

Thought of the Month

It's Not What You Earn But What You Save

It's easy to think that a large salary or windfall is necessary to accumulate substantial savings. However, many people who earn large salaries reach retirement with little to show for all the income they have earned over the years.

People on average incomes can and do save very successfully to make their money work harder. Indeed, it is often people on average incomes who have learnt the discipline to save. Over time, those savings can become a sizeable amount.

To get your savings working harder for you, you could:

- Take a hard look at your bills, to see how you have been spending your money and where you can cut down!
- Identify your medium to longer term personal financial goals.
- Make a realistic but firm budget to help you work out your savings capacity.
- Determine an amount that you could set aside each month for your future benefit.

It is harder to save during some stages of life than others, such as when you have debts like a mortgage to pay, but as a guide, you should aim to save 10% of your net income. For example, on a salary of \$30,000 pa, saving 10% of your after-tax income is \$227.00 per month. Earning 7% pa*, your monthly \$227.00 will grow to \$15,350 after five years and \$34,860 after 10 years. If you can't save 10% then set aside what you can afford on a regular basis.

For many, the key to effective saving is to pay yourself first. Have a portion of your salary paid into a separate account, or have the money direct-debited from your account into a separate savings account or a managed fund. If you don't see it, you won't miss it as much.

If you have any queries relating to the above, please contact People's Choice on (08) 9489 2740 or by email on corpsuper@peopleschoicecu.com.au.

*Assumes compound investment return of 7% pa net of fees, charges and expenses. Example used is for illustrative purposes only.

Source | IOOF

Disclaimer

Financial Solutions Australasia Pty Ltd (ABN 36 008 939 599, AFSL 244308), a 100% owned subsidiary of Australian Central Credit Union Ltd registered office 1st Floor, 431 Robert Road, Subiaco WA 6008, did not, in preparing the information contained in this newsletter, take into account the investment objectives, financial situation or needs of any particular investor. Before making any decision regarding the acquisition or disposal of a financial product on the basis of such information, you need to consider whether it is appropriate in light of your needs, objectives and financial circumstances. It is advisable that you obtain professional independent financial advice before making any decision based on the information provided. If the information provided relates to the acquisition or possible acquisition of a financial product, you should obtain a copy of, and consider, the Product Disclosure Statement for that product before making any decision about whether to acquire the financial product. Neither People's Choice Credit Union or its directors or employees give any warranty, make any representation as to, or accept responsibility for, the accuracy, reliability, timeliness or completeness of the information in this newsletter. No responsibility is taken for persons acting on the information provided. Persons doing so, do so at their own risk. No part of this newsletter may be reproduced without the written permission of People's Choice Credit Union.