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# stop throwing away MONEY

## THE PAPER TRAIL EVERY WOMAN SHOULD HAVE

Would you let 100 dollar notes drift out the window? That untended stack of paperwork might be having the same effect, writes **Melanie Hearse**

If your home office is anything like mine, you no doubt have the obligatory pile of papers and a vague plan to "deal with it" at some undetermined time in the future. (If not, you've earned the right to smile smugly.) I recently came to the end of a filing frenzy, only to find hundreds of dollars' worth of paid medical bills from an overseas trip that my travel insurance would have reimbursed – if I hadn't left it three years to file a claim. Add this to my other misdemeanours: having no idea which of my three insurance companies are for my home and contents, car and health insurance policies, and constantly getting texts reminding me to pay one of those bill thingies I file under "later", which never seems to come around. This was about the point I realised my once a year tidy and tip-out really doesn't cut it as a grown-up.

Financial whiz and master of the personal paperwork domain Claire Mackay is a chartered accountant, certified financial planner and director at Quantum Financial (quantumfinancial.com.au). Mackay says the teetering pile is not an uncommon phenomenon – especially for time-poor women with busy careers and a household to run – but it *is* a leading cause of money trickling out the door. "From paying and filing bills, to having an intimate understanding of your superannuation account, when it comes to personal paperwork, knowledge is key in making the most of your earnings – you've done the hard work in bringing the money in, so make sure it stays in your pocket by knowing where it is going," says Mackay.

### EXPERT TIPS FOR GOOD PAPERWORK HOUSEKEEPING

- Do a "purge and prune" once a year. What you needed to have two years ago may no longer be relevant.
- Maintain hard and soft copies of records for risk management.
- Ensure you keep addresses up-to-date with institutions – there is less chance of losing super, shares or forgetting investments such as bank accounts.
- Keep your will, financial plans and copies of your investments in one place.

"You'd be surprised how often things are incorrectly debited."

## BANKING

### TOP TIP: Eye your statements

When it comes to bank account statements, bills, loans, and day-to-day spending, very few of us get 10 out of 10 for record keeping. Mackay says getting to grips with your banking is essential for getting ahead. "Review your statements before filing them. Once you get into the habit of checking your statements, you will notice how you spend your money and can then identify where to make savings. You'd also be surprised how often things are incorrectly debited, so checking it out means you can have them refunded."

Getting intimate with your financial paperwork can also stop you spending cash you don't have, advises Mackay. "If you refuse to get face to face with your credit card statements, then you may well be in the habit of thinking, 'Oh, I have $2000 extra in my everyday account, I can buy those shoes' – completely unaware of the $3000 going unnoticed and untended on your credit card, which means that $2000 isn't really available."

### WHAT YOU SHOULD DO: Buy folders and make the time

Mackay's tip for everyday banking savvy is to just do it. "There is never going to be a good time, and to be frank, the first tidy up is going to hurt. Start out small and break the jobs up over several days or weeks – 'I will sort this pile into receipts, bank statements, bills and rubbish' – then move into sorting tax receipts into months, checking bank statements, filing mortgage papers and creating a portfolio of insurance policies." Mackay suggests you set up a system that keeps you inspired. "It may sound silly, but if you have great files, folders and boxes for records, it'll make you feel more inclined to keep it up. It also helps to set a regular time each week or month to stay organised – it's the only way to stay financially informed and stop that pile from reappearing." →

## SUPERANNUATION

### TOP TIP: Imagine the money you could be throwing away

Mackay says this is one of the key blind spots when dealing with finances. "It's human nature to be more concerned with the now than the later, which is why so many of us fail to chase up old super accounts – it is money you aren't planning on using for many years. But if you aren't the type to go out into the street and start flinging 100 dollar notes around, then it's time to track down your lost accounts, consolidate them and then keep on top of balances." Back in the days of paper, pen and posted statements, it was hard to unearth old super accounts, especially if you were address hopping and old mail wasn't reaching you. Now it is as simple as visiting a website.

### WHAT YOU SHOULD DO: Roll into one

Visit supertrace.com.au to combine all your old accounts (called legacy funds) into one Eligible Rollover Fund (ERF). "Regardless how small an amount of super you have in legacy funds, it's free to consolidate into one fund and just takes a few forms – your main super fund can help you with this. It may seem like a small amount but it all adds up and you will want every cent in retirement; and besides, you worked hard to earn it in the first place!" says Mackay, adding that a consolidated account is easier and more likely to be reviewed, giving you plenty of time to make additional contributions.

## TAX

### TOP TIP: Set aside an hour a month

Tanya Titman, CPA practitioner and director at Consolid8 (consolid8.com.au), says keeping tidy tax records is a pre and post affair. She says having a good paper trail eases the process of preparing and filing a tax return, and means not missing out on deductions because your receipts have slipped unnoticed into the bin. "If you want to really make tax time easier, keep a summary of information in a spreadsheet or notebook that you update once a month. This is especially important for the self-employed, who need to make sure they are paying or putting away tax during the year. Not having an accurate picture of what you have earned and your business related expenses could make for a bad first day of July."

Once your return is prepared and posted, the Australian Tax Office requires you to keep all your written evidence for a period of five years stemming from the date you lodged it – and to be clear, it's the lodgment date that counts, not the date on the receipts. Titman explains some expenses are claimed almost 12 months after the date they were incurred, and going by the date on those receipts will see you fall short of your obligations, which is why she recommends people keep tax records for seven years to be safe.

### WHAT YOU SHOULD DO: Go digital

Check out shoeboxed.com.au for a great scan-and-save online system that will help you avoid plenty of effort and pain come tax time.

## INSURANCE

### TOP TIP: Know what you're covered for

If you don't know the nitty-gritty of your various policies, you risk being underinsured. Holly Dorber, campaign manager of the Lifewise program, says when it comes to insuring ourselves against the impact of illness, injury or death, 95 per cent of Australians do not have the right level of cover. Reuben Aitchison, corporate affairs manager for AAMI insurance, comments that the average level of underinsurance across Australia is as much as $85,000 for home and contents. "The other issue with the purchase-and-forget method of having insurance is a lack of understanding of what it covers," says Aitchison. As for life insurance, Dorber advises every working Australian is likely to have at least one superannuation fund and, by law, super fund trustees must provide a minimum level of automatic life insurance cover for their members. "Find out what cover you have. If it falls short of your needs, you can purchase additional coverage."

### WHAT YOU SHOULD DO: Read and revise

You need to read the product disclosure statements and ideally pull them out every 12 months to check that they still cover your needs. Rebuilding costs is a prime example – what might have set you back $100,000 to rebuild a year ago may cost twice that much in two years if the price of building materials and labour go up.

## YOUR WILL

### TOP TIP: Keep it up-to-date. Always.

AMP financial planner Andrew Heaven of Wealth Partners Financial Solutions (wealthpartners.net.au) says simply writing a will and randomly filing it away can be pointless. "A will is invalidated either by writing a new one, divorce or if it lapses – meaning you have bequeathed assets that you no longer have. If, for example, I bequeath someone $100,000 but I no longer have that amount – say I only have $20,000 because I have bought a car – then that money will not go to the person it is intended for." Having a will filed alongside your other important papers (and ideally with the executor) means it can be reviewed and updated annually with other documents.

Heaven says it's also important to recognise that superannuation is not dealt with through your will, but by the trustee of your super fund. "As most people have the majority of their wealth tied up in super and the life insurance that is part of their super, they need to understand the tax consequences and ensure it is bequeathed to the individual they want it to go to – and that person should ideally be aware of it so that in the event of your death, they know what to do. We always recommend financial planning advice to go over this, as it can be complicated to understand and very important to get right."

### WHAT YOU SHOULD DO: If your situation is straightforward, try DIY

If your circumstances are complex or unusual (for example, if you have a blended family or an elaborate tax arrangement), seek legal advice to make or change a will. If, however, your situation is fairly simple (say, you're single, with few assets), there are a number of DIY will kits available to buy online, from newsagents or from post offices. They provide a cheap and expedient way of making a will. m