NOVEMBER 2023

# Market St. Market Mix

## ABOUT THIS NEWSLETTER

Welcome to the MST Advisors bi-monthly newsletter, keeping you on top of the issues, news and changes you need to know. Should you require further information on any of the topics covered, please contact us via the details below.

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# Foundations of a wealthy lifestyle

A study conducted by the Australian Stock Exchange reported that nearly 25% of investors over the past two years were aged 18 to 24.

These young Australians were found to be knowledge seekers, keen to take on life and begin their journey towards financial security.

If this describes you, congratulations! You get it, you really do. You're Next Generation Investors who know that building financial independence starts early.

However, according to the same study, Next Generation Investors, aware of their inexperience, are uncomfortable making financial decisions.

If this is also you, here are our tips for laying the foundations for a wealthy future!

**Avoid unnecessary debt**

If there's one thing guaranteed to keep you awake at night it's debt. Naturally, some debt can't be avoided and is considered 'good' debt, like when you borrow to buy a house.

But 'bad' debt is sometimes unnecessary and often comes with high interest; best avoided where possible. You know we're talking about credit cards, right?

Credit cards can fast-track you into debt-strife, particularly as tap-and-go transactions are just so quick and so easy.

Additionally, while those buy-now-pay-later schemes can be useful for emergencies if, say, your fridge packs up, they're a trap if you don't stay in control.

Sure, online shopping and bill-paying means using cards but you can avoid using credit.

Functioning the same as credit cards, debit cards use your money instead of the bank's. They can be linked to your bank account, or loaded with cash which is handy for keeping track of your spending, as you can only spend as much as you've loaded.

If you do end up with debt, be accountable. Pretending it's not there won't make it go away. Further, unpaid bills can grow through late fees and penalties.

Read the fine print on contracts and understand what you've signed up for. Late payments and loan defaults can result in legal action, even bankruptcy, destroying your credit rating for years!

Pay down debt as soon as you can by:

• making additional payments where possible.

• paying above the minimum monthly amount.

• consolidating debts, and negotiating a better deal.

• prioritising debts with the highest interest rate.

**Track spending**

On the topic of spending, get into the habit of tracking yours. Using a simple spreadsheet, or an app from your bank, log your purchases and reconcile spending with receipts.

You'll see exactly where your money is going and spot any areas of unnecessary spending, like those items you really don't need but are the coolest 'must-haves'.

Don't fall for it; 'must-have' is a marketing term. True must-haves are basics like food, shelter, transport and medical – not the latest trends and gadgets.

We're not saying don't treat yourself occasionally, but to pause and consider whether the item is really worth burdening yourself.

**Superannuation**

Think you're too young to worry about superannuation? Prefer to put your money toward something for now rather than later?

You may be right, but don't dismiss super altogether. Here are some things you can do that won't impact your current finances:

• Ensure your employer is contributing the correct amount of super. If you are working, your employer must contribute 10.5% to a super fund on your behalf. These contributions are Superannuation Guarantee Contributions (SGC) and they are compulsory.

• Low-income earners may qualify for Government Co-contributions where the government contributes up to $500 to your super fund. When you lodge your tax return, your eligibility is automatically assessed, and if you qualify the government deposits directly into your super account.

• Put unforeseen cash into super. Sure, you're locking it away, but it's money you weren't expecting anyway! The longer it's in super, the more it can potentially grow.

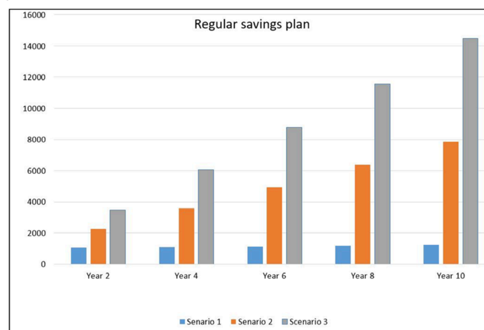
**Save Vs Spend**

You're entitled to live, and you're entitled to a social life. We're not saying save or spend, we're suggesting you can do a bit of both.

This is how it works:

| | Scenario 1 | Scenario 2 | Scenario 3 |
|---|---|---|---|
| **Initial Deposit** | $1,000 | $1,000 | $1,000 |
| **Interest Rate** | 2% PA | 2% PA | 2% PA |
| **Regular Deposit** | N/A | $50 per month | $100 per month |

The chart below shows the result of the above scenarios after ten years.




Each scenario is based on a $1,000 initial deposit with 2% PA interest calculated monthly. In Scenario 1 no further deposits are made. Scenario 2: shows $50 monthly deposits, and Scenario 3: $100 monthly deposits.

Adjust the figures to suit your personal budget and commit to saving a small amount each pay while still enjoying a life. Have the amount automatically deducted from your account and soon you won't even miss it!

Regular savings accounts are available from banks and other financial institutions, and offer a variety of arrangements. For example:

• Your initial deposit can be as little as $50.

• Some pay bonus interest if no withdrawals are made in a month.

• Some offer higher interest for 18 – 24 year olds.

Do your research, particularly websites providing independent product comparisons.

Seek advice

A professional financial planner can tailor a plan specifically for you. They will consider your debt, income, goals and much more, and work with you to structure a strategy for now, and into the future – you may even be surprised at how inexpensive good advice can be.

So, there you are! The future is laid before you and it's loaded with potential; all you need to do now is get on with it.

# Breaking the silence: The challenges of being a carer

Caring for a loved one can be deeply fulfilling but brings its fair share of challenges too – as Laura discovered.

When her mother Shelly had a stroke, she didn't require a nursing facility, but could no longer live alone.

Laura was working part-time while studying a Bachelor of Dental Surgery and dreaming of one day opening her own boutique dental practice. She assumed that moving home to care for Shelly wouldn't greatly affect her career plans, and, in fact, giving up her rental accommodation would save money.

Unfortunately however, Shelly had had to quit work so the pair only had Laura's wages to live on. Yet the bills kept coming in, and on top of everyday living costs, expenses such as medicines, transportation and modifications to the home soon added up.

Additionally, helping Shelly attend medical appointments and assisting with errands put Laura behind in her studies. Since Shelly's condition was not going to improve, Laura deferred her course; telling friends she'd return later.

A great emotional weight settled on Laura's shoulders as she automatically prioritised her mother's day-to-day needs above her own.

As expected, Shelly's condition worsened. Medical sessions often clashed with Laura's work commitments leaving her no option but to give up her job as well.

While expecting to support her mum physically and emotionally, Laura wasn't prepared for the financial hit.

Fortunately, the Australian government offers a range of financial assistance packages, such as:

- Carer payments: provided to those giving constant care to someone with a disability, illness or is aged.
- Carer allowances: offering financial assistance to carers who provide daily care and support to individuals with a disability or medical condition.
- The National Disability Insurance Scheme (NDIS) which offers various services and programs for disabled people and their carers.

Applicants must meet prescribed criteria and the amount of payment varies depending on the situation.

The Government website www.servicesaustralia.gov.au contains a wealth of information for carers, including eligibility criteria, entitlement estimation calculators and information on how to claim.

Shelly's doctor provided program leaflets and additional details, and helped Laura gather the medical paperwork and other relevant documents.

For Laura, giving up her job impacted more than just her finances. Having already lost friends after too many declined invitations, she now lost her last source of social interaction.

Resigning herself to a life of care, Laura abandoned all thought of returning to university, along with her dreams for the future.

It was around this time that Laura discovered Carer Gateway www.carergateway.gov.au and Carers Australia www.carersaustralia.com.au.

These websites provided valuable carer resources, information and assistance services. While recognising that financial relief was crucial, their emphasis was on the relevance of self-care, urging carers not to underestimate the importance of their own well-being, particularly their physical and mental health.

Laura found a community of people who understood her situation, and a network of support groups, counselling services and respite programs encouraging carers to balance their care-giving responsibilities with their own needs.

One of Laura's new friends suggested she seek legal advice around Powers of Attorney, and a financial adviser specialising in estate planning for both her own and Shelly's peace of mind.

These days Laura says she feels the world opening up as the silence around caregiving is broken. With her mother's illness, her life took an unexpected turn, yet it has expanded in other ways. Laura's future is looking brighter; she has even enrolled in an online dental assistant course.

Not exactly what she'd originally planned, it's nevertheless a pathway to her own future, and more than that, she's daring to dream again.

# Harvesting Financial Success

Spring is the perfect time to rejuvenate your financial habits as well as your garden!

Here are 5 ways to set you, and your garden, up for success:

1. Plan your garden: Start with deciding what type of garden you want. In other words, get clear about what goals you want to achieve and by when. Once you have your list of goals prioritise them, so you know where to focus your efforts.

   Tip: If a goal is large and will take some time to achieve, set yourself some smaller goals with shorter timeframes along the way.

2. Pull out the weeds: You don't see garden designers on TV rushing in to plant a new garden without getting rid of the weeds first. In financial terms this is the same as eliminating bad debt. Bad debt is debt used to purchase things that don't go up in value, like cars and household goods. Financing purchases with credit card debt (where the entire balance isn't paid off each month), personal loans and perhaps 'buy now, pay later' facilities mean paying very high interest rates or late fees. Your total cost ends up much more than the original purchase price. These are your weeds - pull them out and don't let them take hold again!

3. Prepare the soil: A key element to a flourishing garden is good soil. For us this is managing our cashflow. For many people our income is fairly consistent, so the focus is on managing outflows. Think of this as a spending plan not a budget. The 'B' word has a strong association with denial and, much like a diet, too much restriction can be counter-productive. Be honest when completing it as you need to know exactly where your cash is going. Your adviser can be a huge help with this. It's an opportunity to look at your spending and think again about your goals. Is the enjoyment you get from three streaming services more than what you'll get from achieving your goal? What do you want more?

Tip: Ways to reduce spending often require some planning. Taking lunch to work can save a heap of money. Too rushed to do it in the morning? Make something the night before – and remember to take it with you the next day!

4. Plant your garden: This is where things start to take shape! Gardens often start small so think of this as your initial investment which over time becomes larger and larger. In your financial life this is the power of compounding. To help those initial plants fill out your garden quicker you can add other small plants over time. This is known as dollar cost averaging or adding regularly to your initial investment to boost the effect of compounding.

5. Protect from pests: Your garden will appreciate some help to guard against pests and disease. In the same way it's a good idea for you to protect your biggest asset – your ability to earn income. Income protection and other types of life insurance can protect you against unexpected events and prevent all the hard work you've put into your financial garden from unravelling.

Success requires commitment because, just like droughts which affect your garden, there will be times when reaching your goal seems hard going. Don't abandon your dreams! With clear goals, elimination of bad debt, a realistic cashflow plan, disciplined regular saving and protection of your biggest asset, you'll be harvesting rewards season after season!

# Fortify your Finances - A Recession Survival Guide

In the ever-fluctuating world of economics, recessions are an inevitable part of the financial cycle.

While they can be daunting, understanding their nature and preparing for their impact can make a significant difference in weathering the storm.

**Understanding Recessions**

At its core, a recession represents a period where economic activity contracts, often reflected in consecutive quarters of negative GDP (Gross Domestic Product) growth. This contraction is not just a statistic on a chart; it resonates through various facets of the economy.

Employment opportunities might become scarcer, leading to job losses or reduced working hours. Households might witness a dip in their income levels, which in turn affects their purchasing power. Consequently, consumer spending, a significant driver of the economy, takes a hit.

The onset of a recession can occur for various reasons, and often it's a combination of several factors, rather than just one event.

High inflation rates, for instance, can reduce the value of money, prompting consumers to cut back on spending.

Additionally, rising consumer debt can be problematic. While borrowing can boost economic growth in the short term, too much debt can lead to payment defaults, affecting both households and the banks they borrowed from.

Moreover, unexpected events, such as a global health crisis, can interrupt business operations and reduce consumer demand, leading to economic downturns.

It's the mix of these local and global factors that highlights the intricate nature of recessions and the importance of understanding them.

**Preparing Everyday Expenses for a Recession**

**1. Budgeting:** The cornerstone of financial resilience is a well-planned budget. Track your monthly income and expenses, prioritise necessities, and cut back on luxuries. This will not only help you save but also give you a clear picture of where your money goes.

**2. Debt Reduction:** High-interest debts can cripple your finances. Focus on paying off high-interest debts first, like credit card balances. Consider consolidating your debts or negotiating with lenders for better terms.

**3. Emergency Fund:** An emergency fund acts as a financial cushion. Aim to save at least three to six months' worth of living expenses. This fund can be a lifesaver if you face job loss or unexpected expenses during a recession.

**Fortifying Your Savings for a Recession**

**1. Automatic Savings:** Set up an automatic transfer to your savings account each month. This ensures you're consistently saving, making it less tempting to spend that money elsewhere.

**2. Diversify Your Savings:** Don't put all your eggs in one basket. Consider diversifying your savings across different accounts or financial institutions. This can protect your money from bank failures or other unforeseen events.

**3. Liquidity is Key:** In uncertain times, having access to your savings can be crucial. While long-term deposits or high-yield accounts might offer better interest rates, ensure a portion of your savings is in easily accessible accounts, like a regular savings account or a money market account. This ensures you can quickly access funds without penalties or waiting periods should the need arise.

**Navigating Investments During a Recession**

**1. Review Your Strategy:** Recessions are not the time for hasty decisions. Re-evaluate your investment strategy in light of the current economic climate. Ensure your portfolio aligns with your long-term financial goals.

**2. Seek Professional Advice:** If you're unsure about your investments, consult a financial adviser. They can provide insights tailored to your situation and help you make informed decisions.

**3. Avoid Impulsive Moves:** It's natural to feel anxious during economic downturns. However, making impulsive investment decisions based on fear can lead to significant losses. Stay informed, be patient, and remember that recessions are temporary.

Recessions, while challenging, are a natural part of the economic cycle. By understanding their nature and preparing in advance, you can not only survive, but thrive, during these times.

Remember, the key is to be proactive, stay informed, and make well-considered financial decisions. With the right strategies in place, you can navigate any economic storm with confidence!

# The impact of Interest Rates on managing Debt

Credit cards, personal loans, and mortgages. While it can be easy to pick up debt as you go through life, changing interest rates, workplace interruptions and other life changes, can make it much, much harder to repay that debt.

A few simple tips can make the task a lot easier.

**Taking Stock of Your Debts**

First, know exactly what debts you have. If necessary, write a list of every debt you have, detailing the exact amount outstanding, the rate of interest being charged, including both the interest rate and the dollar amount charged each month and the time required to repay that debt.

If you are unsure of any of these details, contact the debt provider so you can make this list as accurate as possible, listing the debts from the smallest amount to the largest amount you owe.

**Unravelling Interest Rates and Charges**

Second, understand the exact rate of interest you owe on each debt and how this interest is charged against your account. Typically credit cards will attract the highest rate of interest but will only do so if you don't pay the full amount that is owing each month.

While the annual interest rate charged on a credit card is usually very high, it is typically charged daily, so the actual amount charged can be much higher than you expect it to be. Each credit card will have its own interest rate rules and can have different rates for cash withdrawals compared to normal purchases.

In comparison, the interest rate on your home loan will be much lower and much simpler to work out. While it is charged on the daily balance, it is usually accrued to your loan at a specific day in the month and so it can be easy to reduce you overall interest charges by paying fortnightly for example, rather than monthly.

Be aware of any additional charges relating to any of your debts. These might include late payment fees or other penalties should you miss a payment date and depending on the debt, can be very high.

Penalty fees can be a big issue with buy now, pay later finance. Typically, the charges associated with this debt is carried by the retailer or service provider, but should you miss a payment, you can find yourself paying significant penalties on these loans.

**Prioritising Debt Repayment**

Third, order your debts, usually from the smallest debt to the largest, and then focus on repaying the smallest debt as quickly as possible. Once this debt is repaid, then you can divert the payments you would normally pay to that debt, to the next smallest debt and repay that debt as quickly as possible.

Typically, the smaller the debt and the faster you repay it, the less interest you will be charged. Some debts have a fixed rate of interest attached to them, so you still pay the same amount of interest no matter how quickly you repay the debt. These debts should be repaid last.

**Exploring Debt Consolidation**

It is possible to consolidate expensive debt, typically credit cards, into cheaper debts such as your home loan and this can make good sense if you are disciplined and can stop accruing credit card debts you can't repay. Otherwise, this can be an easy way to make your debt burden even worse.

**Upholding Timely Debt Payments**

Ensure you always make your debt repayments on or before the due date. This is important as it will impact on your credit rating, which the banking system generates for every Australian who borrows money.

If you pay your debts on time, then your credit rating will be high, and you will be able to obtain credit at the cheapest possible rate in the future. If you let you credit rating slide, you will face a higher interest rate and, in some cases, might not be able to borrow at all.

**Seeking Help When Necessary**

Finally, if you are having trouble repaying your debts, contact the credit provider directly as they may be able to offer you some assistance in terms of reducing the rate of interest being charged or freezing all interest charges for an agreed period of time.

# Thinking About Switching Mortgage Lenders?

# Consider This First

Every time there is an interest rate change the first thought to flit through the minds of thousands of mortgage-holders is “should we change lenders to get a better deal?” For some people that might be a good idea but instead of blindly acting on that urge, always do some homework before you act. Sometimes the devil you know is better than the devil you don’t, and there’s more to a lender than their interest rate. For example...

**Fees and penalties**

Although exit fees are now history, other fees such as application fees, stamp duty, valuation fees and mortgage insurance may still apply. Sit down and balance up the costs you will incur for making changes to your loan to the potential savings on interest.

**Can you get a discount?**

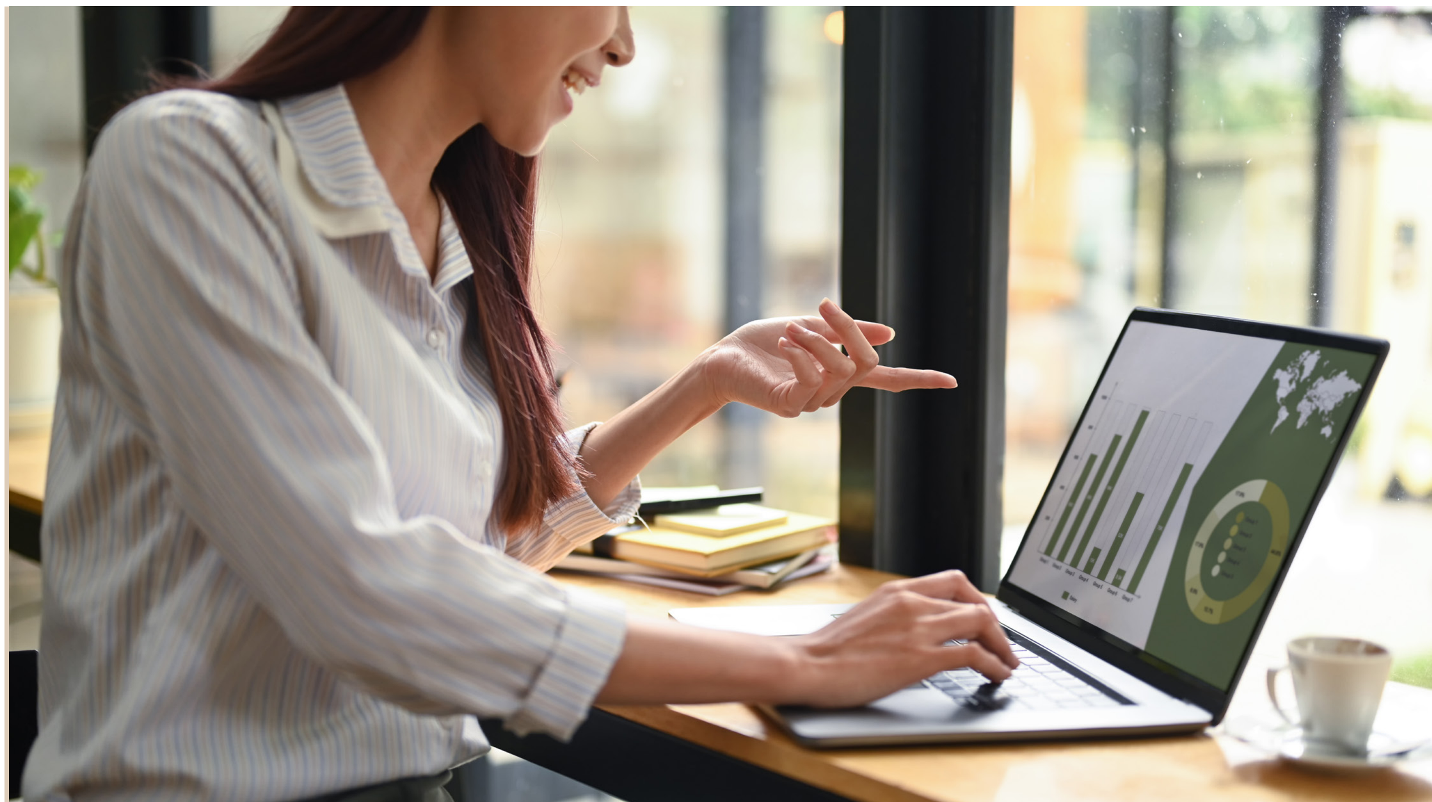
Do you actually know for sure what interest rate you are currently paying? Have a look at your loan statements as you might be paying less than you thought as part of a package or borrowed amount. These discounts may not be available from all lenders.

**Why not ask?**

Lenders don’t like losing customers – it costs more to find new ones – so firstly talk to your lender and ask for a better deal. You might be surprised, they could just say “yes”.

These are just a few options to help you achieve some savings on your mortgage. Interest rates are an unknown beast so instead of reacting each time there is a change, check your own personal situation then consult with a professional who can give you the right information. It’s too late after you’ve made the leap.

# Roadmap to retiring young



The dream of retiring young is one that captivates many peoples' imaginations. The freedom to live life on your own terms, doing what you want, when you want is undeniably appealing, but is it attainable?

We say yes!

It doesn't just happen, though. As with any goal, it takes planning and dedication along with a clear understanding of when and how you expect to achieve that goal.

Early retirement, as a concept, means different things to different people. Therefore, the first step on the road to your early retirement is to be clear about what it will look like, starting with:

- Timing: when do you want to retire?
- Lifestyle: what do you plan to do? Think travel, hobbies, daily activities, etc.

With an understanding of what retirement means to you, you can begin the process of charting a course to achieving it.

Develop a roadmap to early retirement by considering:

**1. Your current financial position**

Conduct an audit of your income, expenses, assets and liabilities. Look at where your money is going and identify areas where you can cut back on unnecessary spending. This financial health assessment will help you determine how much money you need to live on weekly, monthly, yearly. It will form the basis of how much you'll need to accumulate before you can retire.

This is important because under normal circumstances, you won't have access to your superannuation savings until you reach your retirement age, as determined by government regulations.

**2. Charting your journey**

Having ascertained your retirement goals and your current financial position, now consider other points such as potential investment returns, tax, inflation, and how much to put aside to build a sufficient nest-egg.

A financial adviser will help you develop a comprehensive financial plan, tailored specifically for you, identifying clear financial milestones and outlining a roadmap for reaching them.

Over time, as goals evolve and circumstances change, your adviser can tweak your plan so you stay on track to achieve your early retirement goal.

**3. Spending**

A crucial step in the journey to early retirement is minimising unnecessary spending. Since you've already evaluated your spending habits, you've identified areas where you can cut back on spending without sacrificing your quality of life.

Be mindful of the difference between needs and wants, remembering that every dollar saved can be invested towards your early retirement.

When thinking about a purchase, ask yourself if the item is more important than the freedom of retiring young – keep your eyes on the end goal!

**4. Diversified investments**

Whether through real estate, stocks, or other investments that generate passive income, a varied portfolio will better support your retirement lifestyle during periods of economic fluctuation.

As you'll still be obliged to submit an annual tax return, when developing an investment portfolio, tax minimisation should also be considered.

Your financial adviser will assist you to identify the most appropriate investment vehicles for you, and, as your retirement approaches, arrange an income stream that ensures your funds last the duration.

Attaining any financial goal requires discipline. Coach yourself to say 'no' to indulgences in the present, remembering that with the right roadmap and financial know-how, you really can make your dream of early retirement come true.

# The Pillars of Retirement Income

**While older Australians are reportedly among the wealthiest retirees in the world, much of their wealth is tied up in their family home, leaving many to worry about how they will find the money to pay for their day-to-day expenses when they stop work.**

This fear is made worse by estimates from the Association of Superannuation Funds of Australia that the minimum cost of a comfortable retirement for a single person in Australia is roughly $50,000 a year, while for couples, it's $70,482.

During the past two decades, Australians have been able to rely on the so-called 'Three Pillars of Retirement Funding'. These include the age pension funded by the Federal Government, compulsory superannuation and voluntary savings.

However, a recent 'Household Capital: Your Life Choices' survey, published by research house MorningStar, showed 85 per cent of all retiree respondents are unaware of these three potential sources of income through retirement.

This is significant given that preparation for retirement should start at least ten years before your planned retirement date to optimise your financial situation.

But what exactly does that all mean, and why?

Most retirees understand the concept of the age pension:

- that it is asset-tested and income-tested;
- that once you qualify for it, it will likely be paid to you for life;
- that it is indexed for inflation; and
- has no risk associated with it.

It is a fantastic safety net for all Australians, providing them with a regular, if modest, income throughout their retirement.

Any other assets you hold or inherit through retirement can further boost this income. However, the more assets you own, the smaller your pension entitlements will become until you are not eligible for any age benefits.

This is where it is crucial to start planning early.

For many Australians, the full potential of superannuation is yet to be seen, given that compulsory superannuation only really spread through the community some twenty years ago, and many older Australians still have relatively modest superannuation balances.

Superannuation, though, still remains a central pillar of retirement planning, as once a private pension commences from your superannuation account all the assets supporting that pension, in terms of capital gains and income, become tax-free. The income paid from your super account is also tax-free.

The biggest issue for retirees, however, is that strict rules surround when you can contribute to super and how much you can contribute when you do make these super contributions.

Most Australians are familiar with the superannuation contributions their employer makes on their behalf, and some understand what is involved with salary sacrificing and how this can be used to reduce their annual tax bill.

Fewer, though, understand they can contribute up to an extra $110,000 annually to super with after-tax dollars. And if they downsize their family home, they can contribute $300,000 over and above their other contribution limits.

These rules are essential because, as many retirees are learning if in retirement their only assets are their home and their savings within super, then they may never need to lodge a tax return or pay tax again.

This can be a big issue for retirees looking to hold assets outside of super, such as investment property or other savings, and who were hoping to use these assets to help support themselves through retirement.

Without adequate planning in the years leading up to retirement, they may find they cannot squeeze these savings into superannuation, or at least not as quickly as they hoped, and they end up paying needless tax bills.

As a result, it has never been more important to plan for your retirement as early as possible and obtain sound financial advice on how to structure your finances in retirement, as the penalties for getting it wrong can be significant.

# Financial Planning for a Life Well-Lived

Over my 27 year financial planning career, the most common question I've been asked is, "Jackie, how can I save more for my retirement?"

Many of my clients believed they'd outlive their super and worked flat-out saving as much as they could for their futures. Initially, I supported their commitment, but then I realised they were so focused on working extra hours or taking second jobs, that they'd forgotten to live for the now.

Which is why I was intrigued when I heard about a book with the tantalising title, Die With Zero by Bill Perkins.

In his book, Perkins suggests that we are products of our journey through life, where experiences, choices and life-lessons shape who we are. His message is simple: if you die with zero dollars left, you've lived the richest, most fulfilled life you possibly can.

This resonated with me, so I started thinking about how I could help my clients begin living now – seizing the moment, if you will – because financial well-being, like life, is a journey – not simply a destination.

It's about balance, a genuine work/life balance, where I can help my clients establish a strategy to achieve their financial goals, whether they're saving for a home, kids' education, retirement, etc., while supporting an enriching lifestyle.

Why is this important? Well, no one can deny the benefits of a life well-lived. Life experiences contribute to our emotional well-being through:

- enhanced relationships,
- recognising opportunities and making the most of them,
- improving quality of life, leading to better health, personal growth and happiness.

I'm not suggesting we live entirely in the moment letting the future take care of itself; retirement savings form the foundation of our financial security in later life. They offer the freedom to live as we choose, with peace of mind and independence.

Rather, it's about remembering to balance all stages of our life; early adulthood, middle age, as well as retirement. It's about what brings us joy, our priorities and financial goals as they evolve during our entire life journey.

Strategies that can assist in balancing financial security with lifestyle start with:

1. Identifying financial goals and aligning them with lifestyle and personal values.
2. Developing a budget that fosters a savings habit while allocating funds towards fulfilling experiences. For example, automated savings plans encourage consistent super and non-super savings.
3. Spending mindfully, evaluating the long-term impact of purchases, and deciding whether the expense is necessary and aligns with the overall strategy.

Bill Perkins' wisdom reminds us that the memories we accumulate become the fabric of our lives. Providing for your retirement is vital, but investing in life experiences adds depth, joy and enrichment.

As my dad always said, "No one ever died regretting the good times".

As with all financial decisions, it's wise to seek professional advice, and when discussing your goals, though retirement may be 5, 10, 20 years away, remember that there's a lot of life to be lived.

Your adviser can create a strategy for you to retire with a sense of purpose, financial security, and a hoard of cherished memories.

Now, that's what I call being truly rich!

# Quarterly Economic Update: Jul – Sep 2023

Australia's annual inflation rate has taken an unexpected step up, increasing pressure on the Reserve Bank to push interest rates higher and once again raising the prospect that Australia will fall into recession sometime over the next few months.

The annual inflation rate for the year to August reached 5.2 per cent, up from 4.9 per cent recorded for the year to July, spurred by higher prices for petrol, financial services, and labour costs, following the 5.75 per cent wage rise for 2.4 million Australian workers in July.

Some analysts believe recent wage increases and the Federal Government's drive to reduce unemployment levels below their current historic low levels and provide more union friendly workplace regulations, will combine to push wages even higher.

The prospect of further wage hikes, low productive improvements combined with continued high levels of inflation, threatens to return the Australian economy to the dismal economic days of the seventies and with it, stagflation.

Of all the domestic price hikes though, higher petrol prices are seen as the most troubling as they have such significant flow through effects, making everything in the country more expensive to produce and so lifting the cost of living for all Australians.

The prospect of higher oil prices internationally, following a decision by Russia and Saudi Arabia to restrict production to boost prices, has cast gloom across the global economy, putting economies everywhere under pressure of higher energy costs.

Globally, US Treasury 10-year bond yields rose to above 4.5 per cent during the past month, taking them to their highest level since the global crisis started in 2007, as fears mount that climbing inflation will persist for years to come.

This, and the generally accept downturn in growth in the massive Chinese economy, is prompting fears overseas that the US economy will certainly fall into recession next year, with developed countries around the world certain to follow.

While there was hope the Reserve Bank was succeeding in driving down inflation, this latest uptick in prices and overseas interest rates, will put the Reserve Bank under renewed pressure to lift domestic rates yet again.

Although the much talked about fixed-rate mortgage cliff seems to have been averted, where homeowners have faced the end of super low fixed rate loans and been forced to move to higher variable rate loans, pressure is emerging in the housing market.

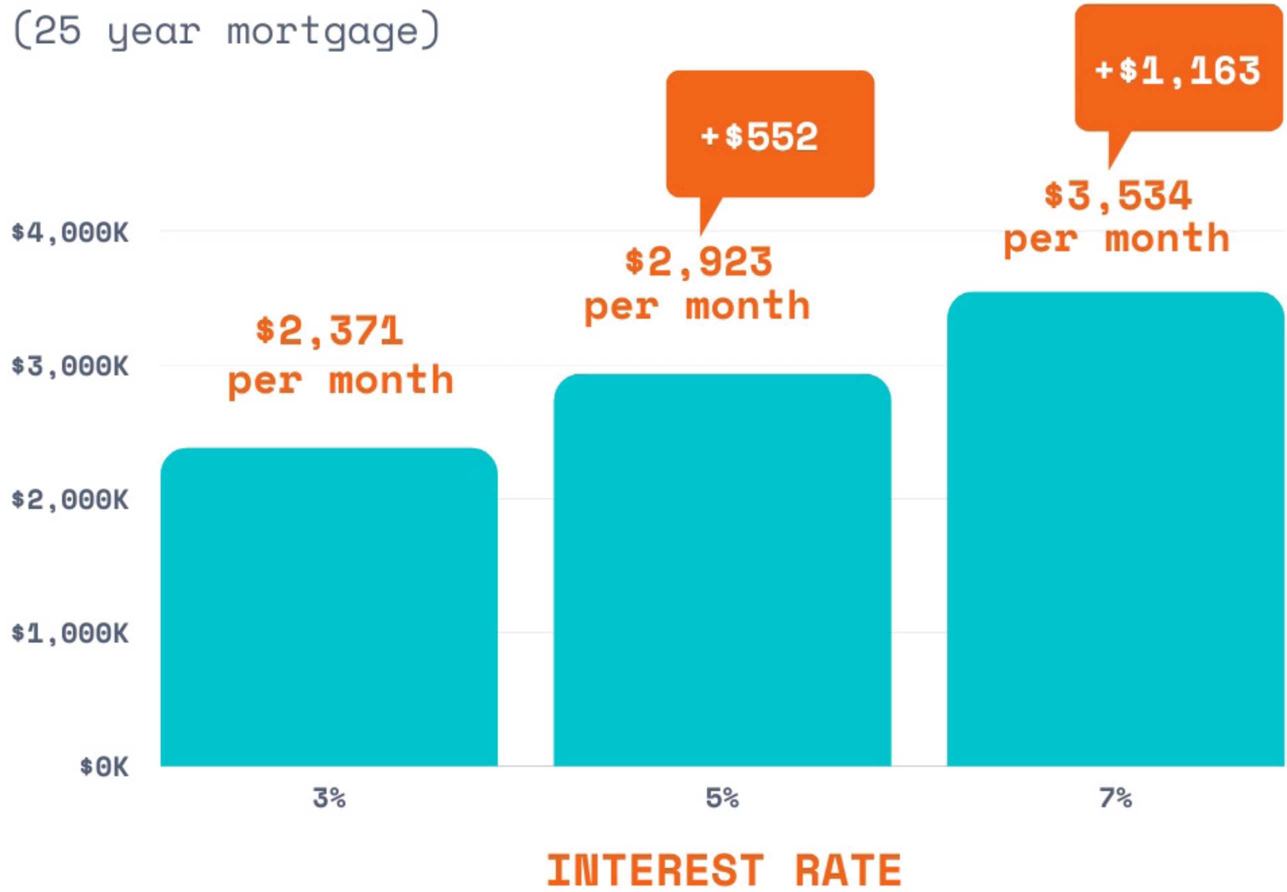
According to figures from the research house, Core Logic, the number of homes that have been sold at a nominal loss, and which have only been owned for two years or less, has increased from just 2.7% to 9.7% during the June quarter.

Pressure is building most clearly in the sale of home units with 14.4 per cent of all unit sales across Australia selling at a loss during the June quarter, compared to just 3.8 per cent of all homes sold during the same time.

There also seems to be a trend where people who moved to the regions during the pandemic are starting to sell up and drift back to the cities. Resales within two years of purchase, made up 11.1% of all regional resales, compared to a decade average of 7.2% per year.

A rare bright spot for investors remains the hefty returns to shareholders with Australia's largest listed companies paying out some $21.7 billion during the last week in September, by way of improved dividend payments.

BHP paid out $6.34 billion to their shareholders via a $1.25 per share dividend, Fortesque Metal paid out $3 billion via a $1 a share dividend and after posting a record-breaking profit, the Commonwealth Bank of Australia paid out $4 billion by way of a $2.40 a share dividend.


$500,000 MORTGAGE
(25 year mortgage)
+$552
+$1,163
$3,534
per month
$2,923
per month
$2,371
per month
$4,000K
$3,000K
$2,000K
$1,000K
$0K
3%
5%
7%
INTEREST RATE
Source: https://moneysmart.gov.au/home-loans/mortgage-calculator

HAPPY
Holidays!
Merry Christmas