Keeping in Touch

January 2020

New Year, New Job – What's your resolutions?

New year is a great time for making lifestyle changes, however, for resolutions affecting your financial health, there's often no better time than when starting a new job.

Along with changes to your daily routine that come with a new job can help you put in place positive changes for your finances too. Here are some useful tips:

Plan around your pay cycle
While most companies pay monthly, it may be at a different time to what you're used to. Updating your direct debits and bill payments to reflect any change in pay dates is a good time to look at what you're actually paying for and whether savings can be found.

If your new job pays fortnightly, this is a great opportunity to modify your mortgage repayments. Paying half your monthly mortgage as a fortnightly repayment lets you squeeze in one extra monthly repayment each year – potentially saving thousands in interest over the course of a loan.

Don't waste a pay increase
As job changes sometimes come with a pay increase, there are also opportunities to save more while maintaining the lifestyle you've become accustomed to. One of the most tax-effective investments is making additional concessional contributions into your super. Using your before-tax pay, it's usually taxed at just 15 per cent instead of your marginal tax rate.

Individuals may contribute up to $25,000 during 2019/20 as concessional contributions to super.

Check your Insurance
As you move through your career, priorities change and with a mortgage and children comes the need to protect your income. Changing jobs is a chance to check your insurance – inside and outside of super – and make sure it matches your financial situation.

Seek professional financial advice
A financial adviser can help with a new budget based on your new salary along with investment strategies to ensure your new job gives you a boost today, and in the future.

Superannuation
With many people predicted to have more than 10 jobs in their lifetime, having a super fund that can move with you from job to job and into retirement has never been more important. After all, losing track of just one super fund can cost you thousands in retirement.

Not all super funds can do this though, and once you've done your homework to find the fund that best suits your investment profile and insurance needs at the right cost – it's often a good idea to stick with it. This gives you peace of mind throughout your working life that your retirement savings won't get lost and you won't be paying unnecessary tax and fees when the time finally comes to retire.

There are other considerations, too, when looking at your super arrangements between jobs.

Most plans have different default insurance. If you roll your super from one fund to another, your existing insurance will usually lapse when you do so, while your new fund may not provide the cover you need or expect.

Moving from one fund to another may trigger a capital gains tax liability up to 15 per cent on your investment earnings inside super. Staying with the same fund however can mean your super is tax free when you retire.

Tax isn't the only cost when moving between funds. There are transaction costs associated with selling and buying underlying investments, which you need to be mindful of when transferring to a new super plan.

If you're a 'Choice' member – that is, you've actively chosen where you want your super invested, changing funds may mean your previous options are no longer available, and this could have a significant impact on the growth of your super.

For help with your super, savings and more, contact your professional financial adviser today.

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