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XPRESS

Collins Financial Planning's purpose is to provide you, our client, with information and advice that will assist you to understand, enhance and therefore secure your financial future and lifestyle.

Collins Financial Planning Xpress aims to highlight and inform you of various issues in what we hope is in a readable but technically accountable medium.

Past issues can be found on our website www.collinsco.com.au under the tag **Wealth Creation**. They are well worth a browse as they hold a wealth of information.



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- A good time to review your insurance
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Christmas is a good time to reflect on those things that we have not had a chance to do over the previous twelve months, those things that we would like to do and those things that we simply must get done. In that light this issue of CFP Xpress highlights some financial areas that you may wish to consider.

It also provides some interesting reading on people to avoid.

We take this opportunity to wish all our readers an exceptional Christmas and New Year and hope that we may inspire you to plan for your financial future.

WHO MADE JANUARY

THE FIRST MONTH OF THE YEAR?

A new year is a time to look forward and plan new ventures and goals. But why does the New Year start in January? It hasn't always been this way. So, where did our calendar originate?

The Ancient Egyptians developed one of the earliest calendars and started the New Year in the northern hemisphere's spring. This seemed appropriate as new life emerged from the darkness of winter.

But then in 46 BC the Roman Emperor, Julius Caesar, came along. He and his scholars tinkered with the Egyptian calendar and created the Julian year. When you rule a large part of the world, you can do what you like with someone else's calendar and they established a 12-month year starting with January.



The first six months were named after Roman gods, goddesses and a feast. The next two were named after Roman emperors. They ran out of ideas for the last four months so they reverted to the early Roman calendar and named them after the number of the month in the that calendar.

January	After Janus the god of the sun - new year and new beginnings
February	A Latin feast of purification held on the fifteenth
March	After Mars the god of war
April	After the Greek goddess of love, Aphrodite
May	After the Greek goddess of spring, Maia
June	After goddess Juno, the Queen of the gods
July	After Julius Caesar (of course!)
August	After Augustus, the first Roman Emperor
September	The seventh month of the early Roman calendar (sept is Latin for 7)
October	The eighth month (oct is Latin for 8)
November	The ninth month (novem is Latin for 9)
December	The tenth month (decem is Latin for 10)



In the ensuing five hundred years, various people modified the Julian calendar, and as Europe became more united there was a need for a consistent system. Pope Gregory XIII established the Gregorian calendar in 1582 and kept January as the first month. We still use his calendar today.

Of course, the Romans are not the only ones who developed a calendar. The Hindu calendar celebrates New Year or “Diwali” in October/November and the Jewish New Year or “Rosh Hashanah” is celebrated in September/October. The Chinese New Year is in January/February.

And a little more trivia to end on – did you know that a common year (not a leap year) is 365 days 5 hours 48 minutes and 46 seconds long - or 365.242199 days?

AN IMPORTANT CONVERSATION

None of us likes to consider our own mortality. For our older loved ones, it's an even more confronting topic and difficult to discuss.



When Lindsay became ill, his family's priority was to support him through his treatment and keep him positive and as comfortable as possible.

Typical of his generation, Lindsay had always been very private, never sharing personal information – not even with his nearest and dearest. After he passed away, it dawned on the family that nobody knew whether Lindsay would have preferred cremation or burial. At such an emotionally charged time, the question caused quite a dispute.

As parents, we aim to have open dialogue with our children over issues like drugs, sex, etc. But as our parents age, difficult discussions around medical arrangements, Wills, money, etc, are usually put off until something occurs to trigger the talk. Often, by then it's too late, which is why it's so important to communicate while you still can.

Once Lindsay's funeral was over, the family faced more complex questions: did Lindsay have a Will? Was there any insurance? What investments and assets did he have? Trying to locate Lindsay's paperwork and make sense of his finances became a nightmare.

If only someone had asked him.
What should you talk to your parents about?
If you think about all those things you'd rather not discuss, you're off to a good start.

BEFORE THE CONVERSATION, CONSIDER:

- Finances, assets, investments, accounts, insurance policies, etc.
- Will
 - Is it current?
 - Where is it kept?
 - Who is the executor?
- Medical
 - Medications
 - Power of attorney
- Funeral Preferences
- Aged care arrangements, family home, care facilities
- Location of important documents
- Usernames and passwords for online accounts
- Contact details for doctor, financial adviser, trustees, power of attorney, solicitor, executor, etc.

Before opening any dialogue, consider your approach. These are sensitive topics; introduce them gently and tactfully. It may be helpful to involve the executor, financial adviser or accountant.

DURING THE CONVERSATION

Extend an invitation—Invite your loved one to express their feelings and articulate their wants. Present the discussion as a means to making their life more manageable. Stress that you're not taking over, but that you care and that they are in control.

Present an example—Use examples of challenges faced by others, explaining that you hope to avoid the same situation. Tell them you'd like to help them organise their paperwork to provide peace of mind and a plan for their future.

Support independence—Point out that you're not reducing their independence but ensuring they maintain their independence as long as possible.

Don't judge—As your one opens up, listen respectfully and without judgement. Encourage discussion around their choices so you can understand and help implement them.

Afterwards, follow up and fulfil any promises you made.

Finally, just when you think your job is done, have the same discussion with your children, only in reverse. Be clear about what you want and why you're talking to them.

Children don't want to think about your mortality any more than you do. They'll think you're overreacting and probably won't thank you for the information – not right now anyway. But that's the nature of kids.

The main thing is that when your time comes, they'll realise you've saved them a lot of heartache.



DO YOU HAVE MAKINGS OF A
‘SENIOR ENTREPRENEUR’?

The latest buzzword is “innovation”, but you don’t have to be young to be innovative - ask any ‘senior entrepreneur’!

Reaching the seventh decade is nothing like it was for previous generations. Improved medical technology and a better understanding of staying fit and healthy for longer is making a positive impact on the lives of many Baby Boomers, and the Australian economy. However, ballooning redundancies and the difficulties many older workers face in finding new jobs can make it a challenge for some to stay employed. But not all - many Boomers aren’t ready to hang up the tools yet and are setting out on their own. Welcome to ‘senior entrepreneurship’! Could this be you?

Starting a new business can be exciting, and also daunting. Sadly, 80% of new businesses will close their doors within the first five years. Here are just a few things you can do to tilt the odds in your favour.

BE HONEST TO YOURSELF			
WHAT ARE YOUR MOTIVES?	DO YOU HAVE A CLEAR VISION OF WHAT YOUR BUSINESS WILL OFFER AND A CONVINCING WAY OF COMMUNICATING THAT IT DOES?	DO YOU HAVE WHAT IT TAKES?	WILL YOU KNOW WHEN TO QUIT?
Are you tired of working for someone else or are you driven by an idea for a fantastic new product or an enticing new service? Or perhaps you've been dreaming of turning a hobby into a part-time business as a way to ease yourself into full-time retirement?	If not, get clear about what excites you. If you aren't sold on how awesome your product or service is, why will customers buy it?	You may have fantastic technical skills or fabulous creative flair, but do you have the financial, sales and marketing skills and the discipline needed to establish, manage and promote a business? If not, can you afford to hire people with those skills?	Decide at the outset what goals you need to achieve to keep going. Throwing good money after bad will compound financial woes.



DO YOUR SUMS

Some businesses can be set up on a shoestring. Others require a large financial investment. Mortgaging the family home, using a redundancy payment, or borrowing from ‘friends, fools and family’, are traditional ways of financing a new venture. Government assistance programs and crowdfunding are other options.

If moving from employment to self-employment, check for any implications for your life insurance and superannuation. The few years before retirement are important for boosting super savings, and contributing the proceeds of the sale of a business to superannuation can provide significant tax benefits. Make sure the business is set up so it can make the most of these benefits.

DO YOUR RESEARCH, SEEK ADVICE

A wealth of information on starting a business is available online and in bookstores. Always rely on reputable sources, preferably those that have achieved the type of success you aspire to. Crowdfunding can be a valuable research tool to give you early feedback on your idea, but be aware it can increase the chances of unscrupulous people stealing it.

Get professional advice from your accountant and your lawyer. Share your plans with your financial adviser and get a clear picture of how your decision could affect your personal financial situation.



THE REWARDS

Be careful, but don't be put off, for the rewards of creating a new business are many. One of the most gratifying is being able to look proudly at an enduring enterprise and say to yourself, "I built all this from nothing".

A GOOD TIME

TO REVIEW YOUR INSURANCE

Not a year goes by without some part of Australia being devastated by a natural disaster. Bushfires, floods, storms and tropical cyclones are a part of our lives. As we've witnessed in recent years, destructive weather patterns and events occur regularly throughout the year, often with little or no warning. This means that any time of the year is a good time to review your insurance cover to ensure your financial possessions are protected, as well as the security of you and your loved ones.



THE PAIN OF UNDER-INSURING

The images of families losing all of their possessions during widespread flooding, storms and bushfires over recent years should provide a constant reminder of how a lifetime of hard work can vanish in minutes. It is even worse when so many of these victims were either uninsured or under-insured.

Most people understand the consequences of being uninsured: you bear the total loss of whatever damage is suffered and property lost. On the other hand, being under-insured means that you have not insured your property for its full value, which is considered to be less than 90% of any rebuilding costs.

This may not be intentional. It's easy to fall into this trap, particularly if you don't review your policy in relation to the value of your home and possessions on a regular basis. How much has your property changed in value over the past three years?

THIS IS HOW EASY IT CAN HAPPEN

You don't have to lose your entire home to suffer the effects of under-insurance. Partial loss can place a challenging strain on your finances.

Take the example of Jake and Olivia whose home was valued at \$500,000, but to save money on premiums they decided to insure it for only \$375,000 – three-quarters of the value. An out-of-control truck ploughed through their front fence before coming to rest halfway through their master bedroom. Thankfully they were both at work and nobody was injured. Their home sustained \$100,000 worth of damage but Jake was shocked when he learned that the insurance company would only cover three-quarters of the loss - just \$75,000. They had to borrow the \$25,000 shortfall.

If you look at it from the insurer's perspective, when you insure for less than the real value, they are receiving less money in premiums, so they're not likely to pay the full value in a claim.

Natural disasters and accidents are not fussy about who they affect so don't let the next one be the catalyst to review your insurance coverage.

While you're doing this, make sure you have appropriate and adequate life insurance in place. You and your loved ones are far more valuable than your possessions. Now is the time to act. Give us a call.

FRAUDSTER

PEOPLE WELL WORTH AVOIDING

We all love a 'bad boy', someone who bucks the system but when it comes to following these characters its you that's in the firing line:



CHARLES PONZI

Image source: <https://www.factinate.com/people/24-scheming-facts-charles-ponzi>

A Ponzi scheme is defined as a fraud in which people are duped into believing in the success of a fake enterprise; strong returns are facilitated mainly by the new funds put into the scheme by later investors.

Charles Ponzi so epitomised this kind of scam in 1920 North America that the fraud was named after him.

Ponzi claimed he was able to make fantastic returns by acquiring postal coupons at a discount and then sending them overseas where they could be sold at a higher price. He told his investors they could make 50% profit in 45 days and 100% profit in 90 days.

When people became suspicious and the scheme collapsed, tens of millions of dollars were lost (well over \$200m in today's money).



BERNIE MADOFF

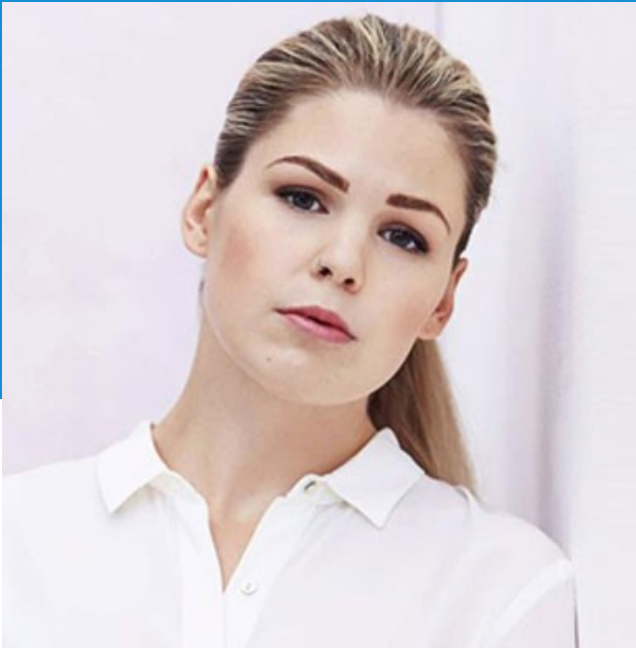
Image source: <https://edition.cnn.com/2013/03/11/us/bernard-madoff-fast-facts/index.html>

Charles Ponzi operated his eponymous scheme 100 years ago. In the ensuing century, we've clearly learned nothing. Bernie Madoff took a page from Ponzi's book and turned it into US\$64 billion. A former lifeguard and sprinkler installer, Madoff worked as a stockbroker, investment advisor and chairman of NASDAQ. For several decades, he ran a stockbroking business launched in 1960 and staffed mostly by his own family members, Madoff Securities executed orders from retail brokers.

The business grew to where it was said to be making 10 per cent of daily trades on the New York Stock Exchange. Then, it formed an investment advisory division, returning steady gains. However, Madoff was simply paying older investors with new money from more recent investors in the biggest Ponzi scheme in history.

Incredibly, Madoff's business survived several Securities and Exchange Commission (SEC) investigations over a decade, but in December 2008 he was finally arrested. He is currently serving a 150-year prison term after pleading guilty to 11 federal felonies.

Madoff's victims have so far received around US\$1.2 billion in compensation; a small fraction of what Madoff stole.



BELLE GIBSON

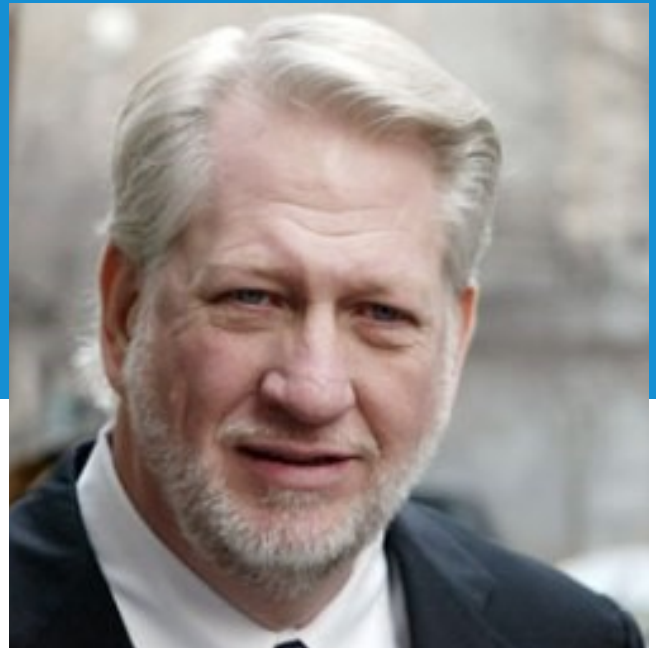
Image source: <https://marriedwiki.com/article/>

Such beauty. Such youth. Such innocence. Such a fraud! Australian Belle Gibson rose to fame as an author and blogger. She claimed to have suffered numerous types of cancers, including “terminal brain cancer”, managing her own recovery through diet, exercise and various natural therapies.

By 2015, it is estimated Gibson had made more than A\$1 million from sales of an app and book based on her experience. Both were called The Whole Pantry, as was her blog.

From these sales and following several fundraising drives in the name of various charities, Gibson claimed a collective A\$300,000 had been handed over to charities, but a report in the Age newspaper at the time said her donations totalled \$7000.

Media investigations around Gibson’s lies about her philanthropy led to further digging into the veracity of her many health claims. In 2016, Consumer Affairs Victoria launched a civil case against Gibson and her business for false claims concerning her diagnosis, her treatments and charity donations. The Federal Court in Melbourne concluded that Gibson never had any basis to believe she had cancer.



BERNARD EBBERS

Image source: <https://memim.com/bernard-ebbers.html>

Bernard Ebbers was the co-founder and chief executive of WorldCom, a US-based telecommunications company that was forced to file for bankruptcy protection in 2002. WorldCom instigated a huge accounting fraud.

Operating expenses were classified as investments, with the result that around \$3.8bn of expenses were treated as assets on the balance sheet.

It meant that rather than being set against revenues in the year they were incurred in the profit and loss account, they were added to the balance sheet and then depreciated over a number of years.

In the early years, such a tactic tends to inflate earnings as operating expenses are reduced.

Unlike operating expenses, depreciation expense is not reflected in cash flow. The latter therefore looked much better than it really was – in WorldCom’s case to the tune of \$3.8bn spread over five quarters.

Rather than posting earnings of \$1.4bn for 2001 and \$130m for the first quarter of 2002, in reality WorldCom was loss making.

The revelations also came as the company was struggling to refinance around \$30bn of debt.

In 2006, Ebbers was sentenced to 25 years in jail. His earliest release date is July 2028.



ROBERT MAXWELL

Image source: <http://www.renegadetribune.com/interview-with-author-gordon-thomas-about...>

Robert Maxwell was the owner of various UK-based media companies, including Mirror Group. Following his death in 1991, itself shrouded in mystery, it was discovered that Maxwell had misappropriated hundreds of millions of pounds from his companies' pensions funds, so he could save his business empire from bankruptcy.

Workers lost around half of their pensions entitlement, despite the UK government stepping in to bridge some of the shortfall.

The authorities never got a chance to quiz Maxwell about the fraud. He died at sea, either jumping, falling or being pushed, off his yacht.



MARTIN SHKRELI

Image source: <https://www.nytimes.com/2018/03/09/business/martin-shkreli-sentenced.html>

The self-titled “pharma bro”, former hedge fund manager Martin Shkreli, earned the title of “most hated man in America” when his business, Turing Pharmaceuticals, legally obtained the manufacturing licence to anti-parasitic drug Daraprim and overnight jacked up the price from US\$13.50 to US\$750 a tablet. He’d made a similar play before with a business called Retrophin, hiking the price of a drug for kidney stones from US\$1.50 to US\$30.

In 2015, Shkreli was arrested and charged with securities fraud. Authorities say that at MSMB Capital Management, Shkreli’s business that owned Retrophin, he ran what was essentially a Ponzi scheme, creating a web of lies to ensnare investors.

He was found guilty of two counts of securities fraud and one count of conspiracy to commit securities fraud, and in 2018 was sentenced to seven years in federal prison.



PROTECT YOURSELF

FROM FRAUD

Dr Russell Smith, principal criminologist at the Australian Institute of Criminology, offers his top three tips for protecting yourself from fraud.

KNOW WHO YOUR DEALING WITH

Don't assume that someone is representing a particular organisation or carrying out a specific activity just because they say so. Always do your own checks. Verify with other parties who the person is.

DON'T SIGN WHAT YOU DON'T UNDERSTAND

Don't sign until you fully understand everything being proposed in contracts. This means taking steps to conduct research on what you're dealing with, rather than simply accepting what people tell you. At the same time, once you've signed up, do regular checks on bank and credit card statements to see if money is being taken out.

CHECK YOUR OWN CREDIT SCORE

Conduct credit score checks on yourself through organisations such as Equifax. It is an easy way to find out if somebody is compromising your credit rating. If you have always met credit card and mortgage payment obligations, but you've suddenly got a dreadful credit score, it may well indicate that you are being defrauded.

A PLAY ON WORDS

Avoidable	What a bullfighter tries to do
Bernadette	The act of torching a mortgage
Burglarise	What a crook sees with
Counterfeiters	Workers who put together kitchen cabinets
Eclipse	What an English barber does for a living
Eyedropper	A clumsy ophthalmologist
Heroes	What a guy in a boat does
Misty	How golfers create divots
Parasites	What you see from the top of the Eiffel Tower
Pharmacist	A helper on the farm
Polarise	What penguins see with
Relief	What trees do in the spring
Rubberneck	What do you do to relax your wife
Selfish	What the owner of a seafood store does



That's all for this issue, Joyeux Noel.
Feliz Navidad. Froehliche Weihnachten.
Sung Tan Chuk Ha. Een Plesiergiege
Kerfees, Buon Natale, Nollaig Shona,
Jabulela Ukhisimusi,... or in other words,

"Merry Christmas"!

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