

A teacher's *guide* to financial planning



Contents

Before you get started	2
Letter from the Wealth Adviser Library	3
Introduction	4
The unique financial position of teachers	4
The need for action: a simple case study	5
Taking the first steps towards financial independence	5
Get professional financial advice	6
Take the next step	7



Before you get started

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Before acting on any information contained herein you should consider if it is suitable for you. You should also consider consulting a suitably qualified financial, tax and/or legal adviser.

Information in this handbook is no substitute for professional financial advice.

We encourage you to seek professional financial advice before making any investment or financial decisions. We would obviously love the opportunity to have that conversation with you, and at the rear of this handbook you will find information about our authorised representative and how to go about booking an appointment.

If ultimately you decide not to meet with us we still encourage you to consult with another suitably licensed and qualified financial adviser.

In any circumstance, before investing in any financial product you should obtain and read a Product Disclosure Statement and consider whether it is appropriate for your objectives, situation and needs.

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Letter from the Wealth Adviser Library

Dear Reader

Welcome to the Wealth Adviser Library

This library was built specifically to facilitate the provision of sound financial information to everyday Australians.

Our mission is to build an accessible, comprehensively supported team of members who share our vision and commitment to providing tailored financial advice and a new foundation of financial understanding and security for everyone.

With a national network of likeminded experts, we have the potential to provide the financial building blocks for future generations.

Knowledge gives you a huge advantage

We believe that knowledge gives you a huge advantage in creating and effectively managing wealth; in planning to reach your goals; and in being prepared for whatever unexpected twists and turns life may present.

That's why our team of experts has created this series of digital handbooks and manuals that seek to inform you of not only the benefits but also the potential risks and pitfalls of various strategies and investments.

We trust you enjoy this publication and find it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

Take the next step

Wealth Adviser (a division of WT Financial Group Limited) supports more than 400 privately owned and operated advice practices around the country. We invite you to engage with one of our advisers to discuss what it was you were hoping to achieve when you obtained this handbook, and to establish if they can help you achieve your goals and objectives.

At the rear of this handbook you will find details on how to book an appointment.

Wealth Adviser Library

Introduction

Let's be honest: You are probably not in teaching for the money! If you are like most teachers, you entered the profession because you have a passion for impacting lives and making a difference in the community.

There is no reason, however, why this commitment should automatically translate into being the proverbial 'poor teacher' in perpetuity. Taking an honest look at your finances and doing some long-term planning can make a huge difference in helping you secure financial security and a better lifestyle, both now and in retirement.

The purpose of this eBook is to focus briefly on some of the unique financial circumstances of teachers as a group, and then to suggest some ways in which proper financial planning can help you improve your long-term financial prospects.

The unique financial position of teachers

Every professional group has a unique general financial profile and faces challenges more or less specific to that group. Some of the current issues in the teaching profession are the following:

Different prospects for different generations

It is very difficult to create a financial profile of a particular group without falling into unhelpful generalisations. It is fair to say, however, that older teachers are generally in a much better long-term financial position than their younger counterparts.

The main reason for this is that many teachers who are currently approaching retirement are members of either the 'State Authorities Superannuation Scheme' (closed to new members in 1992) or the 'State Superannuation Scheme' (closed to new members in 1985). The benefits paid out by these funds are excellent and compare very favourably to the income that members receive upon retirement.

Most members of state schemes can more

or less expect a situation of 'business as usual' when they retire. For teachers who have joined the profession after the doors of the state schemes were shut, the situation is much more complex, and generally less favourable.

This doesn't necessarily mean they will be worse off in retirement. It just points to the need for timely and informed financial planning.

Fixed incomes with limited potential for extra earnings

Dentists have a time-tested formula for increasing their income: 'Increased billing through more drilling and filling!' In their line of work, things are simple: if you work more, you earn more. This is obviously not the case with teachers.

True, you can perhaps earn a little extra money with extra-curricular activities, but your income is more or less fixed by externally determined pay scales. This means that your income will only increase in line with these pay scales (including their provisions for experience gained, promotion and consumer price index shadowing), and any 'improvements' made to them as a result of collective bargaining.

Being on a fixed income does have its benefits, especially in terms of the security and the ability to budget that it provides. It can, however, sometimes lead to a bit of complacency as you get used to money coming in regular as clockwork. Limited opportunities to earn extra money also mean that you will have to set out a very clear agenda on how this fixed income will meet your present needs and can also be utilised to provide for your future lifestyle.

There are of course moves afoot to make teachers' salaries performance-related. This is obviously quite controversial and could take some time to be fully implemented, if it ever gets the go-ahead. This means that the above statements about teachers having relatively fixed incomes should hold true for some time to come, and that it would be prudent to retain it as one of the presuppositions when discussing financial planning for teachers.

Widely varying incomes for a minority of teachers

It is obviously not the case that all teachers are on fixed incomes. Many teachers work on a casual basis which means that their 'take home pay' can sometimes be substantially more than that of formally contracted teachers. In these cases, the higher income is offset by the fact that casual teachers often have to forego some of the fringe benefits that are normally associated with a permanent position.

Casual teachers should therefore guard against a false sense of security that may come with a relatively high income by making sure that they have solid strategies for the long-term and provision for emergencies in place.

Financial conservatism

Many teachers see teaching as a life calling and therefore spend their whole career in the profession. Working for a salary is therefore the only means of income generation that they experience throughout their working lives.

As a general observation, members of the teaching profession do not routinely manage large amounts of money as business people would typically do. As a consequence, they are generally quite conservative (some would say complacent!) when it comes to financial management.

The need for action: a simple case study

It is a disturbing fact that many teachers are facing an uncertain future in retirement unless they put effective income maximisation strategies in place.

Take Jane, a 35-year-old Newcastle teacher, for example. She earns \$60,000 p.a. and contributes to a 'standard' accumulation fund that many of the teachers at her school belong to. She has accumulated \$40,000 in the fund and adds to it at a rate of \$5,400 per year.

If Jane does nothing to maximise her retirement income (i.e. if she just keeps on contributing the minimum amount and

takes no steps to package her salary etc.), her fund will grow to approximately \$398,013 (in today's money).

It does not take a financial genius to tell you that this is nowhere near enough to fund a comfortable retirement, especially not if she still has a mortgage or other debts to pay off upon retirement. Unfortunately, there are many 'Janes' in the teaching profession, many of whom do not even realise the seriousness of the threat to their long-term financial well-being.

Taking the first steps towards financial independence

The following are some basic suggestions for starting the process of taking control of your long-term financial future:

Do some long term mapping and planning?

The first step in taking charge of your financial future is to get an accurate picture of where you are at and where it is you would like to be heading.

You can do this by asking yourself the following questions:

What are my retirement goals?

The old saying goes that those who aim for nothing hit it every time! Make sure that you do not fall in the same trap when it comes to planning your retirement. All of us have dreams (however undefined they may be) of what we want to see, do and experience after we end our careers. Your dreams may range from the prosaic ('Have enough to enjoy a very comfortable retirement') to the poetic ('Go on some of the classic rail journeys around the world, starting with the Trans-Siberian Express').

Whatever your goals are, you will need the necessary resources in order to realise them. This might be a slightly difficult and strange thing to do, but do your best to determine exactly how much money you will need to fund these goals. A financial planner will be able to help you with this exercise should you get stuck.

Where am I heading?

Your next step should be to determine what your financial position is likely to be if you make no changes to what you are currently doing.

There is no need to try to ‘crunch the numbers’ manually; there are several online tools available that can make the task a little easier. Visit www.wealthadviser.com.au to find out more.

This kind of modelling can sometimes be quite a disconcerting experience but it can also serve as a useful wake-up call since it is likely to show exactly how big the gap between our aspirations and the reality of our current financial profiles may be.

Once you have done your mapping and modelling you will have a much clearer idea of what you will need to retire comfortably, but perhaps not what it is you need to do in order to get there. Some of the things that you should seriously consider doing are listed below.

Make sure that you are properly insured

There are few things that can derail carefully laid retirement plans as effectively as a sudden debilitating illness or accident. It is true that few of us like to think about the likelihood of catastrophic events happening to us, but making financial decisions on the basis of ‘It will never happen to me’ is not a wise move.

Make sure that you spend some time explaining your individual circumstances to a professional, and independent, insurance specialist. He/she should be able to advise you about putting together the best possible portfolio to act as a safety net as you head toward retirement.

Make the best use of the options available to you

As a teacher you generally have several attractive methods (e.g., salary packaging) available to you to maximise your retirement income. Do your best to utilise these methods with the ‘long view’ in mind rather than simply using them to fund current lifestyle choices. For example, it is quite possible to ‘salary sacrifice’ in order to

better afford the car of your dreams.

However, when you consider the potential impact of salary sacrificed contributions on the strength of your super fund, it becomes debatable whether this represents the best possible use of salary sacrifice.

Get professional financial advice

As a teacher you understand the value of approaching challenges in a professional and level-headed way. The same principle should apply to your personal financial situation, as making major life decisions ‘on the fly’ can cost you dearly in the long run.

This is why it is so important to have someone on your side that can take a dispassionate and informed look at your specific circumstances and make appropriate investment suggestions.

You should look for the following qualities in an adviser:

Qualified and experienced: Many people are ready with advice on financial matters.

However not all of them are really able to give it on the basis of a thorough knowledge and understanding of the financial services industry. Make sure that the adviser that you choose is one of those that can!

Unaligned: It goes without saying that you should choose an adviser that does not act on behalf of a specific financial service provider. Your adviser should be able and willing to investigate and recommend the full range of available products, services and investments.

Possess excellent communication skills: The world of financial planning is full of some very complex concepts (and a fair bit of jargon!).

Therefore, you would be very well served by choosing an adviser that can communicate with clarity and purpose.

It is true that getting the best possible financial advice comes with some costs attached.

However, the fact is that professional

advice can make such a significant difference to your long-term financial position that advisers' fees will often almost pale into insignificance.

Some of the things that a good financial adviser should be able to help you with are:

- Super fund selection
- Salary packaging
- Tax planning
- Insurance requirements
- Retirement planning
- Long-term financial strategies
- Advice on specific measures (e.g. 'Transition to Retirement')

As a teacher you have spent years investing in the lives of generations of children. You are probably looking forward to the time when you can enjoy looking back at this legacy while having a bit more time to pursue some of your own aspirations and interests.

A little bit of proper financial planning will help to make this dream a reality. Think of this as a 'stitch in time' and make sure that you do not neglect making it. You will be glad you did!

Take the next step

We trust you enjoyed this publication and found it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

We now invite you to take the next step and meet with an adviser to discuss what it was you were hoping to achieve when you downloaded this handbook and to establish if we can help you achieve your goals and objectives.

Next you will find details on how to book an appointment with an adviser.

We look forward to meeting you soon.

Appointment booking request form

About the Adviser

Please complete the Appointment Booking Request below and scan and email to:

Appointments are available Monday-to-Friday.

Please nominate your preferred day, date and time to meet with us. One of our client services representatives will call you to confirm your appointment.

Our services

Preferred appointment day and time

Day

Date

Time am/pm

Contact details

If you would like us to contact you via email to confirm your appointment or to answer any questions you have, please provide a valid email address for our records.

Email

Your Details

Title

First name

Last name

Mobile



Wealth Adviser

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