

## **FINANCIAL SUCCESS PLAN**

*FOR YOUNG HEALTH PROFESSIONALS*



- / Chartered Accountants
- / Business & Tax Consultants
- / Financial Planners

*A history of shaping financial success*

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## A CHANCE TO SHINE

### FINANCIAL SUCCESS PLAN

You have studied hard for many years to achieve your medical qualifications and now is your chance to shine in your new career. It is very important though to consider your next steps financially as your years of study mean you are starting a bit later than others on the road to financial success. Also your profession can mean higher risks to you personally, and even though you will have the protection of medical indemnity insurance (yourself or provided by your employer), you still need to keep in mind the financial risks.

The following is a list of things you should consider as you go through your working life to help you get ahead financially, protect your wealth, help manage your tax responsibilities, minimise your tax payable and protect your assets.

## PURCHASES & INVESTMENTS

### PURCHASING A CAR

Initially your car will probably be mainly used for private purposes. Loans are a common way of providing finance and are provided by many financial institutions. If your car is used mainly for work purposes, leasing finance is an ideal way to finance your car. This provides an easy way to claim deductions and minimise repayments, as you have a lump sum payment (called a residual) at the end of the lease to pay off. Even at this early stage it may be worthwhile to use a specialist health financier such as the National Australia Bank to form a relationship and savings history. If you do use the car for work purposes, you can claim up to 5000 kilometres a year at 66 cents per kilometre without keeping receipts, or you can keep a log book to establish your business use and claim this percentage of your expenses.

### PURCHASING A HOME

For most people this is the first major investment asset they buy (investment meaning it appreciates in value over time). Again, financing can be provided by many financial institutions, but it is recommended you choose a local health financial advisor. A key challenge for you is to look to pay off the home as soon as possible.

Interest is not deductible, which amounts to a very large sum over the course of your loan. The first major investment goal of owning your own home outright, without a loan, is a key first step in many people's financial success plans. This then frees up your cashflow to start investing in growing your wealth. Your home is also free from any capital gains tax on the growth in its value, one of the very few tax free profits you can make. Please also read our asset and wealth protection flyer to help decide whose name to purchase your home in.

## LOANS & DEBTS

### DEBT MANAGEMENT

Taking on debt (such as home loans) is a good way to acquire assets now, and pay off over time. Likewise, credit cards play a major part of many people's lives as a convenient way to buy now and pay later. But you need to be careful not to get caught in the interest trap. For example, we suggest using credit cards only as a convenience for payment, and the credit card is paid off in full each month to avoid any high interest charges. Similarly, sometimes it can seem like a good idea to combine your car loan and home loan to come up with one lower payment, but then you are paying your car off over the term of your home loan and the interest charges you will pay over this time for the car are astronomical.

We often talk about good debt and bad debt. Good debt, is like an investment property where you can claim the interest as a tax deduction, which means the government is basically subsidising the interest cost. Bad debt, is like private cars and credit cards where you can't claim a tax deduction. The aim for bad debt is to pay it off as soon as possible. For your home, the interest costs are also not deductible and as mentioned we suggest setting up a financial plan which aims to pay this off as soon as possible, allowing you to move on to the next stage of your financial success plan.

## FINANCIAL RESPONSIBILITIES

### PROTECTING YOUR FAMILY

Once you have a partner, and children come along, your financial responsibilities to support your family are high. If something was to happen to you and you could not work for a long period of time, or ever again (or worse are no longer around), how will your family survive financially? Personal insurance such as life, income protection and trauma provide a sum of money when your family needs it most and will assist your family to survive financially. We recommend talking to Kennas Financial Services about your insurance needs so you can understand insurance more and take steps to protect your family's future.

## MANAGING YOUR FUTURE

### WILLS AND ENDURING POWERS OF ATTORNEY

If you were to pass away it is important that you have a Will in place which deals with important matters such as your assets and guardianship of your children. While this may seem like a simple step to take, many people don't get around to this and if they pass away the Public Trustee steps in to manage their assets. This is a costly exercise and can cause many issues (such as being unable to operate bank accounts) for those you leave behind. Also if you lose capacity (such as an accident causing you brain damage) it is important to have in place an Enduring Power of Attorney to enable your chosen person to act on your behalf. We recommend talking to a solicitor who specialises in Estate Planning, like Rees R & Sydney Jones or South Geldard. Too many times we have seen people prepare their own Wills and these are being proven invalid at a later point causing unnecessary hardships for family.

### INCOME TAX RETURNS AND MANAGING YOUR TAX

As a new doctor and earning good income, you will be paying a lot of income tax. It is important you have an expert local tax accountant like Kennas Chartered Accountants, who specialise in the health industry to prepare your tax returns.

It is important you maximise your tax deductions and build a long term relationship with your tax accountant so they know and understand your situation. Longer term they can also work with you on a variety of strategies to reduce income tax (such as negatively geared investment properties and superannuation). Kennas also specialise in health industry businesses. This ranges from doctors setting up their own practices, to accounting solutions, tax planning and management, GST assistance and long term business growth strategies.

## MAXIMISING TAX BENEFITS

### INVESTMENT PROPERTIES

There are so many issues to consider, and be aware of, when purchasing an investment property. Kennas have specialist experience in property and can discuss how you should look to structure this cashflow wise and tax wise. Many health professionals look to use negative gearing to gain an investment property sooner to help reduce their tax. They do this by borrowing most of the money for the property with the large loan interest and other property costs often being more than the rent received, creating a tax loss. The government effectively subsidises this loss with the tax benefit you receive, and you make money as long as the eventual capital gain you make (less tax) is more than the after tax losses over the years. To assist doctors with their first property purchase, Kennas can provide a tax and cashflow summary of the property you are looking at for a special price of \$275 (normally \$550). We can also provide you with all the information you need to know on the tax side of investment properties to help educate you and ensure you receive the maximum tax benefits.



## SAVINGS PLANS AND INVESTING

While an investment property may sound like a good investment choice, it is important to know there are alternatives which may be more suitable and reduce the risk of having all your eggs in one basket (i.e. having just one large investment with little diversification, especially if your other major investment is your home, which is in the same town as your investment property).

Savings plans where you invest lump sums, or pay regular monthly amounts into managed share funds, provide increased investment diversification and allow for smaller investment amounts, over time, to be made than an investment property. Managed funds spread your investment across Australian and International shares, all types of property classes including commercial, and various "cash" type investments. You have a manager working full time for you to choose the best investments that will return the most income and capital growth. Kennas Financial Services reviews the vast number of managers in the marketplace and can help design a tailored investment strategy to suit your circumstances, to maximise your investment return and minimise the risks involved.

## KENNAS FINANCIAL SERVICES OUR ADVICE

We recommend you read the Kennas book 'The Quick Guide to Financial Success', which contains some tips and tricks and other detailed information on some of the strategies we have discussed here. For more personalised financial advice, Kennas Financial Services is our financial planning arm and we are the only accountants in Central Queensland with our own financial planning licence. Your first chat with us is free, so we encourage you to take advantage of this opportunity to help educate yourself and learn more about strategies for your long term financial success.

**Call us to make an appointment to catch up with one of our experienced financial planners.**

## FOR MORE INFORMATION CONTACT



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