December 2017

Welcome to our last client newsletter for 2017.

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we have included articles that discuss the performance of investment markets in 2017, how to retire your way and how to be the boss of your cash.

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.

In the meantime we hope you and your family a happy and safe Christmas and New Year.

All the best,

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2017 has been kind to investors

As we head towards the end of 2017, it's worth taking a look at how investment markets have fared over the year.

It turns out we've enjoyed a pretty good 12 months – especially if you haven't had a significant chunk of your wealth tied up in cash.

The last 12 months have been steady on a number of financial fronts. Even the official cash rate has remained unchanged for the entire year, and that's been a plus for local businesses. Reflecting this, Australian shares have performed well.

Double digit gains on shares

As I write in mid-November, the ASX 200 Total Returns Index has dished up gains of 11.27% for the year to date. This in turn has impacted our super savings – especially "balanced" funds, which typically have a solid investment in equities. According to research group SuperRatings, long term (7-year) returns for super funds continue to sit at around 8.2% annually. That's good news for our nest eggs.

All asset classes move in cycles, and reflecting the economic recovery that's taking place in many developed nations, international shares have been a strong performer this year.

The MSCI World Index (excluding Australia) notched up gains of 18.9% for the year to date. Past returns are no guide for the future, but returns like this are a compelling case to add global equities to your portfolio. An international share fund – either listed or unlisted, offers an easy way to do this. Contact my office for more details on investing in global shares.

Key property markets are cooling

Despite the robust gains on equities, residential property has once again attracted plenty of media attention.

According to CoreLogic, values in Sydney have begun to cool, with annual price gains of 7.7% as at the end of October. Values in Melbourne, where the market is still rising, have soared 11.0%. But the real scene stealer has been Hobart, where property values have climbed 12.7% over the past 12 months.

For property investors, the slowing pace of capital growth especially in Sydney, reflects tighter credit policies among lenders. The shift to lower risk loans and stricter borrowing limits is not necessarily a bad thing. Coupled with rate premiums for interest-only borrowers, this is forcing many people to consider whether a rental property really suits their long term goals.

Planes, trains and automobiles deliver strong gains

One asset class that can that be easy to overlook is infrastructure. Yet things like toll roads, railways, airports and utilities can be a steady performer for investors.

The ASX Infrastructure Index has achieved gains of 12.79% for the year to date. As with international shares, you could invest directly in individual infrastructure companies but an easier way to get a slice of the action is by investing in an infrastructure fund. This also has the advantage of spreading your money across a broader range of underlying assets.

With returns on cash still looking very ho-hum, it could be worth looking beyond savings accounts (where you'll be lucky to earn 3% before-tax), and think about where you could put at least part of your money to work in 2018 to earn a stronger return.

Call us to take a closer look at the range of investment opportunities that can help you achieve your goals for 2018 and beyond.

– by Paul Clitheroe AM

Paul Clitheroe AM, co-founder and Executive Director of ipac securities limited, Chairman of the Australian Government Financial Literacy Board and Chief Commentator for Money magazine.

How to retire, your way

How you'd like to spend your retirement is as unique as you. From the big life changing goals, to the smaller, more personal ones that give your life meaning.

There's no defined age you must retire by, and it isn't just about your finances. Your state of mind, where you live, how you spend your time as well as your goals, all play a big part.

Living well in retirement

Australia has one of the highest life expectancies in the world, and it's likely to increase well into the 90s over the next 40 years.[i] Meaning we could be looking at around 30 years in retirement.

So whatever your retirement goals are (like travelling, having a sea change, caring for family or working part-time), it's important to be prepared financially.

The cost of living in retirement

Assuming you own your own home, recent research shows that to retire comfortably, couples will need about $640,000 as a lump sum to retire on.[ii]

Yet, a recent survey by Roy Morgan shows many Australians aged 50-64 may not have the amount they need to retire comfortably at 65, and in fact many may still be in debt.[iii]

It can be easy to feel overwhelmed by these figures, but your finances may actually be in better shape than you think.

What you can do yourself, right now

There are a number of things you can do yourself now, that can really make a difference to your future retirement – both financially and mentally. That includes thinking about how you'd like to manage your income and lifestyle to reflect your changing needs. Here are some ways to get started:

1. Get clear on your retirement goals and how you want your life to look

Too many options can make planning difficult, so it's good to get a clear idea about the lifestyle you want and the top things on your list, including:

- knowing how you want to spend your time
- if you have a partner, comparing lists, so you're on the same page
- working out where you want to live

2. Work on simplifying your finances

It's a great idea to get your finances organised sooner rather than later. Some of the things you can work on now include:

- tracking your spending
- working out where you can make savings
- getting your super sorted
- taking advantage of any government incentives you may be entitled to

Other tips and information are also available on www.amp.com.au/retireright and www.moneysmart.gov.au.

3. Think about your numbers

Have a realistic look at how you can achieve your goals, and live the lifestyle you'd like within your budget. You may need to reassess some things in favour of others, or be stricter on the smaller things (like eating out) so you can enjoy bigger things in retirement (like a holiday).

4. Put a plan in place to help achieve your retirement goals

Once you're clear on your goals, a plan will help you step out how you'll get there. It can make all the difference.

5. Talk to us

Most of us need some help to create a plan for our retirement goals. And making the most of your super, investments, government entitlements and incentives can be hard to do on your own.

We can help you:

- Work out how much you'll need to live on
- Work out how you could create an income in retirement
- Understand possible future expenses
- Examine your superannuation savings, planning for now and in retirement
- Understand your living options, including aged care and what it could mean for your finances
- Find ways to keep doing the things you love, and new things you'd like to do
- Understand the rules around age pension eligibility.

After all, understanding all your options, and having a clear plan for your future, really can help you step into your idea of retirement with confidence.

i Australian Government Treasury Department., 2015 Intergenerational report. https://treasury.gov.au/publication/2015-intergenerational-report/chapter-1-how-will-australia-change-over-the-next-40-years/

ii ASFA, Retirement Standard Summary, December 2016. The lump sums required for a comfortable retirement assume that the retiree/s will draw down all their capital, and receive a part Age Pension. All figures in today's dollars using 2.75% AWE as a deflator and an assumed investment earning rate of 6%. They are based on the means test for the Age Pension in effect from 1 January 2017.

iii Roy Morgan Research, State of the Nation Australia spotlight on finance risk, August 2016.

Be the boss of your cash

If, like many others, your life and money feels a bit like a juggling act - paying bills here and there… and "Uh oh, forgot about the council rates, guess that one's going on the credit card". You may be thinking that having some extra cash would solve a lot of your problems.

Well, often changing how you spend the money you have now, can help you start to save that extra cash.

It all comes down to your cashflow.

Your cashflow is the amount of money that's coming in and going out of your bank account at any point in time. It's not a measure of your wealth, but whether there's enough cash available to meet your expenses, with some left over. If your cashflow isn't in check, you might find it difficult to pay your bills on time, or end up relying on credit.

The first step to a more positive cashflow is to become clear on the incomings and outgoings of your money. Understanding and managing your money well now, will help set you up for the future.

A well-managed cashflow and budget can help you:

- feel in control of your money and more financially confident overall
- feel secure about meeting your expenses, and paying off your debts
- save time and money
- start saving for other goals
- stop focussing on your day to day money, and start planning for your future.

Health check your cashflow

There are a few telling signs that can point to whether your cashflow is working for you. Answer yes or no to the questions below to see how healthy your day to day money is.

Do you:	Yes	No
Feel in control of your money and financially confident overall?	☐	☐
Feel secure about meeting your expenses, and paying off your debts?	☐	☐
Have a solid, workable budget?	☐	☐
Focus on how your money can help you in the future, rather than worrying about today?	☐	☐
Have a growing savings account?	☐	☐
Feel as though you don't need to think about your money much?	☐	☐
Have bank accounts set up so they're easy to manage?	☐	☐

Answering yes to all these questions means your cashflow is probably in a healthy position. And now would be a good time to start thinking about how you can save towards your goals and building wealth in other ways.

Answering no to any of these questions is ok too, because it's a great opportunity to get your money working smarter and harder for you. Some things you can do include – setting some goals, writing a budget and making sure you have a good system in place to manage your money. There are plenty of apps and online services available that can help with this.

We're here to help

Our job is to help you build wealth for the long term, and often getting your cash in order is the first step to growing your wealth. We can help you take a fresh look at the way you're managing your money, and help you find new ways to save on costs and time.

Getting a clear picture of what's happening with your money will also help you feel more confident about your finances overall. So you can stop juggling bills, and start saving for future goals.