FINTOR
YOUR FINANCIAL MENTOR

Cashflow Management

THE PROCESS OF KNOWING WHAT YOU EARN, HOW YOU EARN IT, WHAT YOU SPEND AND HOW YOU SPEND IT!

Cashflow Management

Know what you want & then achieve!

Cashflow Management at its core allows both you and your adviser to understand what you earn, how you earn it; what you spend and how it is spent.

Cashflow Management is our first building block to achieve your version of financial security!

By understanding your income sources and spending habits, we are then able to truly consider and design a financial structure to create flexibility and allow your finances to adapt to your changing circumstances and to achieve your goals and aspirations.

This advice will provide you with a clear understanding of how you're tracking financially on a day to day basis. We achieve this through our recommendations which provide you with the foundations to clearly identify your progress, whilst creating flexibility within your finances to meet the challenges of everyday life.

The flexibility achieves reductions in any loan interest, increases interest earnings, enables and optimises the potential for future and current tax savings; whilst allowing you to separate monies for their given purposes i.e. holidays.

By creating this flexibility a clear indication of your progress and the ability to continually optimise your finances will give you the advantage to make the most of opportunities presented.

Importantly, our Cashflow Management advice will combine your needs and our knowledge of beneficial strategies to deliver a situation that meets your goals in an optimal manner. It incorporates budgeting and savings and aims to keeps you accountable to your financial future through a streamlined banking structure and a state of the art ongoing management system.

CASHFLOW MANAGEMENT
& Advice

Developing your understanding of core Cashflow Management fundamentals is crucial when designing any lasting and beneficial financial plan.

Cashflow Management considers your earnings capacity, your spending habits, your debts and how to best optimize these factors to reach your financial goals and aspirations.

Without knowing these aspects, how can you make sure you reach your financial peak and can endure life's challenges?

All advice benefits from Cashflow Management!

Knowing what you earn, how you earn it, what you spend and how you spend it provides our advice with an accurate picture of your lifestyle and savings capacity. This knowledge allows our advice too:

- **Identify your lifestyle expenses**
- **Capture goals and objectives that are truly important to you**
- **Visualise strengths and weakness' in your financial structure**
- **Establish your savings capacity to afford Wealth Protection & Creation strategies.**
- **Create a robust foundation which our advice and your wealth can build from**

Clearly identifying your earnings capacity, habits, debts and lifestyle expenditure continually improve how our strategies protect and create wealth to deliver the lifestyle of your dreams!

What are your habits?

Your habits contribute greatly to how we design your finance. If we know how you like to control things, our advice can cater for this when transitioning between what was and what will be.

This aides our advice in delivering a beneficial outcome that you will have confidence in, creating the understanding and trust need to ensure the strategy is accepted long term.

Please think about how you have set up your finances:

i.e. do you have separate accounts for holidays, spending, saving, kids schooling etc?

Secondly, how is your debt positioned? I.e. credit cards, personal loans, car loans, home loans, investment loans etc.

Cashflow creates lifestyle!

Life is worth living, but sadly most of the goals and aspirations we have require savings. So, consider how you can best design your financial position to make the most out of every dollar!

Cashflow Management structures your finances to easily identify when you reach certain targets, allowing you to visualize when you achieve your goals. This helps to keep you on track and hopefully fulfill those experiences you thought you could not afford.

Know what you want & then achieve!

So what are the big ticket items that you would like to do?

Now | 3 years | 5 years | 10 years?

Our advice can help you build a plan to achieve your goals!

Cashflow Management
Is it a budget?

Essentially, Cashflow Management needs to accurately depict what you earn and spend, but the need to ensure 100% commitment to a budget is not necessary.

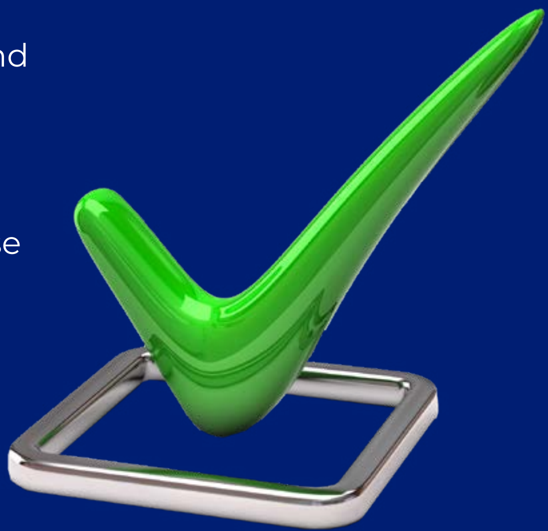
The strategy essentially provides you with required parameters on what is needed to reach your goals and aspirations. It then actively structures your finance to create additional savings and efficiencies, which can either be utilized towards lifestyle or to create wealth!

The only time Cashflow Management would actively consider encompassing a budget is if there was a clear need. But with everything Fintor does, the reasoning, benefits, costs and negative aspects will always be clearly explained before entering into any new piece of advice or strategy.

Our advice will demonstrate the significant benefits to effectively controlling your expenses and using the income you earn more effectively!

How Fintor can Help Your Budget!

- Leaning how to apply your budget
- Teach you how to create a realistic budget
- Identifying the present cost of your lifestyle
- Learning how to limit discretionary expenses
- Teach you how to structure your banking to make saving easy
- Automate your Savings
- Finding products and solutions to reduce
- Identifying possible tax minisation strategies to increase savings
- Teach you how to track your progress



We provide professional help to creating a budget to take control of your day to day spending to achieve your goals!

The nuts and bolts of budgeting

The best way to take control of your finance starts with a budget. It is a streamlined and easy process at your disposal that helps you understand your cashflow

It's about Knowing what you earn, how you earn it, what you spend and how you spend it!

A budget shows you if you are spending more or less than you can afford relative to your goals and objectives by providing you with a clear direction on how you should spend your money. Budgeting can also help to eliminate stress caused by trying to stay on top of the costs of daily living and the finances needed to reach your aspirations!

State of the art software to help your budget

Fintor utilises state of the art software that is imbedded into our advice process, strategies and financial reviews. The combination of these attributes makes implementing our recommendations easy and effective. The software will provide you with:

One complete and single view of your financial information.

Net Wealth Snapshot & Progress Reports

Detailed transaction listing & report options

Goals and Objectives trackers

Budget monitoring and alerts (email only)

Comprehensive live & automatic budget planner

The choice you need to make is if you would like to adjust your current lifestyle to meet your goals; or consider strategies which allow you to continue your expenditure, but create additional savings through implementing effective strategies for your personal situation.

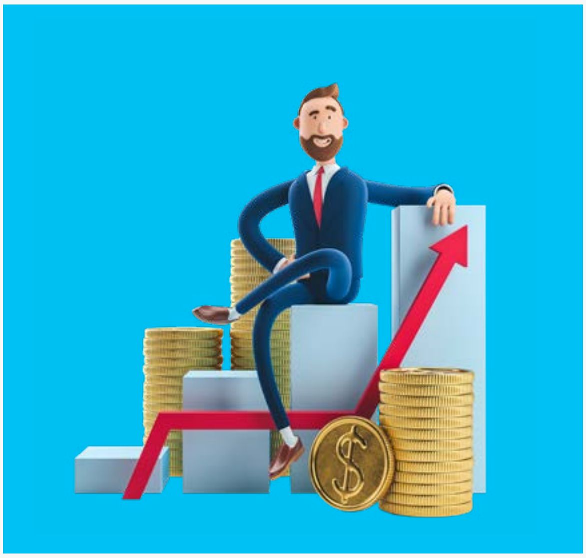
Our advice will help you maintain the life you live today, and create strategies that will benefit your savings and financial future!

Strategies To Repay Debt

If you want to repay your debt faster a strategy as simple as keeping up with or making extra repayments on your loans can repay your debt faster. Its repayment will save you money in interest payments and has the ability to reduce financial stress by taking the load off your shoulders. This isn't rocket science though!

So how can a financial planning team like Fintor help with the biggest expense most Australians will encounter in their lifetime?

Fintor specialises in helping Australians put in place beneficial strategies to become debt-free. We do this by showing you how to transform your debt from being a liability into an asset! If you've ever thought "I need help with my debt", RSM Financial can help!



CONVERT NON DEDUCTABLE INTEREST INTO DEDUCTABLE!

Repaying your debt and positioning it effectively for tax purposes is one of the best tricks in the book to save money and create wealth! This strategy can increase your income and wealth with minimal effort, whilst allowing you to reach a debt free position sooner than you thought possible.

REFINANCE YOUR LOAN

Refinancing is one of the easiest ways to lower your repayments and secure the best loan facility to help with a long-term debt solution. It provides the ability to save interest, pay off your loan and considerably reduce the total interest payable. By having the right loan structure in place, our advice can consider strategies that use tax minimisation to enable greater savings, thus greater repayments. Potentially enabling a situation whereby your debt free in half the time.

FORTNIGHTLY REPAYMENTS

Consider making payments to your lender every two weeks instead of the regular monthly payment. This will accomplish three things:

- Less interest will accumulate, because your payments will be applied more often.
- Applying fortnightly payments for the duration of the loan could shave off several months off the loan term.
- As there are 26 fortnight payments in a year, compared to 12 monthly payments the additional 2 fortnightly payments create an additional monthly payment per annum.

Remember to make sure your lender does not penalized you for making any extra payments or paying off the loan balance early.

ROUND UP YOUR REPAYMENTS

The increased monthly contributions you make create additional interest savings when repaying your loan. Similar to fortnightly payments, you don't need a lot of extra funds to knock a few months off the term of your loan. For instance, if the interest payment due is $163.12, but you chose to round it up to $200. This conscious decision adds an extra $36.88 per month. After 12 months that's an extra $442.56.56 or almost three additional payments

FIND EXTRA MONEY

An additional part-time job or any redundant items or belongings you have may be of value to someone else. Selling items such as clothes on eBay, books on Amazon can add the extra funds needed to pay down your loan. Small amounts like $20 here and $12 there might not seem like a lot, but they definitely add up. Especially if you're trying to repay a small personal loan

Paying the loan off early

Paying off any loan or credit card debt early will inevitably save you money but make sure you're aware of any fees or charges before for doing so. Repaying the debt early not only reduces interest and overall term of the loan, but can also have physiological benefit by reducing financial stress

Knowing this benefit, would you like advice on the most optimal repayment strategy? ☐

Reducing Debt

Debt can be a costly liability; learn how to make it into a valuable asset!

Cashflow Management is about considering your existing debt and how it can be manipulated to provide cost savings, a financial safety net and an additional income source. How you view debt may be the difference between hardship and financial success but educating yourself on key financial concepts is key to eliminating risk.

Remember, loans and debt should always be considered a risk!

Structure Your Debt Effectively

How you structure your debt will ultimately determine how flexible your loans are but importantly, identify the purpose of the loan and ensure that any deductable expenses are isolated to ensure their maximum benefit.

Fintor take this a step further and separate your loans into compartments or silos to match your debt reduction goals, the tax deductibility of the loan and an appropriate safety net. The repayment and interest types are customised in accordance with your stated goals and objectives.

Loans that utilise the equity in a property are some of the cheapest and most flexible on the market. Many providers will allow you to have up to 10 loan splits under the one property, with most Australian banks allowing you to borrow up to 80% of the property's value without additional costs.

Case Study of Matt & Kate

Matt & Kate are ordinary Australians who both earn a modest income each and have an ambition to own their own home. The couple have never sought financial advice but Matt has been reading the "Bearfoot Investor" and is aware that repaying your debt efficiently can lead to big savings so they ask for help.

Matt & Kate ask Fintor for help to save interest and reduce their debt as effeciently as possible. Kate would like to make sure that a safety net remains available and doesn't want to use any cash assets to repay the loans. Matt & Kate would also like to consider investing in the future and have requested that this objective be taken into account.

Matt & Kates Finances

Loans

Home Loan P&I 3.85%	$350,000 $1,750 P/M
Renovation Loan IO 4.25%	$147,000 $521 P/M
Car Loan P&I 6.7%	$17,000 $550 P/M
Credit Card P&I 19.85%	$4,000 $100 P/M
Personal loan P&I 9.95%	$8,000 $200 P/M
Total Debt	$526,000.00
Total Monthly Repayment	$3,121

Assets

Principle Residence	$980,000.00
Joint Savings Account	$7,153
Superannuation	Matt $65,000 Kate $38,500
Matt Shares	$12,500
Kate Bank Account	$22,500
Matt Bank Account	$12,500

Fintor restructure Matt and Kate's debt to consolidate the credit card and home loans into 2 seperate loans held against their home. The car loan is also refinanced against the property.

Additional borrowing capacity of up to 80% of the home's value is obtained for the purpose of a safety net and all repayments are maintained. The benefits of structuring their debt effectively is:

New Loan Strucure

Home Loan P&I 3.85%	$497,000 $2,271 P/M
Credit Card & Personal Loan 3.85%	$12,000 $300 P/M
Car Loan P&I 3.85%	$17,000 $550 P/M

Total Borrowing capacity	$780,000.00
Total Debt	$526,000.00
Total Monthly Repayment	$3,121

- Saftety net of $244,000 created
- Interest saving $172,080 over the life of the loan.
- Ability to repay 100% of their loan 6 years earlier

Offsett Accounts

Offset accounts are similar to your normal everyday savings or spending account, but with one big advantage. The money held in this account offsets the balance of your mortgage and this reduces the interest you pay each month. Effectively, offset accounts act in the same way as a redraw facility attached to a loan, but with one big difference, the loan is never repaid!

Offset Accounts - A benefit in more ways than one

Now think into the future. If you were in a financial position where you could keep your family home as an investment property and purchase a new family home to accommodate your changing needs, would you?

Yes is the answer for a lot of people but many dismiss the idea because it seems too farfetched! Now think about retirement.

A benefit most don't consider

Offset accounts never repay the loan but allow you to reduce the interest component as if you had repaid the loan. When you purchase the new family home or are downsizing most people need to borrow more because the debt would be paid off. Consequently, any new borrowings associated with that property are not tax deductible as the purpose of the new loan is for the new primary residence.

However, by using offset monies in replacement of a new loan for the purchase or part thereof it reduces the need to borrow additional non-deductable debt. The purpose of the debt attached to the old primary residence is now tax deductable, as this home has been converted into an investment property.

Why is this a benefit?

As the loan was never reduced due to repayments being held in the offset account, it allows the use of these monies for the purchase on the new family home without added borrowing. The purpose of the loan and property never changed, which converts the deductability of the loan as the old home is used for investment purposes!

If the loan had been repaid, and the monies accessed through a redraw facility, there would be no ability to create a tax deduction. The reason is that when you redraw monies to buy a new home, the purpose of redraw (borrowing money), is for a new principle residence. The tax office view the redrawn monies as borrowing associated with the new property, not the old family home. The loans purpose is not to generate an income and therefore is not tax deductable!

Case Study of Matt & Kate

Fintor suggest to Matt and Kate that they consider the power of offset accounts. In addition, we set Matt and Kate the goal of saving $150.00 per week. Matt and Kate, know that this is achievable from the software provided and the budget they set for themselves. Matt and Kate ask Fintor for advice and help in implementing this course of action.

Assets & New Offset Accounts

Principle Residence	$980,000.00
Joint Offset Acc	$7,153
Superannuation	Matt $65,000 Kate $38,500
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Total Borrowing capacity	$780,000.00
Total Debt	$526,000.00
Total Monthly Repayment	$3,121

- Saftety net of $244,000 created
- Offset Savings in 15 years
- Interest savings of $255,419 over the life of the loan.
- Ability to Repay 100% of the loan 13 years earlier

CASHFLOW MANAGEMENT
& The Power of Advice

Optimising the case Study of Matt and Kate

Matt and Kate ask Fintor to advise them on the best course of action with how they manage their cashflow, budget, banking and loan structure. Matt and Kate already believe they can save $150 per week. RSM Financial professionally analyse their situation and identify their actual lifestyle expenses, savings capacity and the strengths and weakness' in their current financial arrangements.

Resulting from Fintor's analysis, the following suggestions are made:

Create a Budget to maintain their current lifestyle expenses & limit additional discretionary spending

The analysis of their current situation identified that Matt is earning $95,000 per annum plus super as a chippy, and Kate is earning $62,500.00 plus super as a part time nurse. The couple currently spend about $1,250 per week on their everyday lifestyle expenses with a further $1,350 per quarter in household bills. A total expenditure of $70,400.00 per annum which does not include any loan repayments. After Loan repayments and tax the couple have a savings capacity of $14,700.00 per annum or $282.69 per week in year one.

Fintor suggest to Matt and Kate that they consider saving $220.00 per week, plus any additional savings made through the recommended strategies.

Fintor ask Matt and Kate to consider refinancing their home loan to achieve the following:

- Restructure their loan to optimise savings and provide a safety net
- Reduced the interest rate paid on any outstanding debts
- Provide access to multiple offset accounts to structure their banking and automate their budget and their ability to save $220.00 per week.

Fintor seeks the professional knowledge of a mortgage broker to qualify Matt and Kates situation for lending purposes.

Fintor requests the mortgage broker qualify and identify a suitable provider to enable the loan strutuce needed to facilitate the cashflow management plan. We also give the mortgage broker the objective of reducing the interest rate associated with the borrowings.

The mortgage broker qualifies Matt and Kates situation with a company offering an interest rate 0.50% lower than their current bank and more importantly, access to the required features.

Assets & New Offset Acc

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Total Borrowing capacity	$780,000.00
Total Debt	$526,000.00
Total Monthly Repayment	$3,121

- **$244,000 Saftety Net**
- **$213,753 of Offset Savings in 15 years**
- **Interest savings of $288,689 over the life of the loan.**
- **Ability to Repay 100% of the loan 18 years earlier**

Please Note: the projection above should be used to demonstrate the long term benefit of optimising your situation and the importantace of regular reviews to ensure you have the most suitable products available to better your ability to save.
The projections assume no changes in products, interest rates or saving capacity and this would ultimately not be the case over a 15 year time frame. CPI has been applied to both income and expenses. As such, **the projections are for illustrative purposes only and should not be considered personal advice.**

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GET IN TOUCH!

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