CASE STUDY 1 (CONTINUED)

diminished as he has got older, the new business is structured to have low costs. "The upside is good, but if things don't work out I can fire-sale the stock and walk away having dropped 10 or 20 grand and a bit of time," he says. "As I get older, I look more at the possibility of 'what if it goes wrong?'. When you're young you think you're indestructible. You don't have that fear. Now I'm older, I've got more to lose; I don't want to have to start again at 46."

Martin is a canny operator and has appointed advisers who understand that his main asset in building wealth is his own skill as an entrepreneur.

Andrew Buchan, his financial planner, hasn't tried to push him towards a traditional portfolio model, but has accepted his expertise and enthusiasm and worked around them. Not surprisingly Martin has a familiarity with property, and that represents the main pool of his assets today: he has two warehouses on the Gold Coast ("no-nonsense, easy, give a good return for a low amount of outlay") and a residential property in Brisbane.

It should be no surprise to learn that Martin has a self-managed super fund; the vehicle was invented for people like him. "I enjoy research," he says. "I'm a little bit of a control freak."

Having reached a key stage with the sale of the business, Martin and his adviser sat down and came up with a number. They worked out how much money he wanted to have, per day, upon retirement, and then worked back to establish what that total figure should be. It was a big number. "It was a scary thought, but a good scary thought to have," he says. "It made me more proactive on: this is what I need. When looking at things and making decisions, I ask: does this get me closer or further away from that number? It really simplifies things. I would encourage people to have a number."

1 Getting started

The first big life stage for most of us in financial terms is leaving home, starting work, and just trying to make some progress.

The priority of many young people, having bought their first home, is to pay down the mortgage as much as possible, and there's nothing wrong with that: after all, home loan debt is not deductible.

Planners recognise that saving at this age is more easily said than done, but they recommend that if there are any surpluses, they be put aside in a savings or investment plan.

Many Australians, when they begin to accumulate money, opt for the tried-and-tested route of an investment property. That has pros and cons: on the plus side, if everything goes in your favour, it's a great way of growing your assets over the long run, as a tenant pays down your mortgage, your equity increases, and hopefully the property itself increases in value. On the downside, there's a big upfront cost, and issues around what happens if it is not tenanted: can you still pay the mortgage?

It's a big ask to try to get very young people to put money into superannuation, though planners do suggest salary sacrifice where appropriate to build for the future; the earlier you put money in, the greater the power of compounding returns over time.

Others recognise that there are likely to be short-term requirements to liquidate investments when young, for a first house or to upgrade to a bigger one, and therefore suggest managed funds or exchange traded funds.

Since this age bracket is largely about accumulation of assets from a low base, some recommend borrowing to invest, but remember this is a double-edged sword: leverage increases rewards when things go well, and losses when they go badly. Borrowing to invest has a tax benefit, but that should never be the main reason you do it.

Another important component of this bit of the road map is insurance: particularly income protection. If your greatest asset is your ability to earn income, then that's worth protecting.

It's a big ask to try to get very young people to put money into super but the earlier you do, the greater the returns.

2 The kids

Let's be honest: you didn't have kids to improve your wealth. For at least a couple of decades they are a strictly one-way street when it comes to cash flow.

When kids come along they present both a need for long-term saving and a barrier against doing exactly that, particularly if you're paying Sydney or Melbourne mortgages, rents or child-care rates. If you're in state schools, they become considerably cheaper once they've started primary school.

Saving for the kids depends on what you propose to do for them. If you want to put them through private education, and have a rough idea where you will do so, then you can look ahead to the likely costs and build a savings plan to be ready when the time comes. Likewise if you want to pay uni fees, rather than the kids paying them back from HECS or the like, then that can be planned and saved for, as can the living expenses for that time if they won't be living at home.

Some families, such as in one of our case studies, help their kids by buying investment properties and allowing their children to live in them with subsidised or no rent while they find their feet. This isn't for everyone; it means another mortgage without income coming in to service it. But it does mean an investment in an asset which will hopefully enjoy capital growth.

3 Selling a business

Another of our case studies revolves around this: selling out after 20 years of hard work and pondering what to do with the income, and indeed the next 20 years.

Andrew Buchan of HLB Mann Judd in Brisbane, the financial adviser for Martin Meek in our case study, notes that people who have built a business can have different needs and priorities.

"Martin's wealth is his ability in business," Buchan says. "It doesn't matter if I could get him a 5 per cent or 10 per cent return on an investment. His real ability is his business nous." Buchan believes this applies equally to, say, a sports star with a brand name: wealth management for people like this is not just about the split between equity, bonds and property, but encouraging an individual's attributes and their assets as a person.

People like this are natural candidates for self-managed super funds, so that they can match their expertise and enthusiasm with self-directed investments. Involving an accountant on the tax side is crucial.

4 Approaching retirement

One of the biggest moments in all of our lives is retirement, and this of course is where your financial road map has been aiming. But few of us suddenly shift from full-time to retirement in one day; we're more likely to reduce hours, do part-time work for a few years, and perhaps continue to do a bit of work while drawing on super for more years.

Either way, when the day approaches, transition-to-retirement rules become important. Once you reach preservation age, between 55 and 60 depending on when you were born, you can reduce your working hours and top up whatever income you get from your part-time job with an income stream from your super.

Planners generally urge people in this age bracket to get as much money into the most tax-effective vehicle possible (super), then into an account-based pension. Minimising tax is naturally a crucial consideration now. Again, salary sacrifice can make a lot of sense.

People in this group should make sure their estate planning, wills and insurance arrangements are in order. It's also common for those approaching retirement to reduce their risk profile: less in equities, more in bonds, for example. But not everyone agrees with this capital preservation approach.