can be used to fund the education expenses, while contributions can be returned to the parent. Most importantly, these plans all vary so make sure you read the fund product disclosure statement (PDS).

Once you have decided on your options, consider in which partner's name the investments should be. For example, if you have decided to channel all your savings into the home loan and want to convert non-deductible to deductible debt by then borrowing and investing in a diversified portfolio – that you will, in the future, sell down to fund the school fees – the tax deductions will be maximised in the higher-income earner's name.

If you choose the more conservative option of a regular savings plan into a high-yield cash account, this account should be in the name of the lower-income spouse so the interest is taxed at a lower marginal tax rate.

What about university?

Assuming the kids make it to uni they can of course participate in the HECS scheme. All the methods outlined can also be used to fund university. There are specific scholarship fund plans for uni fees – you may or may not be of the view that this is something you want to fund.

INSURANCE IS IMPORTANT

Don't ignore insurance as a vital part of your strategy. What do you need?

Income protection: Think of it as a plan B strategy. Income protection insurance will protect up to 75% of your income (better yet, include a super option to protect 100% of super as well) and is tax deductible, so make sure you protect your most important asset (not to mention your kids') – your ability to earn income.

Life insurance: If you or your partner dies, how will your family manage to repay the mortgage and fund the school fees from a single salary?

Death and total and permanent disability (TPD): If you suffer an accident or illness that leaves you totally or permanently disabled, this insurance will cover your increased expenses and your plans.

Trauma: For a multitude of traumatic events this insurance lets you focus on regaining control of your lifestyle.

General: House and contents and comprehensive motor vehicle insurance.

Make your first million

Lisa Faddy, Financial Planner, Majella Wealth Advisers

THERE IS NO EASY FORMULA to making a million. You will need a bit of luck, but there are things you can do to position yourself by making some prudent decisions.

Regular investing, property, shares and managed funds, superannuation, your own business, a well-paid job? Yes, some or all of them can help to make you rich, but they won't all the time. Most likely it's going to be a combination of all or some of these.

Regular investing

Regular investing (ie saving and not spending everything you earn) is the best way to grow your wealth. But how do you invest? If you saved $1000 a month (or $12,000pa) into a cash account earning 4%pa, it would take 37 years to reach $1 million. While it may not be realistic to continue such a long-term investment plan, it at least provides an example that long-term sustainability is one way to reach that end goal.

By taking a little more risk, such as investing in shares and managed funds, you will get periods of negative returns, but over the longer term you should earn significantly more. If that $1000 a month was invested at 8%pa, it would only take 26 years to reach $1 million. That's still a long time. Also see table at bottom right for other examples on how long it will take to reach millionaire status.

But, if we combine regular investing with other investments, reaching $1 million may be more achievable. By investing $1000 a month and earning 7%pa, your savings could grow to $320,000 after 15 years. To earn 7%pa, you need to take some risks. Lengthy negative performance like we've recently had will put you well behind your end goal.

Property & shares

Many people offer courses to teach investors about property and share-trading investment and how you can make $1 million and retire by age 30. You can make good money with property and shares, but this will generally be over the longer term.

Shares and managed funds can make big returns. There will be years of 30% returns, but there can easily be years of -30% returns.

Property can also provide big gains with a bit of luck and careful choice of property, but generally you should earn a rental return of about 5%pa and capital growth of around 4%pa! Taking a reasonably conservative example with a property: if you bought an investment property now for $480,000 (note, you'll need a 20% deposit to avoid extra mortgage costs) and the property grew in capital value by 4% a year, this should earn you $384,000 after 15 years.

This assumes that your rental income can pay down your interest commitments each month and you repay the remaining loan after 15 years. The important thing with property

BUILD $1 MILLION IN 15 YEARS

STEPS	AFTER 10 YEARS	AFTER 15 YEARS
1. Regular investment of $1000 a month into managed funds, earning 7%pa	$176,000	$320,000
2. Property purchase of $480,000, growing in value at 4%pa	$300,000	$384,000
3. Superannuation balance of $50,000 now and SGC contributions on a $100,000 salary. Fund earnings of 7%pa.	$219,000	$374,000
TOTAL	$695,000	$1 million+

JON LOVE

is its capital growth – ie price increases. You won't make much money on the rent; this just helps repay the interest on the loan.

Superannuation

Superannuation is one of the best ways to grow your wealth. This is because superannuation funds are taxed less than income earned personally. But superannuation investments cannot be used until at least age 55 (and for most, after age 60).

If someone had a $50,000 super balance and was earning $100,000 a year (growing by 3%pa), with your 9% SGC each year and a 7%pa return, your fund could grow to $374,000 in 15 years with reasonably little effort (as super is compulsory savings).

Taking the above three options of regular investing in shares and managed funds, property and superannuation, gives the results shown in the table. It may show the way to reach that $1 million goal after 15 years!

It's all quite circular; you do need money to make money. To buy a property, you need a deposit to start with. To make regular investments, you need to earn enough from your salary to have spare money to invest.

Once you start to make some money, you need to make sure you don't spend it all. It's the regular savings (including investing more money or paying down loans) that's going to build your wealth towards $1 million.

CASE STUDY

A couple & two kids

John and Sally are both 35 with two kids in primary school. John works as a banker on $120,000 a year and Sally works part time on $35,000. Together they earn a good combined income. They own a house worth $750,000 with a $300,000 mortgage, but little in the way of other assets or investments.

Can they make $1 million? Being able to save over the longer term may make that $1 million, but in the short term it will take quite a lot of luck! A combined strategy of paying down the home loan as fast as possible and using some of the equity in their home to invest in another property and shares or managed funds will be a start.

But they need to be saving a significant proportion of what they earn, even if the saving is just going into repaying the home loan (and then reducing their interest repayments).

You do need to take some risks to make money but, with young kids, you also need to be more mindful of not getting into too much debt, not taking on more than you can handle financially and of your personal workload.

There is insurance cover that will help out if you are sick or injured and unable to work (income protection), but there's no fall-back position for not having enough income to cover your debts and living expenses.

I think everyone's circumstances are unique. A financial planner you like and feel comfortable with should be able to set up a specific plan for you.

Financial planners aren't always able to pick the markets exactly, but they should be able to provide some reasonable and impartial views on how you should invest.

REACHING $1 MILLION – HOW LONG IT TAKES

	REGULAR MONTHLY INVESTMENT					
	$1000			$1500		
Investment return	5%	7%	10%	7%	7%, with 50% loss in Year 10	10%
Years to reach $1 million	33	28	23	23	27	19