

# MONEY & LIFE

BY THE FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

## CONSUMER GUIDE **FINANCIAL PLANNING IN UNCERTAIN TIMES**



FINANCIAL PLANNING  
ASSOCIATION of AUSTRALIA



MAY 2020





Hello,

During these unsettling and challenging times, the last thing you need is financial stress. What's most critical now is the health and safety of you and your family.

That's why we hope this financial guide – with valuable tips and advice from the Australian community of CERTIFIED FINANCIAL PLANNER® professionals – will be a helpful tool for maintaining your financial well-being amid the current crisis.

Be well and stay safe, and know that if you should need assistance – whether now or on the other side of this – there are 5,700 CFP® professionals in Australia committed to the delivery of competent and ethical financial planning advice who are here for you.

I hope you find this guide useful in helping you think through your finances during this unprecedented time.

A handwritten signature in black ink, appearing to read 'Dante De Gori'.

**Dante De Gori** CFP®

Chief Executive Officer  
Financial Planning Association of Australia



# MANAGING YOUR FINANCES DURING A CRISIS

The uncertainty of the global COVID-19 crisis has in turn sparked a financial crisis and left many of us feeling unprepared.

You can't always predict the future, but you can safeguard yourself and your finances with the help of a financial planning expert. Having a financial plan in place will enable you to live the life you want, and also be prepared for any setbacks along the way.

A CFP® professional is a financial planner who will work with you to understand your needs and provide you with options. Together you'll create a financial plan to give you the confidence to get through today and anything that may arise in the future, whether it's another economic crisis or a change in your personal circumstances.

In the meantime, here are some tips you can action right now yourself >

Head to [moneyandlife.com.au](https://moneyandlife.com.au) to find out more about the benefits of seeking professional financial advice and access the FPA's free [Match My Planner](#) service to connect with a CFP professional.

## 1 MANAGE CASH FLOW FOR YOU AND YOUR FAMILY

There isn't a lot you can control right now, but one area you can control is your cash flow. This is the time to find ways to increase the flow of funds for you and your family.

### **First, get clear on your current financial situation.**

What are the balances in your savings accounts? What credit do you have available to you? Once you have a good idea of what your finances look like, you can prepare a clear budget for food, essential bills and other necessities.

### **Identify additional cost-saving opportunities within your budget.**

Can you cook a few extra nights to save on restaurant takeout? Can you temporarily scale back your monthly mobile phone plan? Can you save on one or more utilities by switching providers? Challenge yourself to see how much monthly cash flow you can free up among your essential expenses.

**Cut back on all non-essentials** such as luxury goods, convenience items, takeaway meals and other discretionary expenses.



**Stop all unwanted or forgotten direct debits and monthly subscriptions.** Review the direct debits you have set up on your accounts to ensure you're not paying for anything redundant or unnecessary.

**Keep up with your bills.** Continue making your regular payments as long as you can afford to – you'll be better off at the end the longer you stay on track.

But, if you do find you're struggling to pay your bills, **contact your financial lenders and creditors as soon as possible** – don't wait until you're no longer able to cover your essential expenses. When you contact your financial lenders and creditors, be prepared to explain:

- Your financial and employment situation
- How much you can afford to pay
- When you're likely to be able to restart regular payments
- Your income, expenses and assets.

**Identify opportunities to bring in additional income.** Do you have unwanted items around your house – articles of clothing, mobile phones, old consoles, etc. – that you can sell? You might also consider freelancing or consulting on the side, or joining the gig economy.

**Be aware of scams** – when you're rushing to secure your own financial situation, you might be more susceptible to falling victim.

- **Be cautious of emails, texts or social media posts** that could be selling fake products or information related to COVID-19.
- **Do not provide any personal or sensitive information by phone or text**, especially if you did not initiate the contact.
- Scammers are always looking for opportunities to take advantage of the vulnerable, which makes **seniors especially susceptible to financial exploitation at this time**. If you are a senior or a family member of a senior, be particularly vigilant about safeguarding yourself or your loved one by heeding the advice above and educating yourself about scams related to COVID-19.



*There are options available to help you, especially if you reach out early. However, if you decide to use a program that will let you pause or reduce payments, remember that you will still owe the money you were temporarily relieved of paying once the program ends.*





## 2 YOU'VE SECURED YOUR CASH FLOW – WHAT NOW?

It's important to keep a close eye on your financial and personal health as the COVID-19 situation progresses; ignoring issues will only make matters significantly worse later on.

**Revisit your budget regularly**, paying close attention to where you've struggled. Tackle those areas with a calm attitude and seek advice from a CERTIFIED FINANCIAL PLANNER® professional or other financial professional if you need help.

**Be realistic.** While it's important to curb frivolous spending and cut back on luxuries, you don't need to cut out everything unless your financial situation necessitates it.



*Close every day with a positive acknowledgement of something you accomplished, learned or are grateful for. It will help dilute some of the negativity you've absorbed and remind you of the "good" among the current situation.*

**Save any money you have left over once you've covered your essential expenses.** If you don't already have one, consider contributing your excess funds to an emergency fund – with so many unknowns, you never know whether you'll need to tap into it sooner rather than later.

**Look after yourself and guard your mental health** – being tired, worried or stressed can lead to poor decision-making when it comes to dealing with your finances.

- **Set a daily routine for yourself**, stay connected to loved ones via video conference or phone calls and ensure you're getting adequate sleep each night.
- **Keep your body and mind fit and healthy** through regular exercise, meditation and other modes of self-care. There are a variety of apps and online resources available to assist, many of which are free or heavily discounted during this time.

**As hard as it is sometimes, try your best to stay positive.**

- **Don't subject yourself to the 24-hour news cycle.** Instead, choose a single news source and commit to a daily time limit – and stick to it.
- **Support your favourite local businesses.** Small businesses are hurting right now, so consider making a donation or buying a gift card to one or more of your favourites.



### 3 DON'T LOSE SIGHT OF THE FUTURE

As hard as it is, try your best to keep the pandemic in perspective.

**Plan for your life on the other side of the pandemic** – this will serve as a reminder that there is life outside of and beyond the current situation. For example, what can you do at home? What can you plan for when lockdowns are lifted and you're once again free to go about your daily life? Are there things you have always wanted to do but never felt you had time to pursue? Take this time to plan, plan, plan.

**Revisit your financial plan with your financial planner**, and if you don't have one, **get in touch with a financial planner**. A financial plan includes contingency strategies for unforeseen events (such as that which we're experiencing now), but most importantly, it serves as a sort of blueprint for your financial "house," or a road map to get you to your goals.

Even amid the virus-related restrictions in place, there are many financial professionals available for virtual or phone conversations to help existing as well as new clients. Locate a CFP professional in your area by using the FPA's Match My Planner service at [www.matchmyplanner.com.au](http://www.matchmyplanner.com.au)

### 4 AT THE END OF THE DAY, WE'RE ALL IN THIS TOGETHER

As we've all sheltered in place; juggled new work modes; struggled to perform tasks that used to be commonplace; and distanced ourselves from many while deepening bonds with a few, we've started to settle into a new normal.

And, while none of us knows how long this pandemic will last, there's one thing we do know: **we're all in this together.**



*Whether you need help navigating your financial reality now, or on the other side of this, the global community of CFP professionals is, and will always, be here for you.*



## 5 GOVERNMENT SUPPORT AVAILABLE TO YOU

To offer some relief to people facing financial struggles as a result of the COVID-19 pandemic and economic crisis, the Federal Government has made a series of announcements on Centrelink payments and other financial support measures for everyday Australians.

To help you make sense of financial support available from the Government at this time, here's a quick guide to who can benefit from different payments and support measures available:

*The following information is correct as of Wednesday 22 April 2020:*

### IF YOU'RE STILL WORKING, BUT WITH REDUCED HOURS/INCOME

If you're still in a position to keep working, whether from home or at your place of work, your employer may have cut your hours, and your income as a result. The business that employs you may be under enough financial pressure to be considering redundancies in the future.

The new **JobKeeper** payment is designed to help businesses afford to keep their employees in the workforce. It will provide a \$1,500 per fortnight payment for each eligible employee to businesses who have been impacted by COVID-19. While these payments are being made to businesses, they must be passed on to eligible employees for the employer to be eligible for payments.

What this means: if you're still in employment and your employer is eligible, they can pay you a minimum of **\$1,500 per fortnight** before tax until **27 September 2020**. Payments can be backdated to 30 March 2020 and will be paid to employers from the first week in May. Your employer may choose to pay you more than this amount if they can afford it.

 **Find out more:** [download the JobKeeper fact sheet.](#)

If you're still struggling to meet all your essential expenses from your JobKeeper payments or other income, **early access to your super** is another option. This is another measure designed to provide financial relief to Australians experiencing hardship as a result of COVID-19.

**What this means:** If you meet the financial hardship criteria, you can apply to withdraw up to **\$20,000** from your super fund: \$10,000 before **30 June 2020** and a further \$10,000 from **1 July 2020**. Early withdrawal is available to people who are unemployed, have had their working hours/business income reduced by 20% since 1 January 2020 or are receiving Centrelink payments.

 **Find out more** [Download the early access to superannuation fact sheet.](#)

You can apply for early access to your superannuation with the ATO via the [MyGov website](#).

[What you should consider before withdrawing your super.](#)





## IF YOU'RE OUT OF WORK

If you're no longer earning an income, you could be eligible for a JobSeeker payment from Centrelink. Along with a number of other Centrelink payments, JobSeeker payments have been increased to include a new time-limited Coronavirus supplement of \$550 per fortnight, effective from 27 April 2020 and for the next six months.

This Coronavirus supplement payment will also be made to people receiving a number of other Centrelink benefits including the Youth Allowance and Parenting Payments (Partnered and Single).

 **Find out more** [Download the income support for individuals fact sheet.](#)

Visit the [MyGov website](#) to apply for the Jobseeker payment and other Centrelink benefits.

If you're receiving the Coronavirus supplement, you're also eligible for early [access to your superannuation](#).


The government has also committed to **one-off \$750 support payments** for JobSeeker recipients. To be eligible for the first payment, you must have been on JobSeeker payments anytime between 12 March and 13 April 2020. This payment will be made automatically by Services Australia from **31 March 2020**.

 **Find out more:** [Download the payments to support households fact sheet.](#)

## IF YOU RECEIVE OTHER CENTRELINK PAYMENTS INCLUDING THE AGE PENSION

If you hold a concession card and/or receive a number of other Centrelink payments, you will also receive the first \$750 support payment from 31 March 2020. If you continue to be eligible for a concession card or benefits on 10 July 2020, you will also be eligible for a second \$750 support payment. This payment will be made automatically from 13 July 2020.

If you are receiving the Coronavirus supplement, you will not be paid the second \$750 support payment in July 2020.

 **Find out more** To see if you're eligible for the \$750 support payments [download the payments to support households fact sheet.](#)

## IF YOU'RE RETIRED:


If you're a concession card holder and/or receiving the Age Pension, you'll benefit from these support payments. But if you're retired and not eligible for these payments, you could still benefit from two other measures announced by the Government as part of their support for retirees.

There is a temporary **reduction in minimum drawdown rates** for account-based pensions and similar retirement income products. This means you can withdraw a smaller amount than would normally be required from your super assets in the 2019/20 and 2020/21 financial years. This can give you more flexibility in managing your super savings and income during this time.

The government has also announced a further reduction in the upper and lower **social security deeming rates**.

Together with the 0.5 per cent cut announced on 12 March, this additional 0.25 per cent cut will take the upper deeming rate down to **2.25 per cent** and the lower rate to **0.25 per cent**. These new rates will take effect from 1 May 2020.


If you don't currently receive income support or the Age Pension, or you're receiving payments at a reduced rate, the deeming rate change could mean changes to your eligibility for Centrelink benefits under the income test.

 **Find out more** For more details on minimum drawdown and deeming rates [download the providing support for retirees fact sheet.](#)



# Summary of economic stimulus measures

TYPE OF SUPPORT	WHO IS ELIGIBLE?	AMOUNT	EFFECTIVE FROM
Coronavirus supplement	Some Centrelink benefit recipients, including JobSeeker <a href="#">see fact sheet for details.</a>	Additional \$550 per fortnight	27 April 2020 (only for the next 6 months)
Support payments x 2	Some Centrelink benefit recipients <a href="#">see fact sheet for details.</a>	\$750 one-off	31 March 2020 <b>13 July 2020</b>
JobKeeper payment	Employees working for eligible businesses <a href="#">see fact sheet for details.</a>	\$1500 per fortnight	Effective from 30 March 2020, payments start from 1st week in May
Early access to super	People eligible for JobKeeper or the Coronavirus supplement <a href="#">see fact sheet for details.</a>	Up to \$20,000	\$10,000 until 30 June and \$10,000 from 1 July 2020
Lower deeming rates	People receiving income support payments, including the Age Pension <a href="#">see fact sheet for details.</a>	N/A	1 May 2020
Reduction in minimum drawdown rates	People drawing funds from account-based pensions and other retirement income products <a href="#">see fact sheet for details.</a>	N/A	Applies to 2019/20 and 2020/21 financial year

 *Seeking advice on how to make the most of these financial assistance measures can help you feel less stressed at this challenging time. A CFP® professional can guide you through options to make your money last longer and secure your finances to bring you peace of mind. Find one today using [Match My Planner](#).*

We hope you found this guide helpful. We're all facing huge changes at the moment, however taking some steps to ensure your finances are under control will have a positive impact on your level of confidence and give you peace of mind during these uncertain times.

The FPA would like to acknowledge Jacqueline Lockie CFP®, Head of Financial Planning at CISI in the UK, along with the Financial Planning Standards Board (FPSB) for their work in bringing the ideas in this guide together.



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