



10 Steps to a life of financial freedom

Sonia Gibson

Director | Accounting Heart Chartered Accountants



Contents

Introduction	2
1. Where am I now?	3
2. What's important to me?	4
3. What's my plan?	5
4. Do I understand what is happening with my super?	6
5. Do I need insurance?	7
6. Are my legal documents in order?	8
7. Is bad debt holding me back?	9
8. What do I care about tax time?	10
9. Where can I get help?	11
10. Can I have fun now?	12
RESOURCES	13

Introduction

Strong emotions exist around words like money, budget, investments, debt, finance, insurance, superannuation and estate planning. Whether your reaction is one of excitement, fear, boredom or something in between there is no avoiding the fact that coming to terms with these concepts will provide you with the key to unlocking a secure financial future and the financial freedom you deserve.

Financial freedom is all about having a choice...a choice on what to do in your spare time...where you live...how you spend your holidays...where your children go to school...your quality of life in retirement. We all know that money is no guarantee of happiness, however having 'enough money' will allow you to live the lifestyle you want to live.

“... it is your life and you deserve to live it in the way you choose.”

What is 'enough money'?

What is enough money is for you alone to decide as everyone's definition will be different. The only way to work this out is to ask yourself “what is truly important to me?”

Given the deeply personal nature of your answer I believe that it is an individual's responsibility to understand and be responsible for their financial future. After all, it is your life and you deserve to live it in the way you choose.

If you want to get ahead financially and have one less stress in your life, here are my 10 steps to get you started...



Sonia Gibson | Director | Accounting Heart Chartered Accountants


1. Where am I now?

The first step is to do a stock take of where you are at today. The purpose of the the stock take is to understand what you own, what you owe and what you have in place to protect your assets. Whether you have a little or a lot, you need to know where you stand financially.

The stock take is your opportunity to gather the pieces of paper that make up your financial life, or at least confirm who holds them (for example home title deeds, wills etc.). To start the process you will need to tally your assets and liabilities.

Finish your stock take by locating any insurance or legal documents. These documents represent your risk management and estate plans and are critical to protecting your lifestyle and family.

The list on the right gives you some ideas of things that could be included in your stock-take.

 *I have also created a checklist for you to use in the **Resources** section at the back of this eBook.*



Assets:

- ✓ Home
- ✓ Car
- ✓ Super
- ✓ Bank accounts
- ✓ Investment property
- ✓ Shares
- ✓ Managed funds

Liabilities:

- ✓ Home loan
- ✓ Car finance
- ✓ Personal loans
- ✓ Credit cards
- ✓ Household bills

Insurance & legal:

- ✓ Home & contents insurance
- ✓ Car insurance
- ✓ Income protection Insurance
- ✓ Life insurance
- ✓ Other personal insurances
- ✓ Enduring power of attorney
- ✓ Enduring power of guardianship
- ✓ Will

2. What's important to me?

This really is the most important question and the answer will be unique to you. However, once you have the answer to this question you will know where you want to go in life and then all that remains is to work out how you are going to get there.

What is important to you will be driven by your values. While you may not necessarily be conscious of your values, they not only influence decisions and behaviour, but most significantly provide the framework for the way you live your life. By consciously defining your values you will be able to pin point what is really important to you. My tip is to concentrate on your top three values otherwise your focus will not remain laser sharp. For inspiration on what your values may be take a look at the list below which has been adapted from the Minessence Group's values inventory.

 *There is space in the [Resources](#) section for you to record your values list.*


Achievement	Equality	Loyalty
Animal rights	Faith	Management
Art	Family	Membership
Authenticity	Friendship	Ownership
Being liked	Food & shelter	Patriotism
Caring	Financial security	Relaxation
Collaboration	Financial success	Responsibility
Communication	Giving	Respect
Community	Global issues	Safety
Competition	Health & well being	Self interest
Control	Honor	Sharing
Creativity	Human rights	Status
Discovery	Independence	Tradition
Duty	Integrity	Quality
Education	Joy	Wisdom
Environment	Leisure	Work

“There is no value in life except what you choose to place upon it and no happiness in any place except what you bring to it yourself.”

Henry David Thoreau

3. What's my plan?

I am sure you would have heard the saying “if you fail to plan, you plan to fail.” A plan is what keeps you focused on achieving your goals and will act as the road map taking you from where you are now to where you want to be. Like any road trip, the route you take will certainly change depending on any planned or unplanned detours or extended stop-overs; and similarly the destination may change by choice or something that is completely out of your control.

 *Your plan can be broken down into achieving 4 goals and there are some **Resources** at the back of this eBook to help you get started:*

Goal 1: Balanced Budget

The focus here is making sure that your income can cover the expense of life's necessities. Whether you are established, starting out or starting over a basic budget that balances income with expenses will help keep you focused on what you can and can't afford.

Goal 2: Save

The purpose of putting aside savings is so that your current lifestyle, at least in the short-term, can continue substantially unchanged even if your situation changes. Whether going on holidays, buying a house or starting a family, by building regular savings into your budget you will have comfort in knowing that you have some short term breathing space.

Goal 3: Wealth Creation

If you are more established or in the prime of your income earning years then including wealth creation in your plan is a must for long term financial security. For most this will mean a focus on superannuation or other investing activities. See step 4 for more on super.

Goal 4: Protect

Things don't always go to plan, one of the dreadful “D's” could strike at any moment to leave you in financial ruin. Disability, death, divorce, disagreement, disaster or distress are events that should be factored into your plan and are so important that we will talk about these in detail at steps 5 and 6.

4. Do I understand what is happening with my super?

It is all too easy, particularly when first entering the workforce, to accept the default super fund chosen by your employer, that has the default investment option. It is also easy to lose track of super balances if you have a number of accounts with small balances. After your home, superannuation is likely to be your next largest asset (or in some cases maybe worth even more your home) at retirement so you need to do some serious research and to keep track of your super if you change jobs.

At different times in life things change so it is important to check in on your super from time to time to make sure that you are happy with the various options available. For example a younger person may be happier with taking more risk to get a higher return, knowing they have time to weather the ups and downs of the financial markets, than a person who is nearing retirement needing more certainty with their investment returns.

Finally, and perhaps most importantly with reports that as many as one third of workers are missing out on being paid their compulsory super contributions, check your super statements regularly to make sure that you have received your entitlement. If not, contact the Australian Taxation Office on 13 10 20 to investigate.

8 questions to ask yourself in your super review:

1. Has my employer made the necessary contributions?
2. What fees are being charged by the administrator?
3. What are the income returns of my chosen investment option?
4. What risk is associated with my chosen investment option?
5. Do I feel comfortable with the level of investment return given the associated risks and fees being charged?
6. Is taking out life insurance and/or income protection insurance inside super right for me?
7. Is my expected balance of super going to be enough to provide me with the type of lifestyle that I want to lead in retirement?
8. Do I need to top up my super with some additional contributions?

 *The questions above are also in the Resources section with space to record your answers.*

5. Do I need insurance?

Most people don't think twice about the need for insuring their car or home which are often worth only a fraction of their life time earning capacity. Take a moment to think about what would happen if you were temporarily or permanently no longer able to work or, worse still, if you were to die? The good news is that there are a number of insurances available so that you/your family can continue to enjoy your lifestyle, being:

Income protection insurance

This type of insurance is taken out to cover living expenses in the event you are not able to work due to illness or injury.

Critical illness or trauma insurance

Critical illness/trauma insurance is paid out as a lump sum payment if you are diagnosed with a critical illness such as cancer, stroke, heart attack, etc. The purpose of this type of insurance is to repay debt and/or cover living expenses during the recovery period.


Total & permanent disability insurance

This insurance is paid as a lump sum payment if you are no longer able to work due to an accident or serious illness. The purpose of this type of insurance is to repay debt, pay for home modifications, provide for ongoing care and/or invest to generate income to meet future living expenses.

Life insurance

This is paid out as a lump sum on death. How a lump sum payment will be used will depend upon the situation. However one example is for the insurance proceeds to be used to pay off a home mortgage so that the surviving spouse can live debt free.

The types and amount of insurance needed will be different for everyone and will depend on such things as your age, income, debt levels and number & age children. Insurance is something that should be reviewed from time to time as your circumstances change.

 *Get started on reviewing your insurances using the checklist in the [Resources](#) section.*

6. Are my legal documents in order?

Having the right legal documents in place lets you still have your say when circumstances prevent you from doing so. Common documents to have in place are:

Will

This document lets you decide who receives your assets. When preparing a will you might also consider preparing:

Superannuation binding death nomination

This document binds the trustee of your super fund to pay your super account balance to the person nominated by you. Not having the nomination in place means that decision on who is to receive the payment is made by trustee of the fund **even** if you have a will in place.

Enduring power of attorney

An enduring power of attorney is a document that allows you to appoint one or more others (either jointly or individually) to make financial decisions on your behalf if you are no longer in a position to make decisions for yourself. It is imperative that only trusted people are appointed as attorneys as they have the power to sell property and other assets as well as gain access to bank accounts just as you would.

Enduring power of guardianship

An enduring power of guardianship allows you to appoint one or more others (either jointly or individually) to make personal, lifestyle and treatment decisions on your behalf if you can no longer make the decisions for yourself. Again only trusted people should be appointed.

Like super and insurances your legal documents are should be reviewed from time to time and be updated as your life evolves.

 *You can use the checklist in the [Resources](#) section as a start point for your legal documents review.*


7. Is bad debt holding me back?

It is difficult to get ahead financially and to build a plan for the future if there is bad debt hanging around. Bad debt means debt that has a high interest rate, not tax deductible or not for a capital appreciating asset such as a mortgage on a primary residence. A great example of bad debt is credit card debt. When it comes to credit cards the ideal situation to be in is where the debt can be paid in full when it becomes due. If this is not always possible then the aim is to pay credit card debt off as quickly as possible and then get into the habit of paying it off each month.



“There are only 3 reliable ways for getting out of debt – earn more, spend less or a combination of both.”

There are only 3 reliable ways for getting out of debt – earn more, spend less or a combination of both. Earning more money may come in the form of a second job while some ways to reduce spending are to look at non-essential household services. A review of pay-tv & net streaming services, telephone & plans and internet plans may also uncover some savings.


 Use the checklist in the [Resources](#) section to identify ways you can start eliminating your debt.

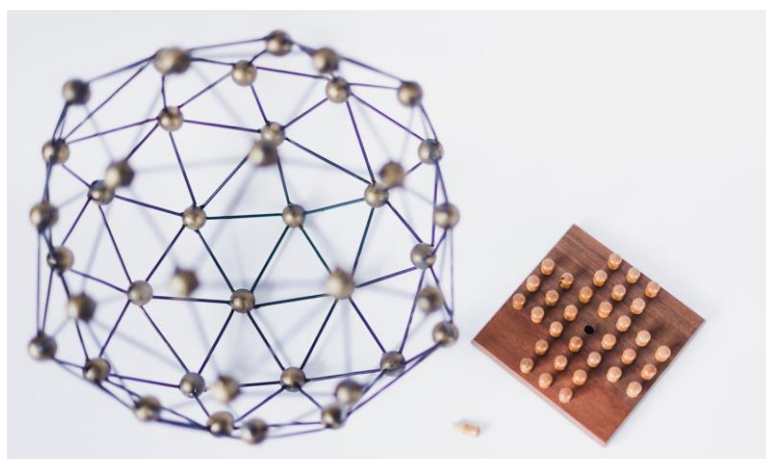
8. What do I care about tax time?

I am yet to meet anyone who enjoys tax time and most find it puzzling, at best. However, staying on top of your taxes does have the benefit of contributing to a good night's sleep. Having one or more outstanding tax returns can be very stressful, particularly if you know that you will have tax to pay. The reasons for not lodging a tax return can be many and varied, from just not getting around to it, to relationship break-down, to illness, to an inability to pay the taxes due or a belief that someone else is doing it on your behalf.

The penalties and interest on unpaid taxes can run into tens of thousands of dollars so it is imperative to stay up to date. Even if you are due a tax refund and think it doesn't matter, the Australian Tax Office (ATO) may issue penalties of up to \$850 for each over due tax return and take you to court!!

The good news is that if you find yourself in the situation where you are behind in your taxes, for genuine reasons beyond your control, the ATO will often reverse any interest and penalty charges. The ATO will also enter into payment arrangements, (subject to meeting their terms and conditions) with anyone having difficulties in paying their tax debts. This means that lodging a return is a better option than incurring fines and additional interest than not lodging because the tax can't be paid in a lump sum. Finally, the ATO will consider a total release of tax debt in cases of severe financial hardship.

 Use the checklist in the [Resources](#) section to start getting on top of your tax obligations.



9. Where can I get help?

Doing internet research is a great way to get a general overview of a particular issue or subject matter and is also a way of checking if what you are being told stacks up or if you need to ask more questions. However, this is no substitute for good quality professional advice that takes into account your unique situation. Sometimes you don't know what you don't know until it is too late. No one professional advisor is going to be able to advise you comprehensively on everything, which is why you need a team of professionals which will include:

- ✓ Accountant
- ✓ Financial planner
- ✓ Lawyer
- ✓ Mortgage broker

Ask questions

I have seen all too often the unfortunate financial consequences of documents being signed or investments being entered into which haven't been understood by the people entering into them. So when it comes to your finances ask lots of questions – the only stupid question is the question not asked and if you are having trouble getting answers to your questions ask why. It could mean that you need to change advisors.

- ✎ *Use the review checklist in the [Resources](#) section to start thinking about who you have and need on your team.*



10. Can I have fun now?

Well of course you can!! Ultimately that is what this eBook is all about. It is about having your financial life well organised so that you can get on with doing the things that you love to do without any worries. Let's face it, delving into the detail of planning, budgeting, saving, super, insurance, tax etc., just isn't that exciting. These things are only a means to achieve what is really important to you and most importantly what brings you joy.

“Wealth is the ability to fully experience life.”

Henry David Thoreau



RESOURCES

My Stock Take

Record your assets and liabilities here to work out your net worth:

Assets	\$	Liabilities	\$
Home		Home loan	
Car		Car finance	
Super		Personal loans	
Bank accounts		Credit cards	
Investment Property		Household bills	
Trusts/managed funds		Other	
Other			
Total		Total	
Assets less liabilities = \$			

INSURANCE & LEGAL

Locate the following documents and tick them off the list as you go:

- Home & contents insurance
- Car insurance
- Income protection insurance
- Life insurance
- Other personal insurances
- Enduring power of attorney
- Enduring power of guardianship
- Will
- Other

My Values

Using the list on page 4, tick the values that most apply to you and then write your top 3 here:

1. _____

2. _____

3. _____

My Plan

GOAL 1: Balanced budget

The [ASIC](https://www.asic.gov.au) website has a great budget planner tool that you can use online or as a spreadsheet that you can download

<https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/budget-planner>

GOAL 2: Save

After reviewing my budget I can afford to save \$_____ each week/month (it doesn't matter how small this amount is as long as you can afford it)

- I have set up a scheduled payment to a dedicated savings account to help me commit to a savings plan

GOAL 3: Wealth Creation & GOAL 4: Protect

- Review your stock take
- Make an appointment to speak to your trusted advisor (accountant, financial planner or lawyer) to co-ordinate the drafting of the plan between the professional areas

My Super

8 questions to ask yourself in your super review:

1. Has my employer made the necessary contributions?
1. What fees are being charged by the administrator?
2. What are the income returns of my chosen investment option?
3. What risk is associated with my chosen investment option?
4. Do I feel comfortable with the level of investment return given the associated risks and fees being charged?
5. Is taking out life insurance and/or income protection insurance inside super right for me?
6. Is my expected balance of super going to be enough to provide me with the type of lifestyle that I want to lead in retirement?
7. Do I need to top up my super with some additional contributions?

My Insurance

INCOME PROTECTION INSURANCE

1. Do I have cover? Yes/No
2. How much cover do I have/need? \$_____
3. Is it enough? Yes/No
4. Do I need to review with my financial planner? Yes/No

CRITICAL ILLNESS OR TRAUMA INSURANCE

1. Do I have cover? Yes/No
2. How much cover do I have/need? \$_____
3. Is it enough? Yes/No
4. Do I need to review with my financial planner? Yes/No

TOTAL & PERMANENT DISABILITY INSURANCE

1. Do I have cover? Yes/No
2. How much cover do I have/need? \$_____
3. Is it enough? Yes/No
4. Do I need to review with my financial planner? Yes/No

LIFE INSURANCE

1. Do I have cover? Yes/No
2. How much cover do I have/need? \$_____
3. Is it enough? Yes/No
4. Do I need to review with my financial planner? Yes/No

My Legal Documents

WILL

1. Do I have one? Yes/No
 2. Is it current? Yes/No
 3. Does anything need to change? Yes/No
-

4. Do I need to review with my lawyer? Yes/No

SUPERANNUATION BINDING DEATH NOMINATION

1. Do I have one? Yes/No
 2. Is it current? Yes/No
 3. Does anything need to change? Yes/No
-

4. Do I need to review with my lawyer? Yes/No

ENDURING POWER OF ATTORNEY

1. Do I have one? Yes/No
 2. Is it current? Yes/No
 3. Does anything need to change? Yes/No
-

4. Do I need to review with my lawyer? Yes/No

ENDURING POWER OF GUARDIANSHIP

1. Do I have one? Yes/No
 2. Is it current? Yes/No
 3. Does anything need to change? Yes/No
-

4. Do I need to review with my lawyer? Yes/No

My Debt

1. Car finance \$ _____
2. Personal loan(s) \$ _____
3. Credit card 1 \$ _____
4. Credit card 2 \$ _____
5. Credit card 3 \$ _____
6. Other? \$ _____

Is there a way I can pay more off my debt repayments each month?

Is there a way I can earn more money to pay off my debt quicker?

Looking at my budget, is there any way I can reduce my spending?

My Tax

Is my latest tax return lodged with the ATO? Yes/No

If not, what steps do I need to take to lodge the latest return?

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Do I need to speak to my Accountant? Yes/No

What questions do I need to ask?

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

My Team of Professionals

If you do not have any of the following, I'd suggest asking for recommendations from colleagues, friends and family.

I'm also happy for you to contact me (sonia@accountingheart.com.au) if you'd like to be put in touch with any of my trusted connections – no obligations or referral fees are involved.

Lawyer Yes / No / Need to review

Financial planner Yes / No / Need to review

Mortgage broker Yes / No / Need to review

Accountant Yes / No / Need to review



About Sonia Gibson

As a child I loved solving puzzles – particularly those that had anything to do with numbers, so it is only natural that I became an Accountant.

I completed my Commerce Degree with The Australian National University in 1993, qualified as a Chartered Accountant in 1998 and have held various roles in public accounting firms and senior finance positions with large corporations. This experience has developed my skills in understanding the numbers that drive business success and has taught me the value of taking a holistic view of the financial affairs of my clients.

I am the founding Director of Accounting Heart Chartered Accountants where we understand the role and importance of the heart in financial matters. I provide specialist services in the areas of accounting and taxation for businesses, individuals, SMSF's and trusts, in addition to a range of specialty services including business growth advisory.

If you enjoyed reading this eBook you can:

- Follow Accounting Heart on [Facebook](#)
- Visit <http://www.accountingheart.com.au> for details on our services
- [Subscribe](#) to our news updates
- Email me at sonia@accountingheart.com.au or call +61 2 9528 0257

Content contained within this eBook is general information only and is not advice of any sort. No warranty or representation is provided by the publisher of this eBook as to the accuracy, currency or completeness of the information contained in this eBook or on any related sites or external sites that have hyperlinks to or from this eBook. Readers of this eBook should not act or refrain from acting in reliance upon any information contained herein and must always obtain appropriate accounting and / or other advice as may be appropriate having regard to their particular circumstances.