

How to end 2018 wealthier than you started it

Increasing wealth is right up there with losing weight and quitting smoking as the most common New Year's resolutions, but come mid-January even the most well-intentioned often fall off the wagon. So just how do you make 2018 your wealthiest year yet?

FIRST things first. I am not talking about savings schemes whereby you tighten your belt on petty spending to improve your bank balance by a few hundred dollars a year. I am looking at setting yourself up on a path to solid continuous growth in wealth creation.

You need to start by assessing your current financial situation. It is a matter of listing in writing your income(s), assets and liabilities. It sounds like a simple exercise, but many people struggle to do it because they have not kept up to date with their finances. Most common "blanks" are superannuation fund balances, loan balances, interest rates (yes it is true!) and personal insurance cover.

The next step is to work out your options.

To build up a picture, you will need to know what your borrowing capacity is to invest in property, shares, etc..., what kind of equity and/or cash you have available for investments or debt management, how much "buffer" you need to set aside to feel comfortable with your lifestyle and potential emergencies. For some of these you will need help. For example, a broker can work out your borrowing capacity.

OUR EXPERT

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You now have the elements to make choices and develop a strategy.

These will be along a two-pronged approach: you need to make your assets work for you as hard as possible, and at the same time reduce your most expensive liabilities. For example, if you have

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partially repaid your home loan and you have equity available, look at using it to invest (or consolidate credit card debt or personal debt to a home loan cheaper rate). You can use this equity for a deposit on a property or to invest in shares if you are up to it. Obviously, this increases your risk, but by doing nothing, you will not improve your financial situation. Remember that if you do not plan to become wealthier it simply won't happen and you'll keep dreaming for a better life until it is too late.

Look at risk mitigation techniques and become

comfortable with your investments. You probably need professional help and advice to help you with this exercise, but it is worth it!

For every investment you make, you must prepare a cash flow and fully understand the ins and outs of the investment. This is critical to ensure that you can manage your investment smartly. For example, by investing in a property you need to know what impact this has on your monthly cash flow and how comfortable you are with it. Stating that you want a cash flow positive property is not enough. You need to check it out for yourself and assess what it really is and how it evolves over time when, say, interest rates move up and down.

Having a buffer in place is essential to your risk management plan. This buffer can be in the form of savings or available equity in another property, so that there is minimal impact on your lifestyle.

I personally sit down during

the Christmas Break every year, and work out my financial position. It is so satisfying to compare it with the previous year's figures and see how it has improved, and by how much! The improvement can be by cash return on an investment or capital gains. I really love the power of compounding!

NEED HELP WITH YOUR PORTFOLIO?

Contact Philippe at Multifocus Properties & Finance and get a jump-start on your portfolio with expert advice.

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