your **money** your **future**

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Welcome to the latest edition of our client newsletter,

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 discuss

* Would you like to retire by 40?
* Responsible and ethical investing
* Holiday budgeting tips

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 enjoy the read.

All the best,

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Would you like to retire by 40?

Many younger Australians are joining the Financial Independence, Retire Early (FIRE) movement. Is it right for you?

When you're starting out in the workforce and building your career, retirement can seem like a long way away.

And with the age at which you can access your super and age pension creeping up—not to mention the increasing cost of living—you might be steeling yourself for a longer working life.

The stats don't lie—Australians are staying in the workforce for longer and any thoughts of retiring early are becoming a distant dream for many of us.[i]

But there's a growing movement of younger Australians who believe that by following the right set of rules, it's possible to achieve early retirement.

Popularised by US-based blogger Peter Adeney, better known as Mr Money Mustache[ii], the Financial Independence, Retire Early movement looks more closely at what makes us happy.

Changing your spending and saving habits

FIRE is all about following an extremely frugal lifestyle with the aim of retiring as early as your 40s…or even your 30s!

At the core of the FIRE philosophy is changing your attitude towards spending and saving.

But FIRE is more than just following a budget. It's a whole-of-life movement that inspires fervent belief in its followers.

The FIRE movement encourages its followers to build up seven levels of financial safety by:

- investing in property
- investing in dividend-yielding assets
- building tax-effective super
- working part-time
- taking full advantage of social security
- looking for entrepreneurial work opportunities
- adjusting their lifestyle to live a simpler life.

When it comes to saving, every little bit counts

Like any movement, FIRE inspires some committed followers and some of the lifestyle advice can seem a little extreme—churning credit cards to access freebies, living in a truck to avoid rent and even sifting through bins outside restaurants for free food.

Now, if the thought of going without your daily latte…not to mention movie outings, fine dining and regular holidays…sounds like a living nightmare, then perhaps FIRE isn't for you.

But if this sounds too much like hard work, don't worry. You don't have to be quite so committed.

You could consider making some simple changes to your daily habits to reduce your spending and boost your savings.

- Understand your money habits.
- Make a list of where you could cut back to reduce your waste.
- Cycle all or part of the way to work and save on transport costs.
- Shop around for the best deal on utilities like gas, electricity and water.
- Entertain at home—a monthly Netflix subscription costs less than a single movie ticket.

How to light your FIRE and retire on your terms

Once you've ramped up your savings, you could think about being a little more savvy with your money.

- Bring your super together into one account to avoid paying more than one set of fees.
- Look at ways to save and invest your money to increase your potential returns.
- Consider investing in property…but watch out for aggressive gearing, especially if interest rates change.

You may not retire quite as early as the more committed FIRE followers. But you may just put yourself in the box seat to retire on your own terms.

And along the way, you might find yourself reappraising your attitude towards money and happiness.

i Australian Bureau of Statistics – Retirement and Retirement Intentions, Australia

ii https://www.mrmoneymustache.com/about/

Responsible and ethical investing

– what are they and what's the difference?

Whether it's the war on waste, human rights abuses, animal rights or climate change that is your issue of choice (or perhaps you're concerned about all of them), more of us are taking an interest in making decisions with our money that reflect our values.

Recent research from the Responsible Investment Association Australasia (RIAA) shows that 92% of Australians now expect their super or other investments to be invested responsibly and ethically, and that four in five of us would consider switching providers if our current super or investment fund engaged in activities inconsistent with our values.[i]

But while the increased interest in responsible and ethical investing is undeniable, there's still some confusion around what they actually mean.

Responsible and ethical investing explained

In simple terms responsible investing encompasses a range of investment styles and techniques that take into account environmental, social, governance (ESG) and ethical issues within the investment research, analysis, selection and monitoring process.

For example, funds might screen out companies or sectors due to controversial or unethical business practices or negative social impact (negative screening). Other investment strategies may focus on selecting companies or sectors with a stronger focus on sustainability drivers relative to their peers (positive screening).

Some common examples of factors that might typically be considered include:

- **Environmental:** Waste, pollution, greenhouse gas emissions, clean technology products and services, environmental management practices.
- **Social:** Workplace health and safety, labour relations and standards, community impacts, human rights.
- **Governance:** Board independence and diversity, executive pay and incentives, bribery, and corruption, conflicts of interest, shareholder rights.
- **Ethical:** Tobacco, gambling, weapons, testing on animals, controversial medical research such as stem cell research, live animal exports.

The most widely used technique by fund managers is ESG integration, which involves the systematic consideration of ESG risk and return factors alongside financial considerations when making an investment decision.

There's also impact investing where capital, in the form of your investment, is provided to a business which has the purposeful intention of generating a measurable, beneficial social or environmental impact, in addition to a financial return.

Increasingly fund managers are using a combination of these responsible investing techniques, creating a range of options in the market for customers seeking to line up their own values with their investment profile and appetite for risk.

How to invest responsibly and ethically

When it comes to investing your money – be it your super or other financial investments – it's become increasingly easier to put your money where your mouth is.

According to RIAA, around 55% of all assets under professional management in Australia were invested responsibly at the end of 2017.[ii]

If you'd like to invest more responsibly or ethically it's important to first consider which issue or issues are of the most importance to you, and how strongly held your convictions are.

Do you prefer avoiding certain industries (for example, the fossil fuel industry) or would you rather favour other industries (such as renewable energy, health-care)?

Or perhaps you're happier with an approach that selects companies that demonstrate the most sustainable characteristics within their industry sector?

What we're doing at AMP

AMP Capital has been focussed on assessing the environmental, social and corporate governance performance of the companies we invest in since 2001.

In 2007 we signed on to the United Nations-backed Principles for Responsible Investment and we've recently completed an ethical divestment strategy in accordance with a new ethical framework and have sold all our investments in companies that manufacture tobacco, cluster munitions, landmines, biological and chemical weapons across our entire portfolio. We are also a founding signatory of global Tobacco-Free Finance Pledge.

AMP Capital is responsible for managing the underlying investments in AMP's super products and publishes information on its website about its responsible and ethical investing practices, ESG investment insights, and responsible investment product offerings. For more information visit www.ampcapital.com/au/en/capabilities/responsible-investment

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Adam is responsible for building upon the strong foundation AMP Capital has set in adopting the UN Principles for Responsible Investment and integrating ESG considerations. His role includes facilitating continued implementation of responsible investment practices in all asset classes including listed equities, infrastructure, property, fixed income and credit. Adam also engages with other Australian companies on ESG issues and supports the implementation of environmental targets for the broader AMP group.

i RIAA, From Values to Riches, Charting consumer attitudes and demand for responsible investing in Australia

ii RIAA, Responsible Investment Benchmark Report, 2018 Australia

Holiday budgeting tips

— *How to avoid a travel debt hangover*

We've all had the feeling. You step off the plane from Bangkok still buzzing, images from your holiday flitting through your mind—the Parthenon, Big Ben, the Eiffel Tower.

What a trip…you're not going to kiss the tarmac or anything but it's good to be home! You post the final selfie to Instagram on your mobile but as you flick back to the home screen you notice your banking app. A nagging thought disturbs your post-holiday reverie.

You haven't logged on since you left Australia. But it was all so slick. The days of sewing travellers' cheques into your pants and wiring FedEx cheques around the world are long gone.

Even the little Thai fishing village had a workable ATM that pumped out baht. And pretty much everywhere accepted your credit card. Luckily you extended the limit before you left, all it took was a few clicks. You also vaguely remember setting a daily budget…that didn't last long. But hey, you're not in Rome every day of the year.

Hang on though…you did hit it pretty hard in London's West End. And then there were the five days at the Airbnb near Lake Como. After all, if it's good enough for George and Amal, it's good enough for you. Come to think of it, the previous week scooting up and down the French Riviera wasn't cheap. And way back at the start of the trip those Sangrias in Barcelona kept on coming…

Slowly your heart sinks and you close the screen down, hastily shoving the phone back in your pocket. It can wait another hour at least, at least until you've got home and brewed a strong cup of coffee.

You've heard of jetlag, now brace yourself for debt-lag

We know how to avoid jetlag. Stay hydrated, get as much sleep as possible and go easy on the complimentary inflight beverages.

But what about debt-lag? You don't want to arrive back home with a spring in your step but a hole in your wallet.

And it doesn't have to be the trip of a lifetime. Even if it's just the annual family holiday down the coast, it's all too easy to let your spending get out of control.

Here are a few tips you might want to consider that could help you avoid a travel debt hangover.

Budgeting tips before you go…

- **Pre-pay the big-ticket items.** Look for good deals and pay in advance for flights, accommodation and tours. The more you can pay for before you go, the less you'll have to pay for at short notice with a potentially hefty local mark-up.
- **Do your homework on fees and charges.** You may want to give yourself a choice of how to pay—a debit card with lower fees, a pre-paid travel card so there are no surprises and a credit card for emergencies.
- **Work out your holiday budget.** Think about how much you're willing to spend—it could help to set a daily limit and an overall limit (and stick to it!). Sometimes your choices about where to travel and where to stay can have a knock-on effect. If you're based on a resort island or in a small hotel room with no kitchen facilities it could be difficult to source reasonably priced groceries and save money on food.

…budgeting tips while you're travelling…

- **Keep track of how much you're spending.** If you're good at budgeting, there's no reason to let things slide just because you're on holiday. And if you're not so good at budgeting, a holiday could be the ideal time to start getting into the right habits.
- **Use the right card.** Pre-loaded travel cards are getting more popular and mean you don't have to stress about the exchange rate. Credit cards are convenient but represent temptation. If you're going to use credit, make sure your card is appropriate for travelling. Some cards charge an international transaction fee as well as not giving you any control over your exchange rate.
- **Make smart choices.** Sometimes local merchants will give you the choice of paying in the local currency or Australian dollars. Converting to Aussie dollars could cost you more as you may not get a favourable exchange rate.

…and budgeting tips when you get back

- **Pay off your credit card as soon as you can.** Be wary of minimum repayments—this only drags out the debt for longer and increases the overall interest charges. If you can cut back in other areas you could potentially pay off your credit card debt earlier and avoid paying interest.

If you're looking at budgeting for a holiday, we can help you manage your money more effectively.