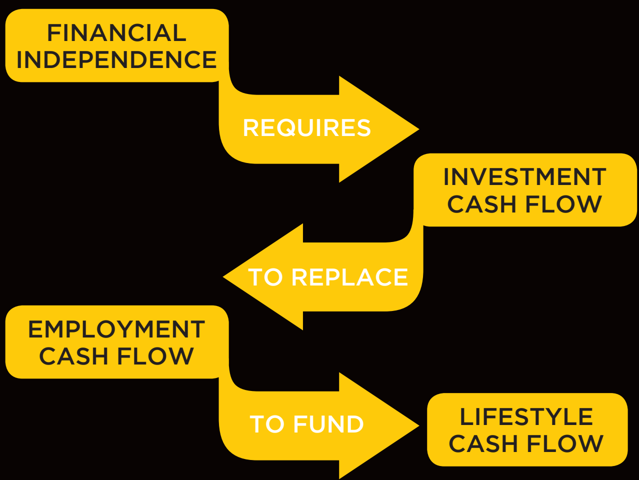
YOUR GUIDE TO CASH FLOW MANAGEMENT

CommSec Adviser Services

Most clients, if not all want to achieve financial independence but to get there they must first understand what financial independence is.

Financial independence can be defined as the ability to build enough personal cash flow to support a client's lifestyle without relying on other sources of income such as employment or government support.



In financial terms we challenge clients understanding of assets and liabilities. In simple terms a financial asset pays them money whilst a financial liability costs them money. Traditional "assets" such as the family home, boat and car now become financial liabilities as they cost the client money. Financial assets such as shares, investment properties and managed funds pay the clients income, increase their independent cash flow and generally result in growth in value.

The Journey

The journey to financial independence all starts with having a well-defined cash flow strategy. The lack of a defined cash flow strategy is one cause of financial poverty.

Regardless of the movement in financial markets, this is the area where you can have the greatest impact and create positive results for your clients.

Advisers can look into any investors' cash flow patterns through their bank statements and see those who are progressing and those who are struggling. Those who make financial progress generally do so by separating expenses from cash inflows. A means of doing this could be by using a bank account for expenses and a Cash Management Account acting as a cash hub for cash inflows which provides a better way of tracking financial progress. Those who only use an everyday bank account have little means of tracking and managing spending patterns and are more likely to over spend and therefore not achieve their goal of building wealth.

The architecture of Cash Management Accounts supports investment administration outcomes whereas the architecture of the consumer bank accounts support consumption and spending. That's why establishing a cash hub is a step towards successful investment performance and ultimately, financial security.

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CASH FLOW MODELS

The design of a cash flow model can vary, however the separation of personal expenses from investment cash flow, as well as limiting client access to selected funds is critical to any model. The model should also track all income streams and redeploy investment income back for reinvestment.

The following is an example of a model:

Cash Hub

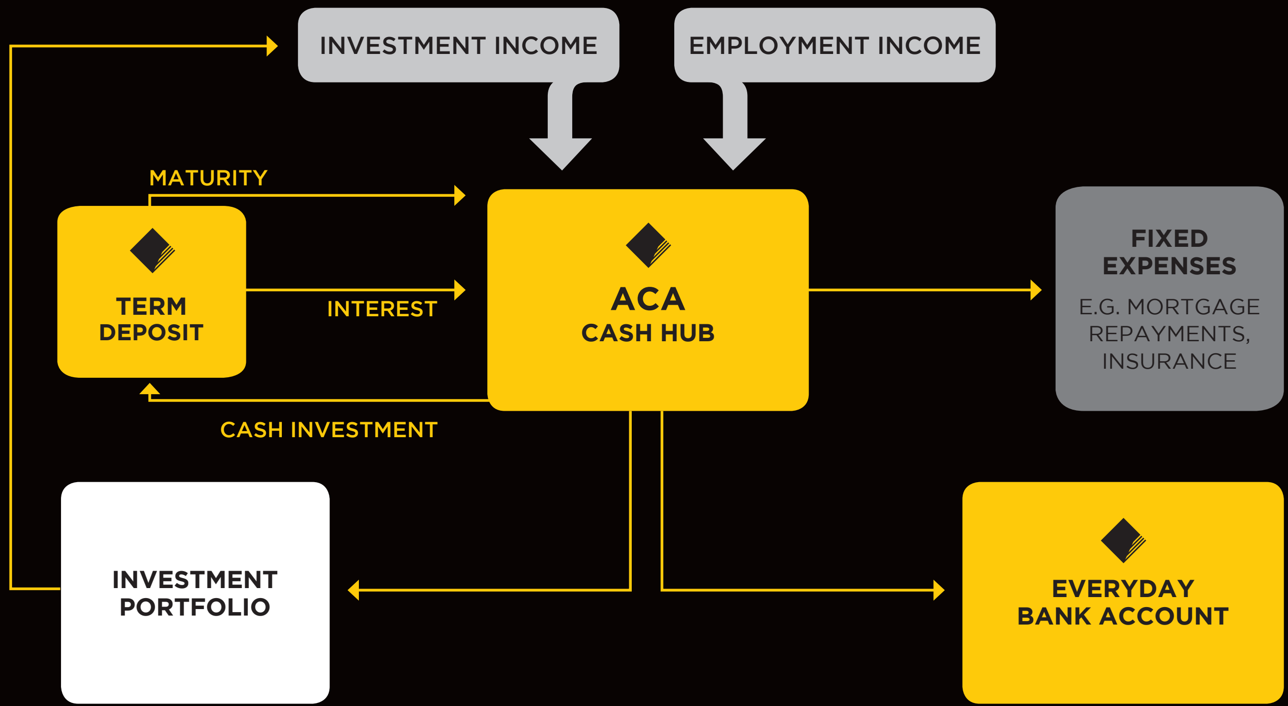
The cash hub in this model is a Commonwealth Bank Accelerator Cash Account (ACA). The cash hub is central to the strategy as it receives all salary and investment income. It is vital to separate everyday expenses out from the cash hub by redirecting funds to a secondary account according to the agreed cash flow strategy. In this model the cash hub also covers all fixed expenses such as mortgage repayments, utilities and insurances. This account is managed by the adviser for wealth creation.

Everyday Bank Account

A pre-agreed amount is transferred in from the cash hub to meet your client's day-to-day living expenses. This account should offer your client services built around consumption e.g. ATM and EFTPOS access.

The separation of wealth creation and everyday expenses creates a large psychological barrier which is supportive of delivering a more effective investment outcome.

For more information about our products and services, please visit **www.CommSecAdviserServices.com.au**, contact your CommSec Adviser Services Business Development Manager or call us on **1800 252 351**.



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