Tips to boost your wealth in your 30s

YOUR 30s come with a lot of different pressures and expectations. Your friends are getting married, starting families, buying houses, getting promotions, taking holidays, sending kids off to school and buying flash toys, that's if they haven't already done all these wonderful things.

If you haven't made any investments by the age of 30 now's the time to get serious. You don't have to do anything drastic. Just get started to take advantage of the power of compounding returns.

"What are compounding returns?" You may ask. Albert Einstein reportedly described compound interest as "The most powerful force in the universe".

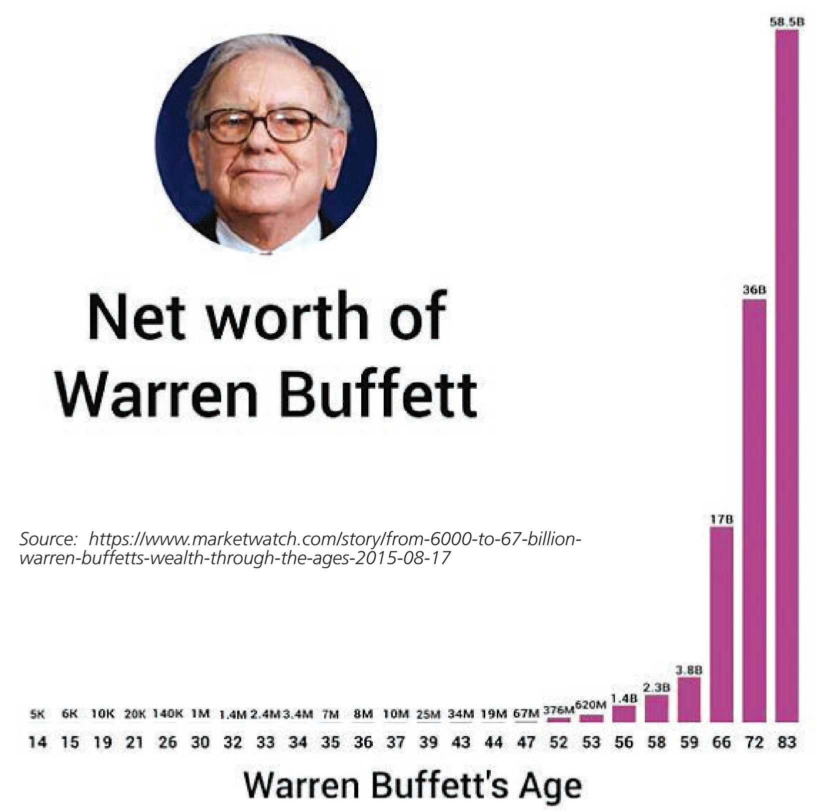
How will this help you grow your investments, retire early or become a millionaire?

Compounding returns refer to the returns that are generated on your initial investment PLUS its previous returns. For example; Interest on the interest you earned last month. Or dividends on the dividends you reinvested from the previous dividend paid by the company.

An important message is, tomorrow never comes, it's easy to put this stuff off but it's important to start. It's okay to start small; from little things big things grow, especially with the help of compounding returns.

So what should you do? Everyone is different but some options to take advantage of compounding returns are:

1. Put your savings in a high interest online saving account; make only deposits & not withdrawals. Have the interest paid to this account and leave it there.
2. Contribute extra money to your super and have your superannuation invested in a growth option, previous reports show this method of long term investment performs well for individuals. According to research house Chant West, since the introduction of compulsory superannuation contributions just over 25 years ago, the median growth fund (61-80% in growth assets) has delivered an average annual return of 8.3% to the end of the 2016/2017 financial year. Contributing to superannuation also has the added advantage of tax deductibility so you would be increasing your tax refund at the same time.
3. Use a microfinance app. Examples of these easy to use apps are Acorns, BrickX and RateSetter. These apps allow you to start off with a small investment and reinvest the returns to grow your investment portfolio.
4. Invest in shares and reinvest the dividends. This can be done easily through an online broker platform. Reinvesting your dividends is a simple election. This is not offered by all companies.
5. Pay extra off your home loan and leave it there. This is a great way to earn tax free returns. You will be achieving a rate of return equal to your home loan interest rate, usually between 4 and 6% (double the interest rate on most savings accounts) and because you aren't actually earning more income, you're just saving on interest expenses, you avoid tax.
6. Invest in property. Residential property is a popular investment option in Australia. It is an asset class that has produced good returns for a long time. Arguably, it could be said that property has made more people wealthy than shares and it can significantly grow the wealth of the small investor as there is the potential for growth with the bank's money as well as your own (you are achieving growth on the amount you've borrowed, but the amount you've borrowed doesn't change). Investing in property can also have tax benefits. If the property makes a negative return the loss is deductible against your salary and wage income. Negative gearing is a common strategy when it comes to investment properties and most new properties will return a negative result on paper after interest and depreciation. An added benefit is, when you sell the property, if you've held for more than 12 months you will only be assessed on 50% of the profit.



The world's most famous investor, Warren Buffet started investing at the age of 11. He started off small. By age 21 he had $20,000. Not unachievable. By age 30 this became 1 million dollars. 99% of his wealth was generated after the age of 50 through smart investments and compounding returns.

Need more information and tips? Money magazine are running an 8 week savings challenge. Sign up at http://moneymag.com.au/8wksaver/ each week you'll receive an email with specific instructions on what you can do the following week. You can follow the instructions or customise them to fit your circumstances.

So stop procrastinating and get your foot in the door. Many young people think that there is always enough time for everything. This isn't true. It's important to start now, the longer you wait the less time you have to take advantage of the powerful force that is compounding returns. Your 20s and 30s are an important stage in your life. Establishing good money habits early will lead to a prosperous future. For more information or help setting up a strategy contact one of our highly skilled accountants and advisers on 5018 6444 to arrange a complimentary consultation.

Note this article is generic in nature; please consult with your accountant or financial adviser to consider your personal circumstances.

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