at the perfect time of year to do a spot check and a spring clean of your finances. Here's how!

Some like to run a health check on their finances once a month. Others once a year. Many don't have a regular pattern to ensure the progress of their financial plan against set goals. No matter which group you fit into, now is a good time of year to check in and make sure your money is doing its job.

A financial spring clean and health check can be as easy as adding up the values of your savings and investments. Then do the same with investment debt. Finally, add up any other debt including credit cards, store loans and car loans etc. Such a process can often be completed in less than ten minutes, and the resulting document can be saved to compare against next year. It contains four simple figures:

1. savings/investment value
2. investment debt
3. other debt
4. superannuation.

If you do this annually then you will already have figures with which to compare your progress. Is 'other debt' (aka 'bad debt') being reduced? Are savings and investment values, as well as super, increasing? If not, why not? What needs to be done to ensure the next 12 months does not see a similar decline in performance? How do you get back on track?

Re-visit your financial goals

Before your end of financial year spring clean, have a think about the purpose of your savings. As you move through life stages and experience major events – marriage, children, impending retirement etc. – your savings goals will change. Keep this in mind as you spring clean. Investment horizon and risk appetite should play a major role in your decision making.

Consolidate to avoid fees

It's too easy, in a 12-month period, to open new accounts for various reasons. Let this go for too long and you'll end up with an impressive collection of bank and superannuation accounts, all of which will be charging their own fees. What can you consolidate, or bundle, to help boost your budget?

Plug the leaks

Review your last 12 months of bank statements and have a look at where the regular leaks occur. As many businesses turn to a monthly subscription fee model rather than charging a one-off amount, it is easy to underestimate exactly how much comes out of your account each year. Plugging small leaks can make a big difference in the long run.

Fine tune your portfolio

Changing your investment mix too often, and constantly reacting to specific moments and events in the market, isn't always a good habit for a long-term investor. But reviewing your portfolio at least once a year to see whether you need to make any changes is generally agreed to be good practice. Does your investment mix match your life stage and risk profile? Do the industries covered by your share portfolio still show as much long-term promise as they did 12 months ago? And does your superannuation investment mix represent the right choice for the time you have left in the market? What losses should you cut in order to be better prepared for the next 12 months?

Re-balance your budget

A well-managed business seeking annual profit would never allow itself to be run without a budget. Your household should be no different. In order to achieve specific outcomes, a budget for the upcoming year simply ensures that you spend less than you earn after tax. Knowing your spending limits – for everything from groceries, renovations and fashion to fitness, entertainment and travel – then allows for creativity within those fields to allow the best outcome.

Speak to us for more information

If you would like to know more, talk to your Count financial adviser. They can give you more detailed information on the best approach for your situation.

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