Summer Newsletter 2020

We wish you all a Merry Christmas and a happy and safe New Year. Our office will be closed over the holiday period but we will be back in the new year.

Economic Update December 2020

Within this month's update, we share with you a snapshot of economic occurrences both nationally and from around the globe.

Will COVID-19 vaccines and treatments deliver?

- Peer-reviewed clinical trial data for COVID-19 vaccines not yet published
- Lots of very strong growth data around the world for quarter three as it anticipates a rebound
- Similarly, Australian labour force data are strong pointing to a positive start to 2021

We hope you find this month's Economic Update as informative as always. If you have any feedback or would like to discuss any aspect of this report, please contact your Financial Adviser.

The Big Picture

Much of 2020 has been spent worrying about how the US elections might go and when coronavirus vaccines might be available. The light at the end of the tunnel is now visible but it's flickering.

Except for Trump, the world acknowledges that Joe Biden will assume office at his inauguration in January. The handover got a bit nasty at times but Biden's team is now getting access to White House briefings as is normal.

But the election is far from over. The lower house (house of Representatives) is certainly going to remain controlled by the Democrats. The Senate, however, has two undecided seats – both in Georgia. Each state allows for different election procedures and Georgia's requires a minimum 50% count for the winner. As this figure was not achieved for either seat, partly because of the number of people standing, both seats are up for grabs on January 5th 2021 in so-called run-off elections.

Georgia is traditionally held by Republicans but nothing is normal these days. If both seats go to the Democrats, the Vice President gets the deciding vote in a 50-50 Senate. If either or both are retained by the Republicans, the Senate remains held by the Republicans and Congress is 'split', as it has been for some time.

Markets appeared to like the idea of a split Congress as it makes many of the more extreme Democratic policies unlikely to get through into law. In particular, it means the big tax hikes favoured by Biden-Harris won't get through.

On the downside, a split Congress means that the much needed COVID stimulus package will struggle to get through in any meaningful size.

As in turns out, in the days and weeks following the announcement of a Biden presidency, three different companies announced (by press release) the efficacy rates of their vaccines. Normally people wait for peer-reviewed academic journals to release the results. So, are we jumping the gun?

In a combined election-vaccine euphoria, markets here and around the world charged up in November at a pace not seen since the aftermath of the 1987 stock market crash!

The clinical trials have been running for months with tens of thousands of participants. However, for any one vaccine, such as Moderna's, the number of cases being used in the efficacy (or effectiveness) calculation is quite small.

Why wellbeing isn't just for the well-off

Are you guilty of putting your health and wellbeing last? Whether it's for financial or family reasons, you could be costing yourself more than you think.

Whether it's down to a lack of time or money, we're all guilty of neglecting our own health from time to time. This can be especially true during challenging times, like we're experiencing with the COVID-19 pandemic.

But scrimping on your mental and physical health to save a few dollars is a false economy. Not only does poor health affect those around you, it has serious financial costs of its own.

Poor health has been linked with lower earnings and savings; and higher out-of-pocket medical expenses. Research in the US showed that those in poor health earnt one-third less over their lifetimes than those in good health. They were also able to save and invest less, meaning that by the age of 65, the gap had blown out to $150,000. That's a hefty price to pay for poor health.

On the flip side, numerous studies have shown the benefits that physical exercise, eating well and getting enough sleep can have on your lifestyle – and life expectancy.

The good news is, taking care of your mental and physical health doesn't need to cost you the world. Here are five easy ways to improve your quality of life, without draining your wallet.

1. Eating healthy on a budget

If you have a hectic work and home life, ready-meals can sometimes feel like the easiest option. But buying pre-made and processed foods will never be as affordable as fresh food over time.

For example, according to Dieticians Australia's guide, one serve of fresh potatoes costs around 50 cents, while frozen chips are 70 cents and hot cooked chips are $3.75!

So stock your pantry with a few key essentials like flour, pasta, rice, legumes and potatoes and you'll be able to cook a range of nutritious low-cost meals for your family. Try to purchase in bulk and on special to amplify the savings. Meal planning and prepping are also a lifesaver when it comes to eating healthy on a budget.
For more budget friendly recipe ideas and practical tips check out this guide.

2. Exercise for free

Getting regular exercise is essential for your health. Luckily, there's an endless variety of free workout videos on YouTube. Here are a few to try:

- Yoga with Adrienne – Down to earth yoga instructor offering free yoga videos for all levels.
- Kayla Itsines – In addition to her BBG workouts in the SWEAT app, homegrown success story Kayla Itsines has a range of how-to videos and workouts on her YouTube channel.
- Les Mills – The Les Mills channel serves up their signature variety of intense cardio workouts, all set to the latest hit music.
- Blogilates – One for pilates fans! Fitness instructor Cassey Ho has been pumping out her unique style of POP Pilates and sculpting workouts for over 10-years.

Exercising outdoors is another free option with boundless health benefits. Try to get outside for a walk or run at least once or twice a week. Why not join a local walking or running groups and make it a social activity? Use the Heart Foundation's Walking website to find a group near you.

3. Explore health apps

There are loads of health apps available nowadays and most are free or low-cost. Here are some of our favourites:

• Fitness: For a huge range of audio-based workouts try Aaptiv. Or for workouts and meal plans give 8fit a go.
• Calorie tracker: MyFitnessPal has an extensive food list, is simple to use and links with several other apps.
• Running and cycling: Nike Run Club offers GPS run tracking, audio guided runs, customised goals and challenges. Strava is another popular running and cycling app with advanced GPS features, data analysis and it syncs with most devices.
• Meditation: Calm is a top-rated app offering guided meditations, sleep stories, breathing programs, stretching exercises and relaxing music. Or you could try Headspace, which teaches you the skills of mindfulness and meditation.
• Inspiration: Stay motivated with the Motivation: Daily quotes

If you have any questions please don't hesitate to contact the office.

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7 steps for holiday season budgeting

The run up to Christmas and the summer holidays is here. No need to panic – although it's almost the end of the year there's still plenty of time to sort out your finances for the pre-Christmas rush.

Making time to think through Christmas expenses now could pay dividends after the tinsel is taken down. Here are seven easy steps to avoid that awful post-Christmas spending hangover.

1. Draw up a plan

All too often people fail to plan for their extra expenses over the holiday season, which invariably leads to spending blowouts.People end up spending on their credit card rather than using cash in a 'buy now and pay later mentality'.

This year, prepare an itemised budget instead of throwing your hands in the air and spending wildly as you approach the holidays. The budget should include gifts, food, entertainment costs, new clothes, travel expenses – everything we spend money on over the holidays. Include a buffer amount in the budget to cover unexpected expenses that will inevitably arise.

2. Get ready early

It's a lovely time of year but Christmas can also be stressful. Getting organised now is a great way to take some pressure out of the season. The earlier you start planning the better. Allocating a portion of your income to a holiday season kitty can help cover unforeseen costs at the start of the year.

3. Set limits on your spending and stick to them

If you have spent up to your budgeted limit and also used your buffer you might have to come to terms with cutting out some expenses so you don't end up increasing your unproductive debts. Or wait until the January sales to make certain summer purchases to cut down your costs. Those beach towels can be expensive.

4. Start a Christmas club account

There is a range of Christmas club savings accounts and programs that reward members with additional interest on savings or bonus offers over the year. Some programs offer contributions back as gift cards in November. For instance members may receive an additional 10 per cent of their contributions over the year as extra gift cards. So if you save $1,000 you receive an extra $100 as a gift card, which can really come in handy at Christmas.

5. Set up a regular Christmas direct deposit and you won't miss the funds

An alternative to joining a Christmas club is to set up a special Christmas savings account and organise for a direct deposit from your regular account into this account. Put aside $50 a week and you'll have $2600 in your Christmas account at the end of the year. Put aside $100 each week and you'll have a tidy $5200 in your Christmas coffer fund.

6. Have a frugal rather than extravagant mindset

"Keep an eye out for specials and sales. Start buying early and stockpile. Buy one or two Christmas items each week from September or October in your regular shopping such as wrapping paper and non-perishable food items. This will only add an additional few dollars to your shop and by December you should have a lot of shopping done." If a store has lay-by look at that as an option. This allows you to pay items off over time and saves on storage and hiding gifts from the kids.

7. Introduce Secret Santa

This is a particularly good idea for big families, where present buying can get really expensive.If you have 10 adults in your family, instead of spending $50 on each, agree each person will only buy one other person a present, of a decent value, of their choosing. Setting a limit of about $250 for the Secret Santa gift can work well.That way you save money but the person also gets a great gift rather than a lot of small ones they may not use.

Important information

This information has been provided by MLC Investments Limited (MLCI) (ABN 30 002 641 661, AFSL 230705).

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How to set financial goals

Whenever the term financial advice is mentioned it is commonly associated with an individual's financial goals. Whether you have a type of 'Christmas list' as long as your arm of things that you'd like to buy, or perhaps you've never really thought about it and just buy what you want when you want – financial goals are almost always at the forefront of your mind, you just might not know it yet.

Having a financial goal is a fantastic step in the right direction when attempting to take control of your finances. Goal setting will not only help to motivate you to make the necessary sacrifices in life, it will also act as a self-reward system, set your goal, achieve your goal then treat yourself and start again! In order to achieve your desired results it's sensible to map out how your goals can be achieved whilst you maintain your day to day life. MoneyTalk Magazine suggests creating a hierarchy of goals to cover your life span in order to understand how to prioritise and remain realistic. These should consist of three clear cut categories, explained below.

Short Term Goals – Achievable in one to two years

These will be your fun goals! Have you been craving a getaway to Fiji, do you want to take a month off work in two years and travel Europe? Do you really want a new laptop? Maybe your living-room needs re-decorating? These types of goals have relatively instant pay-offs, you can save up, buy and then be happy with your purchases. Short term goals are usually things that you really want, and could probably buy on credit if you were being impulsive. But hold off! Add a little patience to your life and it will be enjoy the satisfaction when it comes.

Medium Term Goals – Achievable in three to five years

The items designed for medium term goals are usually worth a considerable amount more than those short term goals. You might need a new car in five years, or you kitchen and bathroom will need updating. By recognizing what you know you're going to want in three to five years now, you can do yourself a favour and start saving early. Save a slice of your income every month into an account that's not easily accessible to you.

Long Term Goals – Achievable in five years plus

The ultimate goal for most people should be to retire from work with no personal or non-investment debt. Perhaps you're planning on travelling the world in your retirement? Do you want to own multiple properties that will generate an income replacement in your later years. Whatever it is that you desire, you need to imagine what you'll want and what you'll need, then plan how you're going to achieve this. The sooner the better…

As you know, we will continue to be more than happy to discuss how to help you revisit your goals, simply call our office to arrange a chat.

Source: MoneyTalk Magazine

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Focus on Superannuation

For many people, superannuation is the single largest financial asset they have, apart from the family home. So it pays to take it seriously. Decisions you make about super can have a long-lasting impact on your quality of life in the years to come, and could be the difference between a comfortable or a challenging retirement.

How much super do you need?
What kind of lifestyle do you want in retirement – and are you on track to achieve it? These are important questions and the sooner you tackle them, the better off you will be. There's no magic formula that determines the income you'll need, because factors like life expectancy, retirement age, income and expectations all play a part.

Building on your employer contributions If you are working, your employer should already be making regular contributions into your super account of at least 9.5%. So will this be enough to give you the retirement you deserve? Not according to the Association of Superannuation Funds of Australia (ASFA). ASFA suggest that you should be saving around 12% – 15% of your salary over a 30-year period as a minimum savings target. And more if you have taken time out of the workforce for any reasons, such as to travel, study or raise a family.

Harnessing the benefit of compound interest
To achieve the recommended ASFA savings, you will probably need to make some additional super contributions. If so, the key is to start early, because the earlier you add funds to your account, the longer it has to grow and work for you.Super grows through investment earnings and the benefit of compound interest, which allows you to earn interest on your interest. Adding as little as $20 a week could boost your super by thousands in the long-run.

Great options for growing your super
So once you've decided to give your super a boost, the next question is… how? Fortunately, there are a few different options to consider. Post-Tax Contributions Making voluntary contributions from your after-tax pay is a simple way to top-up. Simply deposit your own money into your super account using whatever payment methods your fund offers.

Government co-contributions
If you are a low or middle-income earner, you may be eligible for a government co-contribution up to a maximum of $500. The amount you receive will depend on your income and the size of your own after-tax contribution. Learn more at www.ato.gov.au

Our top five smarter super tips

1. Take an active interest
Remember, this is your money we're talking about. So take the time to give your super a health check, and make sure it's working hard for you.

2. Keep track of your super online
Many super funds provide online access to your balance, investments, insurance and more. Ask your super fund how you can log-on.

3. Consider your investment options
Most super funds provide a choice of investment options, giving you the freedom to choose one that suits your age, lifestyle and risk profile.

4. Consolidate your super
Multiple super funds could mean multiple sets of fees. By consolidating them into one fund, you may find that more of your money will stay invested for your future.

5. Talk to an expert
Super can be confusing, so getting expert help could help you make more informed decisions and plan a more comfortable future.

Salary sacrifice
Salary sacrificing is a personal contribution that is made directly from your pre-tax salary. The payments are arranged through your employer, and can be a tax-efficient way to boost your super, depending on your circumstances.

Age restrictions for personal super contributions
If you are considering making personal super contributions, first check that you comply with the current government regulations about age restrictions. While super rules change regularly, these are the current legislation at November 2016:

Aged under 65
No restrictions. You can make personal contributions regardless of your work status

Aged 65 – 74
Personal contributions can be made if you have worked at least 40 hours over 30 consecutive days during the same financial year you make the contribution.

Aged 75 and over
Personal contributions are not allowed.

Be aware of your contribution caps.

Concessional contributions (which are contributions your employer makes on your behalf, including salary sacrifice contributions, or contributions that you claim a tax deduction for) are capped at $25,000 per annum. Non-concessional contributions (which are 'after-tax' personal contributions you don't claim

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