STEP 1 I wanna be 'RICH'!

Chapter 1: Defining 'rich'

Chapter 2 Goal-setting 101

1. Work out your final destination, what you want to achieve—your goals
2. Determine where you're starting from
3. Set a time frame for when you'd like to achieve your goals
4. Write down what you need to do to achieve your goals, in small, manageable steps
5. Creating a budget

How much money will your goal cost?

When do you want to achieve it by?

Chapter 3 The starting line

Incoming money

Pay yourself first: you take out some money and put it in a savings or investment account

Chapter 4 The three-step no-fail budget

The three-step budget for couples: 1 Pay yourselves, and put money into a savings or investment account. Start with 10 per cent and try to increase this to 30 per cent. 2 Pay any bills that are due. 3 Split the remainder equally and put it in your respective personal accounts as spending money.

STEP 3 Saving goals

Chapter 5 What bank accounts do you need?

Chapter 6: Saving your first $1000

Chapter 8: Managed Funds

1. The professional management, Diversification, Low start-up costs., Minimal paperwork.
2. **What is, and how do you find, a fund manager?**: A fund manager is a person or company responsible for making decisions regarding a portfolio of investments.
3. Money terms Diversified managed fund—A diversified fund invests in a broad range of assets. Its investments usually consist of a mixture of cash, fixed interest, shares and property, and may include both Australian and global assets. Balanced managed fund—A balanced fund is similar to a diversified fund in that it invests in a broad range of assets, but usually this allocation is

balanced 50/50 between low-risk assets, like cash and fixed interest, and higher-risk growth assets, such as shares and property

STEP 4 Investing in the big guns: shares and property

Chapter 9 Getting ready to invest in shares
A full service broker, discount broker, online broker

Chapter 10 Investing for the long term
Fundamental analysis—Valuing companies based on their financials and operations, particularly their earnings, growth, profits, debt and management. This method of analysis only takes into consideration the company itself, not what the rest of the stock market is doing.
Finding long-term winners
Rule #1: choose market leaders: Money terms Market capitalisation—The monetary value of a company. It's calculated by multiplying the number of shares available by the price of the shares.
Rule #2: choose companies with a debt-to-equity ratio of less than 75 per cent
Rule #3: choose companies with a return on equity of at least 15 per cent
Return on equity (ROE) measures the amount of profit the company has made on its shareholders' behalf.
Rule #4: choose only companies that have been listed on the stock exchange for at least five years
Rule #5: choose companies with an average return of 15 per cent or more over the last five years
Rule #6: choose companies with earnings stability of at least 80 per cent
Dividends Dividends are paid to shareholders out of the company's net profit

- Ex dividend—'without dividend'. The ex-dividend date is the date set by the company after which any shares sold aren't eligible for the dividend payment.
- Rule #1: choose the best-performing sectors
- Rule #2: choose the top companies within the best sectors
- Rule #3: choose shares in an uptrend
- Bearish—(A sharemarket or an individual stock) Falling or being considered likely to fall in price. Bullish—(A sharemarket or an individual stock) Rising or being considered likely to rise in price.
- Rule #4: choose the most consistent companies
- Rule #5: set the price you'll sell at, now: Stop loss—A price set ahead of time at which you intend to sell your shares to minimise losses.
  Example — Pan Australian Resources, Time frame limit

Chapter 12 Investing in property

1. There are three main ways that people make money from property: sell the property for more than you paid (either because it's increased in value over time or because another buyer is willing to

pay more for it now) renovate it so that the price increases in value rent it out and collect the rental income.

2. Leverage—To borrow money to purchase an investment, and therefore to increase your rate of return.

How much can you borrow

Lender's mortgage insurance (LMI): Mortgage insurance is what the bank makes you take out to cover them in case you can't pay back the loan. Usually only people with no deposit or a low deposit have to take it out. It's best avoided if possible, because it can be very expensive (often thousands of dollars) and it's there for the bank's benefit, not yours

1. Securing a loan — Being approved for a loan, sometimes before you've found a property to buy.
2. Drawing down — Having the loan amount deposited in your loan account, so you can use it to pay for a property
3. Due diligence—The process of investigating all the details of a potential investment to make sure it's worthy of investing in.
4. Contract of sale—The paperwork prepared by the agent or vendor's solicitor that outlines the offer, date of settlement and any conditions that must be met before a sale is finalised
5. Indemnity insurance—If any financial loss arises from a mistake in the advice of a professional (the lawyer or conveyancer, in this case), this insurance covers them for any compensation to be paid to the third party. Basically it means that if they stuff up, you'll be compensated.

<u>Chapter 13 Buying the property</u>

1. Private treaty—The sale of a property, usually through a real estate agent, by negotiation.
2. Auction—A public sale in which the price is determined by bidding, and the property is sold to the highest bidder.

Buying privately

Property investing

Selling for more than you paid

1. Boom period—When prices are high and people are making record profits.
2. Bust period—When prices are stagnant or even falling, and people are losing money.

Flipping properties

Renovating

Playing landlord

1. Negative gearing—A property is negatively geared when the rent you receive doesn't cover all the expenses and payments for the home.
2. Positive gearing—A property is positively geared when the rent covers the loan payments and any expenses and gives you a small profit as well.

Hiring a property manager

Commercial property

Accounting

Buying your second property

STEP 5 Keeping your money safe

<u>Chapter #14: Insurance</u>

Home and contents insurance

What to look for in your home/building insurance policy

Personal liability coverage

What to look for in your home/building insurance policy

Personal liability coverage

What to look for in your contents insurance policy

Landlord's insurance

Car insurance

So, which one do I need?

1. Home/building insurance.
2. Contents insurance.
3. Landlord's insurance
4. Car insurance
5. Life insurance
6. Private health insurance

<u>Chapter #15: Wills and trusts</u>

1. Wills, trusts and powers of attorney ensure that your affairs will be handled exactly the way that you'd wish them to be if you die, become gravely ill or are incapacitated.
2. So, the two must-have documents for everyone are: a will a power of attorney for financial and healthcare decisions, in case you are unable to make those decisions yourself.

Getting a will: A will is a legally binding document that names the people (beneficiaries) you want to receive your property and belongings after your death.

Setting up an enduring power of attorney: An 'enduring power of attorney' is a document that appoints another person or people (your 'attorney') to act for you in relation to financial decisions and, if you're incapacitated, in relation to health and accommodation decisions. You can make the power of attorney as general or specific as you wish, and state exactly what the person is responsible for.

How about a living trust?

1. A living trust is a trust set up to hold your assets while you are still alive; the assets then get distributed to your beneficiaries after your death.
2. it takes effect before your death.