

5 COMMON FINANCIAL MISTAKES PEOPLE MAKE IN THEIR 40S

The 40s are, for many people, a critical decade for building wealth. Income is usually on the rise, but so are expenses such as mortgages and school fees. Juggling priorities can be a real challenge, and mistakes made in this stage of life can have a large bearing on the size of your future fortune.

Here are a few classic mistakes you don't want to make.



NOT PAYING ATTENTION TO SUPERANNUATION

Retirement is decades away, so why pay attention to super at this time of life? Because putting that time to use can generate big rewards.

Take Jo. On turning 40 she decides to contribute an additional \$5,000 per year, after tax, to her super fund. here it earns 7% per annum after fees and tax. By the time she turns 50, Jo's super balance will potentially be \$69,000 higher than if she hadn't made the additional contributions. By age 65, the extra contributions made during her 40s could potentially add \$316,000 more to Jo's super fund!

Depending on individual circumstances, strategies involving salary sacrifice, spouse contributions and government co-contributions could further boost your super.



BUYING THE BIGGEST HOUSE IN THE BEST STREET

It may seem sensible to buy an expensive home if it is going to appreciate in value. However, the bigger the mortgage the greater the risk of experiencing financial stress and of reaching retirement with a substantial home loan still hanging over your head.

Life is more enjoyable (and isn't that what it's really all about?) if your budget makes room for some good times now rather than saddling yourself with major debt that requires gratification to be constantly delayed.



FEELING IMMORTAL

Okay, the likelihood that you will die or become severely disabled during your 40s may be fairly small, but accidents can and do happen.

Do you have a Will and have you given someone your power of attorney (PoA)? Are both current? Your Will and PoA are important documents, and should be reviewed regularly.



SPENDING MONEY YOU DON'T HAVE ON A CAR YOU DON'T NEED TO IMPRESS PEOPLE YOU DON'T LIKE

Much as you may love that new-car leather-seat smell, borrowing money to buy an expensive new car is a classic way of eroding wealth. New cars shed value faster than a moulting moggie sheds hair, leaving you paying interest on a loan that can quickly exceed the value of the car. And expensive cars usually come with higher running costs.

An enduring piece of wealth creation advice is to drive the cheapest car your ego will allow. Prudent car buying can add hundreds of thousands of dollars to your future wealth.



THE WRONG INSURANCE MIX

If you're like most Australians your personal and property insurance coverage is probably inadequate.

Yes, insurance premiums can be expensive, but the consequences of inadequate insurance can be financially (and emotionally) devastating. While it may be a straightforward exercise to work out how much insurance you need on your home, contents and car, your needs for personal insurances (life and disability cover) differ. Expert advice will help you decide on the most appropriate cover.

Also, check you're not paying for 'junk' insurance. Accident cover is a common example. It might be cheap, but only because it provides very limited protection.

Make the most of your 40s...All these mistakes can be avoided with some planning and expert advice, so talk to your financial adviser about how to make the most of your 40s. Avoiding just some of these pitfalls could really boost your future fortune.

