

# **SMART — MONEY — STRATEGY**

**YOUR ULTIMATE GUIDE TO  
FINANCIAL PLANNING**

**LUKE SMITH**

**WILEY**

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*To my wife Peggy and to my daughters.  
You remind me daily what's most important,  
and without your support, I couldn't do what I do.*

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# ACKNOWLEDGEMENTS

I would like to acknowledge all those throughout my career who I have learned from and those who have inspired and encouraged me to start my own financial planning business— one that reflects my values around being easy to understand, being reliable and being trusted to look after my clients' personal financial planning advice needs. I also would like to thank my support staff who assist me every day in this endeavour. Finally, I thank my friend Peter Bowman for his ongoing support while I was writing this book. Without his involvement, the ideas in this book would have remained chatter over a coffee rather than something that people could benefit from in the future.

# ABOUT THE AUTHOR

Luke Smith is The Strategy Stacker.

Luke is also a financial planner and the Director of Envision Financial, a financial planning advice business he founded in 2016 in Canberra, Australia.

Luke has been advising clients since 2004, working with individuals, couples, families, business owners and government employees to help them understand and make the most of their financial options.

Luke also appears weekly on local radio station 2CC Talking Canberra to discuss financial planning matters. A podcast of the show is available on Apple Podcasts, Spotify and other podcast platforms: search for ‘The Strategy Stacker—Luke Talks Money’ to find each episode.

For years, Luke has witnessed endless changes to investment and superannuation legislation, changes to the way people are taxed. There has also been changes to the rules around how people retire, which has caused confusion and uncertainty. In an age where life is meant to be easier, Luke believes that financial complexity is instead on the rise. He sees through the lives of his own clients. There’s complexity around all aspects of money and when coupled with a distrust of banks and other financial institutions, it creates a challenging environment for people to move forward.

The gap in financial education is on show right now as we become a society of haves and have-nots and Luke believes the key to closing the gap is financial planning education. While there are some general books about budgeting, saving and investing, there’s been nothing available to genuinely educate and inform Australians around the *real* financial strategies that financial planners use with their clients and

how to put them together. This is the reason Luke wrote *Smart Money Strategy*. His down-to-earth approach breaks down complex financial planning strategies into everyday language and provides insights into how to put strategies together. The book can also be used to have more productive conversations with a financial planner, if you decide to seek personal financial advice.

To find out more and access additional smart money strategy tools, please visit [thestrategystack.com.au](http://thestrategystack.com.au).



# HOW TO USE THIS BOOK

As part of my ongoing philosophy to educate first and financial plan second, I have always had the belief that I have a duty to inform and educate my clients. This book is an extension of my financial planning firm's ongoing education program radio show on 2CC in Canberra (that was created to try and demystify industry-specific terminology and jargon, and to explain key financial concepts in plain English), and it is designed to give you the background to some key financial strategies—considering when and how to use them, and how 'stacking' these strategies can accelerate the probability of reaching your goals and the objectives of your 'why'—hopefully building in some tax deductions along the journey.

This book is designed to answer another question I get asked all the time: 'Where do you go to learn this stuff, because we didn't get any of it in school?' Another regular message in the Q&A box in our office is: 'Once your working life starts, you just don't have time to figure it out by yourself.' By sharing the information in this book, I hope that I can help you find the answers to the questions you have about money and personal finance, as well as provide a starting point for you to create a financial plan that works for you. I have designed this book for singles, couples, families and the young at heart. The strategies I share here can be applied no matter how old or young you are, and you will be surprised at how well some strategies stack with others, regardless of your goals and your starting position.

It is important to keep in mind that your financial journey is your own. It's not the same as your next-door neighbour, your work colleague, your brother or any another family member. Like most things in life,

we all have different priorities and strive to achieve different things in different areas of our life. With this in mind, I have collated the key strategies in this book for you to consider, understand, apply and review along your journey. Not everything will be applicable to you, but a change in financial behaviour is a positive not a negative, and an informed change in your behaviour that is in line with your ‘why’ can be very powerful indeed.

Most importantly, this book is designed to be used with a qualified financial planner should you wish to seek personal advice. I cannot understand your specific personal situation or your life and financial goals through writing a book, so the information I provide here is ‘general advice’. I can however hope to open your mind to the many useful financial planning strategies that are available and encourage you to seek personal financial advice for your own situation. I also want to share with you what’s involved in the financial planning process and what goes into a personal financial plan (covered in Part IV of this book). I hope it alleviates any fear or apprehension you might have about seeking personal advice. You don’t know what you don’t know!

To the mums, dads, aunts, uncles, nanas and grandpas out there, I hope that you can take some useful strategies from this book and use them to help educate the next generation when it comes to saving, spending and other good behaviours that will stand them in good stead as they grow into adulthood. I honestly believe that the sooner they start learning about how money works—and even start to understand the smart money strategies in this book—the more confident and happy their financial lives will be. By the end of this book, I hope we’ll agree on the value of sharing this information with the next generation too.

Wishing you strategy stacking success!

# INTRODUCTION

I've been in the financial services industry for over 20 years, and it has always concerned me that I hear similar comments about money from a range of clients of all different ages: 'I wish I had known that five years ago' or 'I had no idea you could do that' (often followed by, 'I thought you could only do it *this* way'). When our finances are such a key component of our lives, it can be very sad to realise that so many people have these gaps in their financial knowledge.

Money is often a driver for some of the big decisions in our adult lives. New clients often end up in my office after taking a leap of faith, normally via a referral from an existing happy client. I spend some time with them talking through where they're at in their lives (including with their financial life), what they would like to achieve, and how we can take some financial steps together to keep them moving in the right direction or get them to where they want to go. It's especially important that I identify the strategies and options that they have. I also need to help my clients understand why the strategies I present to them are valuable, so they deepen their understanding about how smart money strategies can work for them.

I was brought up to hate waste — be it a waste of time, effort, money, talent, opportunity or knowledge. Hopefully by working your way through this book you can limit the times you say, 'I wish I had' and 'If only I had known', and increase the times you can say, 'Doing X has saved me Y' or 'Now we can do Z' in the future. There is no magic bullet and nothing about finance comes without risk, but over your work and retirement life there is always going to be give and take, and you can work with this flexibility: spend a little more now, work a little harder (or longer) later; save a little more now, work a little less later; and every other possible combination you can imagine. Along the way, you

may find that making informed decisions about your money can help you save, build and grow what you are working with—affectionately known as your *resources*.

When you think about your resources, you probably think about the money you have in the bank or your super account. You might also think about the investments you hold—be they shares, property or some other kind of asset. What you also need to think about as a resource is *you*.

Your ability to earn an income is your most valuable resource. Your ability to manage your money is your second most valuable resource. Most people don't think like this. They forget about themselves and they dismiss their ability to make decisions for the betterment of their financial lives—which is often where a financial planner comes in.

A financial planner is a qualified professional who can help you identify your goals, understand financial strategies and options, create a personal financial plan and work with you towards achieving your goals. In short, a financial planner can provide you with personal financial advice.

It's also important to note that in Australia the terms 'financial planner' and 'financial adviser' are restricted terms by the *Corporations Act 2001*. This means that you can't just decide one day to call yourself a financial planner. To use either job title, there are certain legal requirements you need to meet, including being authorised by the Australian Securities and Investments Commission (ASIC). The Financial Advisers Register (managed by ASIC), which is published on the Moneysmart website, allows consumers to check their financial planner is authorised to provide advice and find out some more information about them.

*Smart Money Strategy* is designed to help you build your own knowledge and understanding about how financial planning strategies work. The book also provides a great platform for you to be better equipped when you walk into a financial planning meeting, should you decide to seek personal advice. By reading this book, it's my sincere hope that you can have more productive and engaging conversations with your financial planner to more effectively and efficiently achieve your goals.

## Personal financial advice and general advice

It surprises me that within this age of information people still don't understand the value of personal financial planning advice. There's a big difference between *general advice* and *personal financial advice* when it comes to your financial planning, yet a recent study commissioned by ASIC found that many Australians couldn't tell the difference between general advice and personal financial advice.

So how can you tell the difference between the two?

The key difference comes down to whether a financial planner has considered your personal financial objectives, situation or needs. If no one has asked you about those things, the advice you are receiving is general advice. General advice is often seen in the media, within education tools and forums and in books like this. General advice provides information only, which may or may not be applicable to you.

Personal financial advice, on the other hand, is about you, and you alone. For example, you might be seeking personal financial advice for specific life issues, such as changes to your work situation (including a new job, redundancy or retirement), starting or selling a business, getting married or divorced, or having children. Almost everything we do in life has a financial consequence, so there are lots of reasons to seek personal financial advice.

At the heart of it, and in my view, personal financial advice involves:

- Understanding your starting position
- Exploring your 'why'
- Understanding the options specifically available to you
- Helping you implement healthier financial behaviours
- Creating a financial plan to help you meet your goals, and working with you to assess your progress towards those goals and recommending adjustments as may be required.

Personal financial advice is also about working with you over time to assess your progress towards your goals and changing and sustaining your financial plan as your life changes.

As I haven't asked you about your objectives, situation or needs, the advice in this book can't be considered personal financial advice as I don't understand anything about your personal financial situation and I haven't provided you with a financial plan that will help you achieve your goals. However, what I can do is give you general advice about how strategies and products work and how they can be used in different general situations. I find that even with my own clients, it often helps to explain things generally before exploring and assessing how a strategy might work within the context of their own situation and personal financial plans.

Let's consider these points about personal financial advice in more detail from the perspective of building your financial understanding.

## **It helps you understand your starting position**

On any journey you take, it helps to know where you're starting from. In Chapter 6, I offer you a series of activities to help you explore and understand your own financial starting position. It's a really important step to know where you're at as it guides what you do next.

## **It helps you explore your own 'why'**

A financial planner can help you by asking questions and acting as a sounding board to help you define your 'why'—the needs, wants and ambitions that determine how you might best structure your finances to achieve your goals.

If you've never thought about your own 'why', it might be hard to define what it means to you. You might be so busy with work or your family that you've never stopped to think about it. But knowing your 'why' gives you information and the motivation you need to create achievable goals for you and your family over time. Thinking about where you need to go will keep you engaged and motivated because even if it involves some sacrifices along the way, you know it will be well worth it in the end. Chapter 2 explores defining your 'why' in more detail.

A financial planner can help you define your goals and make them specific and measurable. A financial planner can also help you assess the goals you already have to ensure they're realistic and achievable.

## **It helps you build your knowledge so you can assess your strategy options**

Although I may have never met you, the fact that you're reading this book tells me you're looking to build your knowledge and you're looking to create better financial outcomes for yourself and perhaps your family. Personal financial advice can help you identify and navigate the strategy options that are available and which ones are suitable specifically for you, and a financial planner can assist you along the way. You'll also learn a lot more about money than you probably ever have before and understand the risks that are involved too. Part III of this book introduces you to the key strategies you can 'stack' in different ways to meet your goals.

## **It helps you implement new behaviours**

Knowledge is great, but good financial behaviour also matters in determining the outcomes that you achieve. You need to operate within a 'circle of safety'—that is, have good everyday financial behaviours. To some, this may sound boring—if that's you, please feel free to spice up your life through food, music, movies, a relationship or something else more exciting than money. The key takeaway here is that if your financial life is boring, you're probably on track in many regards!

Behaviour changes you can make to improve your financial fitness include:

- Being mindful of the foundations of money outlined in this book as you spend
- Introducing new behaviours to reduce debt, save or invest as a result of understanding your strategy options
- Implementing new behaviours as a result of building your own strategy stacks, and getting a series of strategies to work in your favour

- Being consistent. Consistency is vital to reaching your goals, while one-off, speculative opportunities are usually surpassed by long-term hard work in the end.

A financial planner can coach you along the way, helping you reinforce the good behaviours and identify the bad behaviours you may need to rethink. Chapter 3 encourages you to set some strong foundations for your financial life, so you give yourself the best chance of success. Make an agreement with yourself to put them into place before you start strategy stacking.

## It helps you achieve your personal goals

Understanding your finances is not just about learning more and changing your behaviours, it's also about giving you the best possibility to achieve your desired outcomes, such as saving for a first home, reducing the mortgage and raising a family, or retiring comfortably and debt-free. Timing is also important, so consider your goals in terms of:

- Things you want to do right now (near-term goals)
- Things you want to do in one to two years (short-term goals)
- Things you want to do in three to five years (medium-term goals)
- Things you want to do in more than five years (long-term goals).

It's important to time frame your goals with the resources you have to work with. If you don't place time frames on the outcome you're seeking, it may actually change your goals and the strategies you use to achieve them.

You may be looking for an emotional outcome from your personal goals too, such as reducing financial stress or building financial confidence. If you've never had a financial plan in place, then you might never have really experienced a feeling of certainty or confidence in your financial life.

Ultimately, the value of any personal financial planning advice—as well as any general advice you explore to increase your financial understanding, such as by reading this book—that you receive will be



determined by what you want to get out of it and what goals you set. It's also important to remember that it's not just about the goals and strategies—it's also about your own financial behaviours. A financial planner can't be present 24/7—and you probably wouldn't want them to be!



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# PART I

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## THE FOUNDATIONS

I know some readers will be keen to get to the financial planning strategies that appear later in this book and start stacking the odds in their favour. If that's you, cool your jets! I genuinely ask you to pause for a moment—it's not the right place to start. Just like building a house, and especially a stable structure that will do what it is meant to do over the medium and long term, you've got to spend some time looking at the foundations that you plan to build upon.

I think the wise place to start is to look at some truths about money. I want to encourage you to think about your attitudes to money over the years as well as your relationship with it. For many people, money is transactional—it comes and goes and comes again until the next lot of expenses come along. Reflection here may help us see what we might need to change or challenge if we really want to move forward—not just with money, but in many aspects of our lives. It might also influence what you see as important within your own financial life.

I also encourage you to create what I call your 'why', which are your short-, medium- and long-term goals. Without goals, we often flounder about, not sure where we're going. Sometimes we don't make the decisions that have our best medium- and long-term interests in mind. This is often the case when goals aren't set or we haven't given ourselves the opportunity to set them.

Taking the time to set strong foundations is essential, especially if you genuinely want to give yourself the best chance of success, and I conclude this part by establishing what I think are the five foundations you need to build your strategy stack.



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## CHAPTER 1

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# Five Truths about Money

Before we start talking strategy, I'd like to ask you to explore your own attitudes towards, and your relationship with, money.

Consider the following questions:

- When did you start learning about money?
- Has money ever stressed you—or someone you know—out?
- Has your relationship with money ever felt like a love-hate relationship?
- How have you been influenced by others in your own relationship with money?
- Are you prepared to change how you manage your money?
- Are you willing to equip yourself with knowledge or seek financial planning advice to have a better relationship with money?

A big issue people have to overcome in their relationship with money relates to the preconceived ideas and assumptions they bring to the relationship. Many of these beliefs are not based on fact, and these unhelpful beliefs can impact upon your decision-making in a negative way. For example, many people don't understand what happens to their super at retirement. Despite what some people believe, you don't have

to withdraw all the money from your super account and close it; in fact, doing so might have negative retirement consequences.

The truth is that many people haven't taken the time to think about the relationship they have with money and how their financial knowledge and personal biases impact what they do with their money. So, let's take a few moments to look at five truths about money—and how they might be impacting your financial life right now.

## **Truth 1: Your education doesn't prepare you for your adult financial life**

When most of us think about our school days, we probably think of our friends, the subjects we liked, that one teacher who actually cared—and maybe, for some of us, how we wanted to get out of there and into the adult world.

Sadly, much of our childhood and teen education doesn't prepare us for adult life, particularly our adult *financial* life. The problem is more than mathematics: addition, subtraction, multiplication, division and a reasonable understanding of percentages is as much as we actually need to make sense of our finances. The problem is more about life issues.

Here are just a few issues in your adult financial life that you probably wish you'd had the answers to before you left education:

- How do I budget?
- How much can I afford to save?
- How quickly can I pay off my home loan?
- How much superannuation do I need to live a comfortable retirement?
- How do I make the most of my financial options?

These aren't unreasonable questions; they deserve more time within school classrooms—not to place undue emphasis on the love of