



# ADF Financial Services Consumer Council

## Australian Defence Force Financial Literacy Program in the Workplace



International Seminar on Financial Education and Retirement Savings  
September 2013, Kuala Lumpur, Malaysia

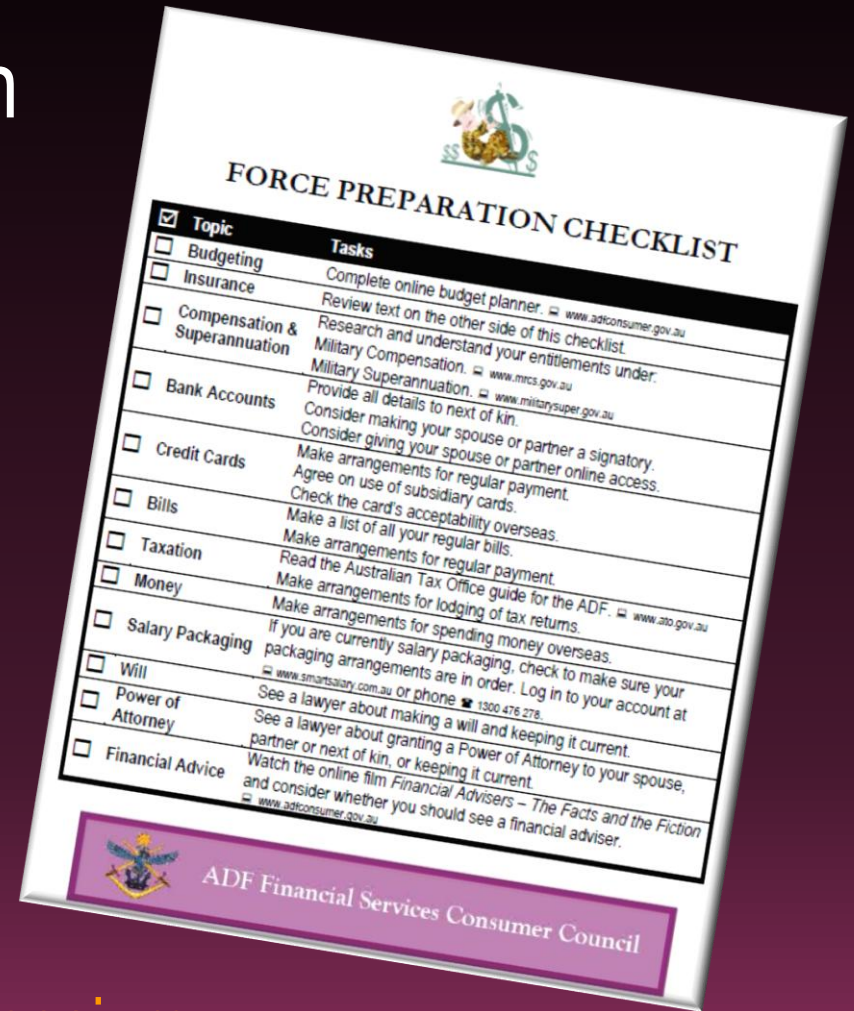


- About the Council
  - Background and previous practices
- Chief of the Defence Force Charter
  - Professional advice
  - Financial education programs and resources
  - Relationships with regulators



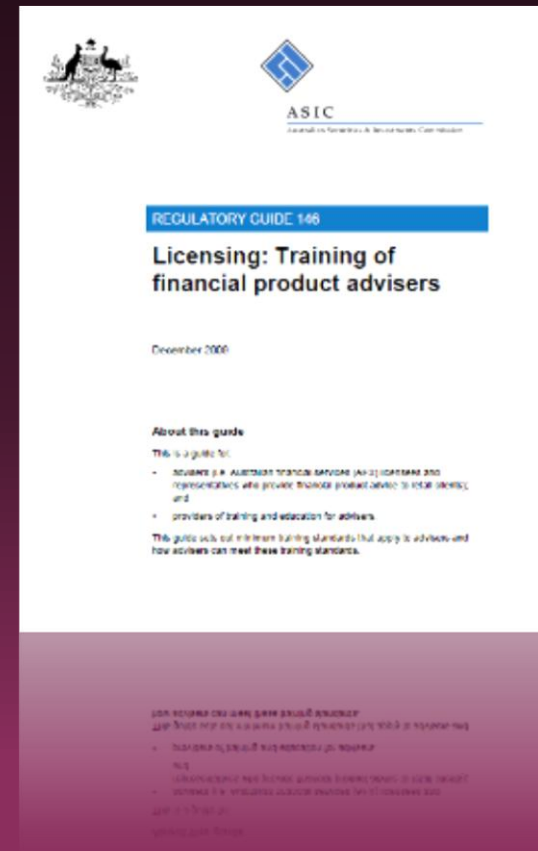
# • ADF Financial Education

- Initial Training
- Force Preparation
- Post Deployment
- Leadership Training
- During Career
- Transition Seminars
- ADF Financial Literacy Symposium





- The programs are about **independent financial education**
  - ✗ no products
  - ✗ nothing to sell
- The programs are **not** about **personal advice**
  - licensing laws





- No **rocket science**.
- The programs are simply designed to make ADF members **think and act**.





## HOW MUCH WILL ADF MEMBERS NEED IN RETIREMENT?



- **Minimum** incomes for a simple retirement:

	<b>Single</b>	<b>Couple</b>
<b>March 2010</b>	\$39,159	\$53,565
<b>March 2011</b>	\$39,852	\$54,562
<b>March 2012</b>	\$40,297	\$55,080
<b>March 2013</b>	\$41,169	\$56,317

*Source: Westpac ASFA Retirement Standard*

- But for ADF members to maintain a standard of living that they desire, the minimum may be **a lot more**.



## HOW MUCH WILL ADF MEMBERS NEED IN RETIREMENT (cont'd)?

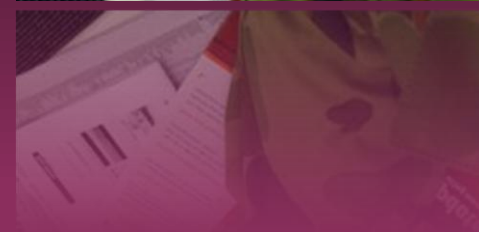
- What are their financial goals?
- Will superannuation and savings be enough?





# BUDGETING

- The foundation for everything.
- The need for financial discipline.
- ADF Online Budget Planner:





ADF Financial Services Consumer Council

HOME VIDEOS E-LEARNING PUBLICATIONS NEWS EVENTS BUDGET PLANNER CHECKLISTS ABOUT US CONTACT US

Welcome to the ADF  
**ON-LINE BUDGET PLANNER**

**PART 1:** Your Income & Expenses

- This will help you to develop your annual income and expenditure budget.
- Enter your figures into the white boxes and the planner automatically calculates totals and sub-totals. You can also change the income and expenses and add new ones.

**PART 2:** Your Personal Assets & Liabilities

- This will assist you to understand your net worth at a particular point in time.
- You should use your best-est mate for asset values or consider consulting a valuer or another professional adviser.
- Cars, boats and house contents (Waste is assumed) should not be included because they depreciate in value and are unlikely to be sold at their original book value.
- Your house is in the balance sheet because you may sell the house to upgrade or finance at some stage in your career.
- Liabilities are entered as negative values and are NOT required.

**PART 3:** Your Financial Independence Estimator

- This will assist you to understand how you're following to achieve financial independence or an ability to slow down or change direction.
- If you have a surplus, you may be well on the way to financial independence. If you have a deficit you may need to consider strategies to get back on track. (e.g. reducing expenses, working longer, contributing more to superannuation).
- This is NOT a substitute for professional advice from a licensed financial adviser or a qualified accountant.
- This is not a static process. Over time you should be updating and refining the plan.

**DEBRIEF // FINANCIAL INDEPENDENCE ESTIMATOR**

Your net worth

What's the value of the house you want to live in when you retire (slow down/change jobs)?

Capital available to invest

Enter the before tax rate of return you think you can achieve on that capital (0.4, 5.5, 6.7, 8, 9, 10%)

Approximate annual return before tax on your investment capital

Your income from ongoing work

Any other income you will receive (superannuation, pensions, government pensions, investment income, etc)

Total income before tax

How much tax each year do you think you will need to pay on that annual income? (How will the ATO view your estimated retirement surplus or deficit)

Total expenses from your income and Expenses from Part 2

Your estimated retirement surplus or deficit

**YOUR FINANCIAL INDEPENDENCE**

**YOUR CURRENT NET WORTH** \$0

**YOUR ESTIMATED RETIREMENT SURPLUS or DEFICIT** \$0

VIEW YOUR RESULTS

**Income from investments**

Income from investments

Net address

Investments

ACT allowance

Other income

Child support

BACK

INCOME

EXPENSES

SURPLUS / (DEFICIT)

DONE



## CONTROLLING DEBT

- Lessons from the recent past
  - **Margin loans** on shares and managed funds (eg Storm Financial)
  - Lenders **increasing debt** levels (eg personal/car loans, home equity loans and credit cards)
  - Retailers' '**interest free**' loan deals – no payments for 3 years



## CONTROLLING DEBT (cont'd)

- Debt is not bad, **just too much of it** (especially on high-risk ventures and for non-growth assets).
- Have a **fall-back** position.
- Consider holding **3 – 6 months' worth of cash** to cover disasters.





## INVESTMENT CLASSES – REAL ESTATE

- Buying for the **investment potential**, not for the tax breaks
- Understanding **negative gearing** and its risks
- **Losing money** on real estate, especially if too much is borrowed





## INVESTMENT CLASSES – SHARES

- Can investors beat ‘**the index**’?
- Should investors actively **manage**, or just ‘set and forget’?



## INVESTMENT CLASSES – CASH

- ‘Cash’ not always being what it seems
- Distinguish:
  - Bank deposits
  - Debentures
  - Unsecured notes (mezzanine finance)





## RISK/REWARD RELATIONSHIP

- **The Golden Rule:** the higher the reward, the higher the risk.
- Lower the risk by:
  - Limiting **borrowing**
  - **Diversifying** the asset base  
(not putting all eggs in one basket)



## THE LURE OF THE 'FAST DOLLAR'

- Nigerian / Eastern European **email scams** (one **billion** messages p.a., 10 Australian victims each **week**)
- Investing in a (franchise) business
- 'Guaranteed' systems (eg options trading)



## PERSONAL INSURANCE

- **Issues** affecting ADF members
  - War
  - ‘War-like activity’
  - Notice of deployment
- Review by Australian Government Actuary





# FINANCIAL ADVISERS: THE FACTS AND THE FICTION



## BE SCEPTICAL

- Take **advice**, but be sceptical about the **motives** of advisers
- Structural '**conflicts of interest**' in the financial services industry



## REMUNERATION

How do they get **paid**?

- Commissions
- Percentage of assets
- Bonuses
- Trailing fees / commissions
- Hourly rate / flat fee



# FINANCIAL EDUCATION RESOURCES







keep your cash inside the wire



www.adfconsumer.gov.au  
tools for financial security 

boot camp for your cash



www.adfconsumer.gov.au  
tools for financial security 

Have your fun



and bank it too

www.adfconsumer.gov.au  
tools for financial security 



kit for your cash

www.adfconsumer.gov.au  
tools for financial security 



# You and Your Money in Australia

TRANSFERRING TO THE AUSTRALIAN DEFENCE FORCE





**ADF Financial Services Consumer Council**

**Your Money & You**  
NOVEMBER 2011

**IN THIS ISSUE**

- [Investment Tracking](#)
- [We're Five Years Young!](#)
- [Our Investment Symposium](#)

**OTHER NEWS**

**Free Seminars anywhere in Australia**  
The ADF Consumer Council provides financial education at Initial Training, Force Preparation, Post Deployment, Leadership Training, During Career and Transition, many of which are components of ADF training programs. The

**Investment Tracking**

Don't just invest and forget. If you're an investor keep your eyes open and be prepared to ask questions. Watch out for warning signs that tell you something may be going wrong. Investment markets can be volatile, so review your plans regularly.

Sawey investors take the time to understand the basic principles of investing, then develop and stick to their investment plan based on the timeframe of each investment goal. Even when market and economic conditions are rapidly changing it's vital that you keep a cool head as a knee-jerk reaction can often make things worse.

[READ MORE](#)

**We're Five Years Young!**

September 2011 marked the fifth anniversary of the founding of the



THE ADF FINANCIAL SERVICES CONSUMER COUNCIL PRESENTS

# BIG IDEAS IN ECONOMICS

**Economic schools of thought and their global strategic impacts**

The ADF Financial Services Consumer Council invites you to an exclusive presentation from one of Australia's leading thinkers in economics, Professor Christopher Adam, Professor of Finance & Associate Dean of the Australian School of Business at the University of New South Wales.

Find out why economic theories are relevant to global strategic policy.

The event will be officially opened by Commander Australian Defence College, Major General Craig Orme. Mr Peter Kell, Commissioner, Australian Securities and Investments Commission will introduce the keynote address and will moderate the question and answer session.

This is part of Defence's contribution to Money Smart Week, a national financial literacy initiative of the Australian Government's Financial Literacy Board.

It will be broadcast live on Sky TV's A-PAC, Australia's Public Affairs Channel.

**WHEN**

6 September 2012  
between 1200 and 1330

**WHERE**

Australian Defence College  
Weston Creek Campus,  
Williams Theatre in the Geddes Building.

**ALL ARE WELCOME TO ATTEND**

Contact Crisly Symington for your ticket,  
[crisly.symington@defence.gov.au](mailto:crisly.symington@defence.gov.au)  
by Monday 3 September.

[www.adfconsumer.gov.au](http://www.adfconsumer.gov.au)  
tools for financial security





ADF Financial Services Consumer Council  
**Online Budget Planner**

Published with the assistance of the Financial Literacy Foundation

How to use: choose a time period (e.g. fortnightly or monthly). Type in your regular income and expenses.

Income		Amount received each period		Transport expenses		Savings		
Type of income				Car registration		Superannuation contributions		
Salary or wage (after tax)		\$		Car parking		Regular savings		
Bonuses, allowances and pensions (after tax, if applicable)		\$		Fuel		Regular investments		
Child support or other payments		\$		Repairs/maintenance				
Regular income from investments (e.g. interest, dividends or rent)		\$		Public transport				
		\$						
		\$		Sub total	\$	Sub total	\$	
<b>TOTAL INCOME</b>		\$						
Expenses		Amount received each period		Personal expenses		Other expenses		
Household expenses	Education expenses			Clothes and shoes		Child care		
Rent	School fees	\$		Hair and beauty		Child support payments		
Rates	University/TAFE fees	\$		Sub total	\$	Gifts		
Gas	Tuition	\$		Medical expenses		Travels and sports		
Electricity	Books and uniforms	\$		Doctor		Subscriptions		
Water	Campsite/campervans	\$		Medicines		Newspapers and magazines		
Telephone/mobile		\$		Dentist		Movies and DVDs		
Rates		\$		Sub total	\$	Restaurants and takeaways		
Body corporate fees		\$		Resale fees		Alcohol and cigarettes		
Internet		\$		Home and contents		Pet food		
Cable TV		\$		Car		Other pet costs		
Furniture		\$		Health				
Appliances		\$		Income protection				
Groceries		\$		Life				
Childcare		\$		Sub total	\$			
		\$						
Sub total		\$		<b>TOTAL EXPENSES</b>		Sub total	\$	
		\$						
		\$		<b>TOTAL INCOME</b>		<b>- TOTAL EXPENSES</b>	<b>=</b>	<b>NET RESULT</b>
		\$						

Enter figures into the white boxes and the planner automatically calculates totals and sub-totals. You can also change the income and expense items and add new ones.

INNOVATIONS



# FINANCIAL EDUCATION CONSULTATIONS

- Not personal advice
- 30 minutes '1-on-1'
- Based on completion of budget
- Responses so far:



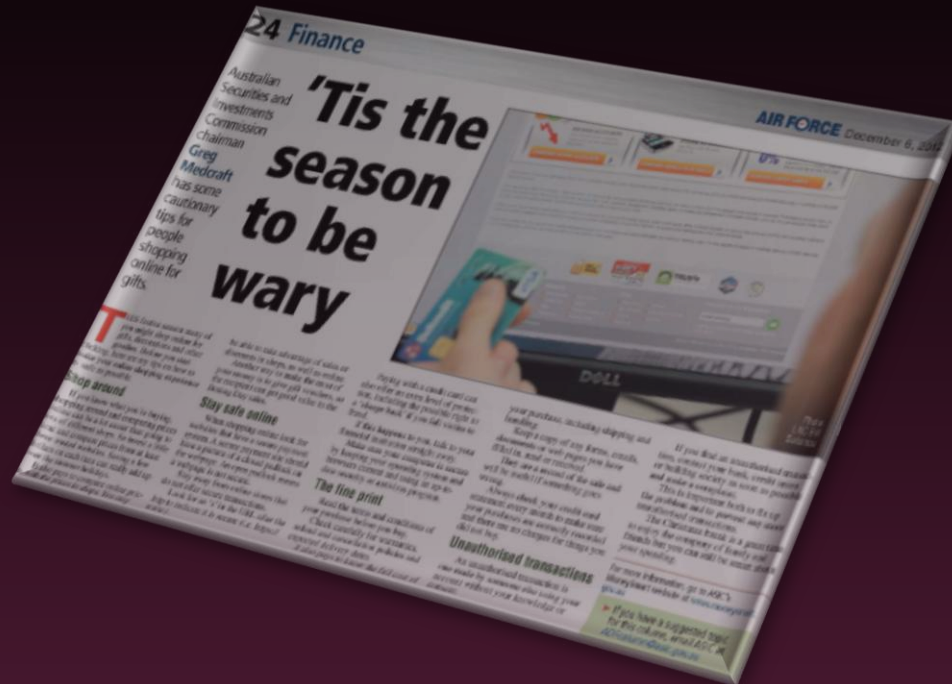
# FINANCIAL EDUCATION CONSULTATIONS: FEEDBACK

- **95%** of participants said that the session met their needs perfectly, very well or well.
- **97%** of participants would recommend the session to other ADF members



# PERSONAL FINANCIAL ADVICE

- Panel approach
- Un-conflicted 'fee for service' advisers only
- Trust



# BUILDING A WORKPLACE PROGRAM



# BUILDING A WORKPLACE PROGRAM

- Why?
  - Duty of Care
  - Productivity / Capability



## BUILDING A WORKPLACE PROGRAM (cont'd)

- How?
  - Commitment
  - Enthusiasm
  - Independence
  - Simplicity / One step at a time
  - Excellence
  - Participation



ADF Financial Services Consumer Council

View Glossary

Enter keywords

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Looking after the ADF through financial education and consumer protection.

Read the CDF Charter

**EFT**

UNDERSTANDING FRINGE BENEFITS TAX

View Video

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GET THE RIGHT INFORMATION FOR THE CURRENT STAGE OF YOUR CAREER

INITIAL TRAINING

FORCE PREPARATION

DURING CAREER

POST DEPLOYMENT

LEADERSHIP TRAINING

TRANSITION

LATEST VIDEOS (View All)

- MANAGING YOUR FINANCES AFTER DEPLOYMENT  
Make your money work for you
- FINANCIAL ADVISERS: THE FACTS AND THE FICTION  
Find the right adviser for you
- STARTING, OPERATING AND SELLING A BUSINESS - THE 50:50 PRINCIPLES  
Understand the different ways to get into business
- YOUR DEPLOYMENT CHECKLIST  
Get your finances organised

LATEST NEWS (View All)

- CAR INSURANCE ESSENTIALS  
Buying a car or motorbike can be exciting but there are a number of steps to take before you hit the streets.
- THE NEW MONETARY SYSTEM  
Information about the new monetary system.
- OVERSEAS PROPERTY INVESTING  
The different rules and laws you need to abide when investing abroad.

UPCOMING EVENTS (View All)

2011 SEMINAR DATES YET TO BE FINALISED

Contact us for more information or request a seminar.

For more detailed information  
and if you'd like to sign up to our free eNewsletter, go to

[www.adfconsumer.gov.au](http://www.adfconsumer.gov.au)



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