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Summer 2015

December is here and as the temperature rises the countdown to the Christmas break begins. But it appears at least one Australian is determined to 'chill'. When Reserve Bank governor Glenn Stevens was asked recently about the possibility of an interest rate cut he said: "We've got Christmas, we should just chill out ...come back ... and see what the data says." The markets took that as a no, for December at least.

The data released in November was certainly mixed. Employment is strong, with unemployment down from 6.2 per cent to 5.9 per cent in October, but wages growth is the slowest in decades. And new business spending on buildings and equipment fell 9.2 per cent in the September quarter, the biggest quarterly fall on record. Expectations of future investment were also down 20 per cent on a year earlier, although up 4.8 per cent on the previous quarter. A strengthening dollar, to around US\$0.72, isn't helping the slow transition to a post-mining boom economy.

The US Federal Reserve is also playing a waiting game with interest rates. Employment and the housing market are strong, raising expectations of the first rate rise in seven years as early as this month. One thing the commentators do agree on is that future rate increases are likely to be gradual.

FM Financial is closed December 22nd until Jan 12th, we wish you a Merry Christmas and a happy and prosperous New Year.

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WHY A NEW YEARS REVOLUTION

is better than a New Years Resolution



It happens every 31st of December. Millions of people all over the western world promise themselves to improve at least one important aspect of their lives and make it their New Year's Resolution to do so.

According to Wikipedia, the most popular resolutions remain unchanged year after year, drawn from a list that includes getting out of debt, saving money, getting a better job, getting fit, reducing stress, drinking less alcohol, and quitting smoking. Sound familiar?

Broken resolutions

These are all important and worthwhile goals, but here's the sad thing. Research indicates that by January 7th of the new year, 25 per cent of these resolutions will already be broken. And this attrition rate will continue, so that up to 80 per cent are likely to have been abandoned before March 1st.

So how can you make sure that you will be one of the minority who do not break their new year's promise to themselves? We think the answer is a New Year Revolution instead of a New Year Resolution – a whole new way to approach this important commitment.

Plan to succeed

The first thing you should do is decide whether or not you have the time and energy available to achieve the change you want, because if your life is already overcommitted you are more likely to fail than to succeed. If your day is already overcrowded, for example, it is unlikely

that you will find the extra 30-60 minutes each day to jog, swim, ride a bike or go to the gym unless you drastically reorganise things.

It is also important to prepare yourself long before New Year's Day. Don't promise yourself to start eating healthier food from January 1st and then do nothing about it until after feasting at Christmas. Start investigating a healthier eating plan now, source suppliers of healthier foods like an organic home delivery service, see a nutritionist if you need to, and be ready to start your healthy eating plan on January 1st.

Similarly, if you are resolved to achieve a healthier work-life balance in 2016 by giving more time to your partner, family, social life or personal fitness, you are going to have to work out how to implement your new priorities well before the new year starts. Isn't the December break a great opportunity to experiment with some new routines and make some key decisions about how you can spend fewer hours at the office without sacrificing the quality of your work?

Be patient after you have made your resolution. It takes 21 days to make a new habit so forgive any lapses, stay focussed on your goal and you will get there.

As you can see, the difference between wishful thinking and real behavioural

change is commitment and a plan, and this is never more important than when planning a brighter financial future.

In a famous Yale University survey graduates were asked if they had ever written down a financial plan. Only 3 per cent said Yes. Twenty years later, they quizzed the same graduates about their financial worth. The 3 per cent who had taken the trouble to write down a plan were richer than the other 97 per cent put together. (It also helps if you can automate the plan – a bank transfer to place part of your salary to an investment account every month, for example, eliminates the need for willpower.)

And finally, tell all your friends about your resolution so you can earn their praise if you succeed and feel their scorn if you fail – peer pressure is a powerful incentive!

Three simple steps to staging a New Year's Revolution in 2016!

- 1 Commit yourself
- 2 Prepare a plan
- 3 Make your commitment known to others

Let us know if we can assist in helping you achieve your financial revolution.

3 INSURANCE MYTHS

exposed

In the unlikely event that you break a leg or, heaven forbid, die prematurely you and your family have got it covered, right? You've got life insurance care of your super fund, not to mention that pricey health insurance policy. And if worst comes to worst, there's always a government pension to fall back on, isn't there?

Actually, most Australians don't have nearly enough insurance. The nation's underinsurance gap has been estimated at a whopping 1.8 trillion dollars.ⁱ Part of the reason for that is the trio of misconceptions outlined above.

Let's go through them one by one.

Myth one: **My super will cover me**

The reality is that the overwhelming majority of people that have insurance attached to their super are underinsured. One in two super fund members has less than half the life insurance cover they need. Nearly three quarters are underinsured for total and permanent disability cover.ⁱⁱ

Here's another sobering statistic: Rice Warner found a couple in their mid-thirties with young children would need at least \$680,000 worth of life insurance cover. The default super fund cover was just \$200,000 – less than a third of what's required.

Super policies typically don't automatically include income protection or total and permanent disability (TPD) cover. While it's true that many super funds will allow you to purchase these types of insurance, often at an attractive price, you'll almost always have to contact your fund to put special arrangements in place. What's more, trauma insurance is not available inside super.

If you haven't already, you should read over your super policy carefully or contact us to determine exactly what kind of insurance is being provided. You'll likely find the money your super fund would pay out in the event of a calamity is far less than you imagine.

Myth two: **My private health insurance will cover me**

Private health insurance is a wise investment, but even at the highest level of cover it won't even cover the full amount of your medical bills. And it certainly won't pay the mortgage or other everyday living costs such as utilities, groceries or school fees.

Granted, there are moves afoot to allow private health funds to provide more comprehensive cover, possibly eliminating costs such as gap fees. But, by definition, health funds will only ever cover health costs and only until a set monetary or time limit is reached.

Myth three: **The government will look after me**

The Australian government does provide a range of payments to support people if illness or disability leaves them unable to work. But unless you lead an extremely modest lifestyle, trying to survive on a pension is an

enormous challenge. The Disability Support Pension currently provides \$867 a fortnight if you're single and over 21, or \$653.50 a fortnight for each member of a couple.

That translates to \$433.50 a week for a single person, or about 65 per cent of the minimum wage. Interestingly, the government also estimates the average person under 35 spends \$869 a week on living expenses – which provides some idea just how tough it is trying to make ends meet on a disability pension.

The truth will set you financially free

In a worst case scenario you or your family would be unlucky to be left entirely on your own to cope. Your super and health funds, the government and possibly even friends, family and charitable organisations might provide some assistance.

But wouldn't you prefer to know that in the event of a serious health challenge you have the right level of insurance cover? That you and your family wouldn't need to worry about financial issues on top of everything else?

If so, call us to discuss whether your current level of insurance is appropriate to your situation.

ⁱ 'Underinsurance in Australia', Rice Warner, July 2015

ⁱⁱ www.lifewise.org.au



Most of us are good at talking but when it comes to listening, our skills can usually do with a bit more polish.

Whether we are at work, at home, or out with friends, we tend to be more interested in what we are saying or want to say next, than in hearing what others have to say to us.

Being an effective listener can make you a better boss, employee, parent, partner and friend, but it isn't as easy as it sounds. It is something we all have to work hard at, a skill that has to be learnt and improved.

Learning good habits

Two distinguished educationalistsⁱ suggested this list of behaviours to make us better listeners:

- **Concentrate harder on what others are saying.** Your brain works much faster than the other person's mouth, so pay attention and don't be distracted by your own stray thoughts.
- **Let your body language show you are listening.** Non-verbal messages can be three times as powerful as verbal messages, so maintain eye contact with the speaker, nod your head to show understanding, and don't look around or fidget.
- **Don't become defensive.** You don't have to agree with everything that the other person is saying, but you should try and listen to them. Interrupting with counter arguments before someone finishes stating their case is a sure sign you have stopped listening.

- **Learn to paraphrase.**

Paraphrasing, and reflecting the speaker's message back in your own words, gives the speaker proof you listened to and understood what they said. ('So what you are telling me is ...')

- **Listen to feelings, not just to words.**

The speaker's body language — the way he or she is standing, their tone of voice, volume and inflection — are all part of the message they are sending.

- **Ask questions.** Use questions to clarify points, obtain additional information or move the conversation along, but never use them to disguise a counter argument.

Losing bad habits

While these six tips can improve your listening skills, you might also need to consider some strategies to avoid two of the biggest barriers to active listening — knowing the answer and trying to be helpful.ⁱⁱ

When you know the answer, you know what the speaker wants to say even before they finish saying it! Typically you come across as an impatient listener, cutting others off or trying to complete their sentences.

By interrupting the speaker before they have finished, you're essentially showing that you don't value what they are saying.

If you have a tendency to interrupt because you already 'know the answer', a simple strategy is to wait for a few seconds after the speaker finishes and then begin your response.

The second barrier comes from trying to be helpful, often by sharing your wisdom and experience. At first glance it may seem beneficial, but it interferes with listening because you are thinking about how to solve what you perceive to be the speaker's problem, and it is likely you will interrupt the speaker before they can fully explain themselves.

A good rule is to avoid telling the speaker how you handled a similar situation unless they specifically ask for your advice. Alternatively, let the speaker finish talking and politely ask if you may offer what you see as a possible solution. Remember, they may not want your advice but just an opportunity to be heard.

There they are — six tips and two strategies that will make you a better listener. Most of them are simple techniques, though be prepared to review and change any negative, ingrained habits. The good news is that you should see an almost immediate improvement in your listening skills, and find out lots of things you may have been missing out on!

ⁱ Prof. Tom Lewis & Prof. Gerald Graham, writing in Internal Auditor, 08.08

ⁱⁱ Eight barriers to effective listening by Michael Webb, <http://sklatch.net/>