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If you are new to reading The Key newsletter, welcome. If you are an avid reader of this publication you would be familiar with this forum, delivering relevant and interesting content from the financial planning industry, to help you better manage your financial life. A core value of our business is that every Australian should have access to, and benefit from, good financial advice. In reading this publication, we hope that you find the articles interesting, and perhaps they will provide some talking points for your next review meeting with your financial adviser.

Enjoy reading this edition of The Key.

Simple ways to keep Christmas affordable

Take the time to create a budget just for Christmas, so you can enjoy yourself without spending a fortune.

Christmas is a happy time of year that brings people together but it can also be expensive. With a bit of early planning you can control your festive season spending.

Here are some tips to help avoid a New Year financial blowout.

Set a budget

You know it makes sense, but it can seem a bit Scrooge-like. If you can overcome your reluctance, start with the total amount you want to spend. Divide this into the major categories of gifts, catering, entertainment and travel and list the items you need to purchase in each. Then put a spending cap on each category.

Organise your gift-giving

Draw up a gift list and work out how much you want to spend on each person. If money is tight, consider options such as vouchers for home-cooked meals, gardening, or home repair work as alternatives to bought presents.

It can help for big groups of relatives or friends to agree in advance upon a spending cap per gift. Another option is to do a Secret Santa by choosing each other's names randomly from a hat. Each person then buys the person they picked a gift, instead of buying for everyone in the group.

Open a Christmas account

Funding your Christmas spending is the next task. Set up a special bank account early in the year and use a regular auto payment option.

The sooner you start saving, the more you will have, or the less you will need from your regular accounts to make up any shortfall.

Make a shopping list

Wandering through the shops without a clear idea of what to buy may cause you to overspend. Do your research first, then set out with your shopping list in hand and stick to it.

Be prepared to bargain as smartphones make it easy to compare prices, and avoid last minute shopping that can result in rushed and expensive decisions.

Even better, pick up bargains in the sales earlier in the year and put them aside. Above all, keep your head and stick to what you can afford.

Travel smarter

It may seem that the entire country is on the move during the holiday season – it is the most popular time to travel. It's also one of the most expensive times as higher demand for transport and accommodation pushes prices up, so it may be worth considering house swapping, camping or having a staycation if money is tight.



If you do wish to travel, there are plenty of ways to take a break without breaking the bank. The most helpful hint is to once again draw up a budget.

Talk to your adviser

If you'd like advice on how to create a budget, your adviser will work with you to help tailor one to your needs.

MONEY HACKS FOR TEENS AND YOUNG ADULTS

FIND A REASON TO SAVE, SET A GOAL



Learning good money management should be an essential life skill.

LEARN HOW TO BUDGET INCOME

ONLINE TOOLS



50/30/20 BUDGETING FORMULA

50% Bills



30% Purchases



20% Savings



START EARLY, BUILD A NEST EGG



Young adults face many big decisions, but helping them get serious about money management early can make life easier as they get older.



Help your teens and young adults manage how they spend and save

So your teenagers and young adults know how to spend, but do they know how to budget for the things they really want? Learning good money management should be an essential life skill. A visit to your financial adviser with your child may help them develop good money management skills.

Why you should consider key-person insurance

Some people are crucial to a business, but how would the firm cope if something happened to them? There's an answer for that.

Unexpected events can play havoc not only with people's lives but also with businesses.

However, many business owners are so busy with the day-to-day operations they don't stop to consider the true cost to their business of the loss of a key employee, business partner or even themselves.

The knock-on effects may include disruption and reorganisation of other staff, missed opportunities, delays or penalties for late delivery of projects, lost revenue, increased expenses, significant costs to find and train a suitable replacement, loan repayment and even loss of the business.

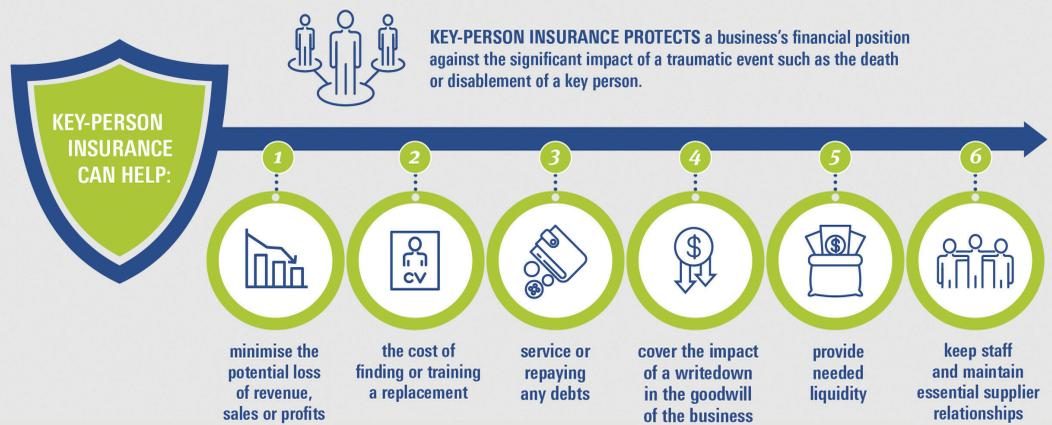
Understanding the actual cost of this situation and putting plans in place may help mitigate or even cover the entire risk.

What is key-person insurance?

Key-person insurance is a funding solution to protect a business's financial position against the significant impact of a traumatic event such as the death or disablement of a key person.

A key person may be an employee, owner or an individual whose contribution to the success of the business is significant.

KEY-PERSON INSURANCE PROTECTION FOR YOUR BUSINESS



This cover is not a specific kind of insurance but the application of life insurance to protect a business against key-person risk. It can be used with buy/sell life insurance (also known as business succession insurance), which covers the change of ownership if an owner dies or becomes incapacitated.

The benefits of key-person insurance

Often a cash injection to an affected business may keep a bad situation from becoming worse or even catastrophic. The insurance proceeds may be used to:

- minimise or eliminate the potential loss of revenue, sales or profits until a suitable replacement is appointed
- help cover the often significant costs of finding or training a replacement
- service or repay any debts that are called in
- cover the impact of a writedown in the goodwill of the business
- provide needed liquidity
- help keep staff and maintain essential supplier relationships.

Are there alternatives to key-person insurance?

A business may have other strategies to help manage their risks, including:

- asset sales to provide needed funds, but a fair price is not guaranteed and there may be payment delays. Businesses don't usually hold

unnecessary assets, so a reactionary strategy of selling off useful equipment may affect overall financial performance and stability

- promoting existing staff or reallocating workloads even temporarily. Generally, staff training and development should be part of proactive business planning
- using company profits, which may help cover the immediate needs but not address future profitability and performance
- borrowing more or drawing down existing loan facilities, but this can pose other difficulties, including approval delays and the added interest burden.

Insurance is the only practical alternative where a business doesn't have the capacity to cover its risks.

The taxation of key-person insurance

There are two key tax considerations:

- deductibility of premiums, and
- assessment of the claim proceeds.

These matters are determined by whether the purpose of the key-person cover is revenue or capital in nature.

Consult your financial adviser for further information.

Healthy tips for avoiding dementia

Are there some simple ways to reduce the risk of dementia?

The answer is yes. Here are five things you can do.

Dementia is a devastating illness that affects one in 10 people aged over 65 but recent research suggests there are things you can do to reduce the risk of it happening to you.

The Economic Cost of Dementia in Australia report released this year estimates that 413,000 Australians are living with dementia. One in four people over the age of 85 will have dementia and by the age of 95, it's one in two.

Dementia is not one disease but a range of conditions that cause a loss of mental functioning as we age. While age is the biggest risk factor, dementia is not inevitable and there are things you can do to reduce your risk of being affected.

What to do

Dr Maree Farrow, a cognitive neuroscientist from the University of Tasmania's Wicking Dementia Research and Education Centre, says there are five key things you should do to reduce your risk of dementia.

1. Stay mentally active

People who have mentally stimulating jobs or hobbies during their lives have a lower chance of developing dementia as they age.

"The research suggests these challenge the brain, so it's learning something new or different that's important," Dr Farrow says.



2. Stay physically active

Studies show physical activity helps grow new brain cells and new connections between brain cells. It also boosts the levels of the chemicals that help keep brain cells healthy.

Just 30 minutes a day of brisk walking is enough to have a significant impact. But exercising longer, or more vigorously, is better still.

3. Have a healthy, balanced diet

While some research suggests eating foods high in omega-3 fats, such as oily fish, is important, Dr Farrow says the evidence is mixed. The most positive results point to fruit and vegetables, which are rich in antioxidants.

4. Stay socially active

A large network of friends is not only good for your overall wellbeing, it also helps your brain.

"You have to think about what you're saying and understand what they're saying," Dr Farrow says. "You have to understand facial expressions and body language. Lots of different parts of your brain are working."

5. Watch your key numbers

Keep your blood pressure, cholesterol and blood sugar levels in the healthy range.

"If your blood vessels in your body are unhealthy, they'll be unhealthy in your brain as well," Dr Farrow says. This means your brain cells get damaged and die, which affects your thinking ability.

It's also best to start early as research shows that the disease process that causes dementia begins decades before it manifests. Even so, it's never too late to switch to a healthier lifestyle.

Sources:

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