



Confused by financial talk

CRAIG HOGGETT | October 12, 2011 12.01am

CONFUSION reigns for many Tasmanians when it comes to financial jargon, leading to indecision that is potentially costing people money.

Suncorp Bank Tasmanian general manager Russell Harrison said anecdotal evidence had led to an investigation into financial literacy.

The findings show that a lack of understanding was a likely factor stopping people from taking charge of investments such as superannuation.

"I think we get caught up in our own jargon sometimes," Mr Harrison said.

"And because people don't understand the terminology they may be investing in avenues that are not as cost-effective in terms of tax -- you could be earning a lot less," Mr Harrison said.

And he said the reputation of financial advisers had been tarnished.

"In the past the term financial adviser has unfortunately been associated with people that have put people into risky investments," he said.

Shadforth's financial adviser and author Charles Badenach said a lack of understanding could lead to people being afraid to direct their investment strategy.

Mr Badenach said a perception that financial planners were for wealthy people had led to normal people not taking advantage of all their options.

Money talk

SURVEY FINDINGS:

OFFSET ACCOUNT:

What respondents thought it meant: Scheme to lower or dodge tax or something a bit like an offshore account.

Definition: A savings account linked to a loan that can help to reduce your interest repayments.

LOAN-TO-VALUE RATIO:

Respondents: Something like shares or something that happened when interest rates were too high.

Definition: A loan to value ratio is the loan amount divided by the value of the property or asset, expressed as a percentage. For example, a loan of \$400,000 to buy a property worth \$500,000 results in an LVR of 80 per cent.

ANNUITY:

Respondents: Something you get when someone dies or some sort of annual payment.

Definition: A retirement insurance policy that provides a regular income in exchange for a lump sum.