



Principal Class
Advantage

by Frontier Financial Group



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Welcome to our first newsletter for 2015. We hope you have had a terrific start to the year.

With the Easter break coming, this edition of our newsletter is focused on holiday themed articles.

The first article highlights key considerations regarding holiday home purchases. Interest in purchasing a holiday home after relaxing school holiday periods spent away can increase but we need to be aware of potential risks.

We have also included a summary from Dr Timothy Sharp's latest book 'Live Happier Live Longer' about positive ageing.

Our final article is about Volunteering abroad which is a growing trend amongst Australians.

We hope you enjoy the articles and look forward to being in touch with you soon.

Stay safe, happy and healthy.

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Investing in a holiday home

Is it really your great Aussie dream?

It happens every year. You're strolling down the high street of your local beachside town enjoying a long hot summer with the family when a holiday home in the real estate agents' window catches your eye.

And you start thinking: "If we had our own place, we could go there all year 'round and instead of contributing to someone else's financial future we could be contributing to our own".

It's a tempting thought.

That was then...this is now

In days gone by, a second home by the sea might only have been a glorified shack with an outside loo, but it was an integral part of the Aussie dream. And it was pretty cheap so it didn't break the bank.

But fast forward to the present day and you'd be hard pressed to find many cheap and cheerful beach shacks anywhere near a major city.

These days, a holiday house is a major financial investment that's got to work over the long term. And if you're like most Australians, any major financial investment becomes an emotional investment too.

The great dream...

- **It'll be great for the kids**—they will love it and the memories will last a lifetime!
- **It'll be great for your sense of freedom**—you can transform it into the holiday home of your dreams!
- **It'll be great for cash flow**—you could receive a regular income from tenants.

- **It'll be great for your tax bill**—your tax deductions will mount up.
- **It'll be a great way to make money over time**—you could be looking at a decent capital gain if the value of your holiday home increases.

...versus the reality

Before turning your dream into a reality, you should ask yourself what owning a holiday home will **really** be like.

- **Do you want to go on holiday to the same place every year?** Young kids will enjoy the routine. But think about when the kids are older and looking for more cultural experiences.
- **Will you be able to improve the property?** Many holiday homes are part of a body corporate, so:
 - you may not be able to renovate or redecorate easily
 - the value of your property could be affected by other owners.
- **How easy will it be to attract tenants?** Unlike a permanent rental, occupancy rates can fluctuate throughout the year, depending on school holidays, long weekends, public holidays and summer. Plus external factors can also affect bookings, like economic downturns and the high Aussie dollar. So you should ask yourself how attractive the property will be to prospective holiday makers:
 - Is it within driving distance of a major city?
 - Is there a nearby airport?

- Is there an oversupply of similar properties in the area?
- **What are the running costs?** Although many of these are tax-deductible, your rental income could be swallowed up by:
 - cleaning costs every time a tenant leaves
 - body corporate fees
 - agents' fees
 - marketing costs
 - utility bills
 - general upkeep.
- **What sort of capital gain could you be looking at?** Holiday regions can be the first to suffer and the last to recover when the market turns. So it's best to do your homework, buy in the right area and hold onto the property for long enough. And don't forget about stamp duty when you buy the property and capital gains tax when you sell.

A holiday home isn't for everyone. If all you're worried about is your return, there may be better ways to invest your money—a city apartment with a permanent tenant or Australian shares with franked dividends are just a couple of examples.

But if you're looking for a family getaway that will leave your kids with wonderful memories, plus the opportunity to reduce your tax bill, receive some ongoing income and benefit from a potential long-term capital gain, a holiday home could be for you.

Making the decision to buy or not to buy can be complex, so it's important to talk to your financial adviser or mortgage broker before you take the plunge.





Live Happier Live Longer

– Positive Ageing tips from around the world

By Dr. Timothy Sharp

Dr. Timothy Sharp is an academic, clinician, coach and founder of the 'Happiness Institute'. He is an Adjunct Professor at the University of Technology Sydney and at Melbourne's RMIT University.

Did you know, you are more likely to live an extra twenty to thirty years more – another adult lifetime – than your predecessors did, only two or three generations ago? This evolutionary improvement is the gift of a 'third age' – and properly enjoyed, it need not be one of illness or decline, but one of growth, wisdom, maturity and more.

Positive Ageing

Why does positive ageing seem radical? Why does it seem at odds with our view of ageing? Because many of us base our understanding on the universal concept of entropy – the natural tendency for the universe and everything it contains to fall apart, to decline into chaos.

There's an argument to be made that this concept definitely doesn't apply (or at least, doesn't have to apply) to many aspects of ageing – notably, those parts of our lives and physical beings that grow and improve over time, rather than decline and diminish.

So, what are these areas? The gaining of wisdom, maturity, sophistication and the enduring strength of the human spirit. These attributes, can contribute to positive ageing in our gift of a 'third age'. The benefits of

these we may only enjoy once we have acknowledged their existence and actively taken responsibility for them.

Taking positive action and making plans to unwrap the gift we've been lucky enough to be given all feature in my latest book. As the old saying goes, 'If you fail to plan, you're planning to fail', and failing in this scenario has some pretty serious consequences.

Blue Zones

Much of what we know about positive ageing comes from research into the "Blue Zones"; these are towns or regions with significantly higher proportions of healthier older people; relatively more centenarians and less age related illness.

Researchers have studied these Blue Zones, including Okinawa in Japan and Sardinia off the coast of Italy, and they've found a number of common themes for living longer and healthier lives, including:

- A life purpose, a reason for living and for getting up each and every day
- Respect others and value close familial and community ties
- Optimism, a positive attitude for life, laughing often and using perspective to manage stress
- Avoid overeating, consuming a diet high in natural produce with small amounts of protein and 'good fats'

- Keep active in the normal course of daily living
- Live a relatively simple life, with health, wellbeing and relationships taking precedence over possessions
- Adequate sleep and rest, typically benefiting from at least eight or nine hours of sleep nightly, and for some enjoying naps during the day
- Know that happiness isn't just about feeling good but also doing good
- Practice gratitude and appreciation, focusing more on what they have and less on what they don't
- Respect the older generation. Older people are not considered frail, weak or incompetent. Quite the opposite was observed - elders were given greater respect because of their experience and wisdom.

These are things each and every one of us can do too. You don't have to move to Okinawa, Sardinia or anywhere else, because the things that the Blue Zone residents do are not dependent on where they live, but on how they live.

This is an edited extract from Dr. Sharp's latest book ("Live Happier Live Longer – your guide to positive ageing and making the most of life")

Volunteering abroad!

Ever wondered what it would be like to uproot your life and do something completely different?

People of all ages do just that by volunteering abroad. In places like Mongolia, Thailand, Romania, Mexico or Fiji, volunteers are needed every day. You could use your skills and experience on projects from archaeology, journalism, environment, to human rights, teaching, sports and healthcare. Whatever your specialisation, if you have the desire to enrich a community, there is a project for you.

Some people volunteer as a 'gap year' before they get on with career or study, and more people are viewing the opportunity as a way to broaden their career experience or as a personal test for themselves while they do something worthwhile.

And the good news is that many groups place great value on older volunteers. They recognise that with age, comes experience, skills and patience that younger volunteers can't offer. Recent years have witnessed a massive growth in the amount of retired volunteers, with teaching and care being very popular areas¹.

Volunteering is an exciting way to experience a place differently – building a bridge so a community can safely cross a river during high tide is something you won't forget in a hurry!

Getting started

Numerous groups organise volunteer opportunities overseas. Some, like Projects Abroad, actively seek professionals who can make a difference in some of the world's poorest communities.

Your professional association might also organise volunteering trips, including law societies, medical or engineering associations. Use your professional association as a starting point or try some internet research. Check the volunteer group you choose with the Australian government to make sure they're legitimate.

Things to consider

Before deciding to volunteer abroad:

- **Be clear on your reasons.** Know why you want to do it as you'll be putting your life on hold in an unfamiliar place with a complete change in lifestyle and living conditions. Be clear with your organisers why you're doing it – you'll get more from the experience and so will the community you work with. If you're volunteering with another person, be sure your ambitions are well aligned.
- **Research.** Don't leave it up to others to decide where you'll go. Investigate your preferred places, including the political and cultural environment. Will you easily adapt to the culture and living conditions? What are the social norms?
- **Choose carefully.** Look into the group you want to go with. Are they reputable and acknowledged by Australia? Register your travel plans with the Australian government in case you need support. The organisation you choose will have a big impact on your experience so ask for references from past volunteers like you.

- **Organise things at home.** Organise your life at home before leaving. Do you have a power of attorney? Consider how your financial affairs will be dealt with while you're gone. If you've got investments, who will make decisions in your absence? Don't hijack your financial future by ignoring your responsibilities while away, and don't forget to organise your estate plan, including a current and legal will.
- **Safety.** Ultimately your personal safety is your utmost concern. Ask as many questions as you need to be satisfied that the project is safe for you.
- **Follow the advice provided.** Your volunteer group will provide preparation advice and what to do while away. Follow this advice. It could make the difference between enjoying your time and being too ill to perform.
- **Know the costs.** Be clear on your budget. Consider reserving cash for emergencies. And some projects can drain your health so set money and time aside to recover.

Lastly, have fun! Volunteering abroad is one of the most amazing experiences you're ever likely to have so make the most of it. You could really make a difference to a community by being part of their life for a short time. Be open to the experience, give generously of your time and knowledge, and reap the rewards for a lifetime.

ⁱ <http://www.projects-abroad.com.au/why-projects-abroad/older-volunteers/>

