



Summer 2021 Newsletter

Here is the latest newsletter from Infocus. Please do not hesitate to contact us if you have any questions in relation to these articles, or if we can help you with anything else.

Economic update - December 2021



In this month's update, we provide a snapshot of economic occurrences both nationally and from around the globe.

Key points

- Central banks ready to hike rates
- Biden signs infrastructure bill
- Chinese economy stops the slide

The Big Picture

Up until near the end of November, most of the market chatter was about the persistence of inflation – or otherwise. Central banks – in particular, the US Federal Reserve (the Fed) – were insistent that inflation was likely to be above target levels only for a short time.

The start of this inflation 'blip' coincided with the lifting of the US COVID restrictions but it was subsequently fuelled by supply-chain blockages and energy price inflation. There is little doubt that most central bankers are now getting nervous.

The Reserve Bank of New Zealand (RBNZ) has already hiked rates twice in this cycle – the first country in the developed world to do so. The Czech central bank just did its biggest rate hike in 24 years. The Bank of England looks set to raise rates very soon.

The Reserve Bank of Australia (RBA) had been saying that it didn't expect to raise rates until 2024. It removed reference to that year in the latest minutes but it did end its so-called 'yield curve control' by which it attempted to hold down medium-term bond yields of two to three years in duration by buying bonds (by buying bond the RBA kept upward pressure on bond prices which move in the opposite direction to yield i.e. higher bond prices equals lower bond yields).

President Biden nominated Jerome Powell for a second four-year term as the Fed Chair – rather than recommend Lael Brainard, the other favoured candidate, giving her the Vice Chair instead. Brainard is thought to be more dovish. That is, Brainard was more likely to put off hiking interest rates.

The market, as measured by the CME Fedwatch tool, now expects one to four interest rate hikes by the Fed in 2022 with very high probability. Previously the Fed had been leaning towards 2023 for the first hike – or possibly just one at the end of 2022. It has already started the tapering process of reducing the bond-buying programme. Indeed, it is already talking of speeding up that plan.

Our position throughout this debate has been that raising interest rates would not reduce supply-chain blockages or energy prices. Monetary policy is not the way to tackle these problems. Biden has been trying to improve the landing and distribution of containers arriving at US ports.

At the end of November, the game changed. A new strain of COVID-19, labelled Omicron by the World Health Organisation (WHO), sprung onto the scene in Southern Africa. The ASX 200 fell sharply on the news last Friday (and again on the open of the following trading day) and Wall Street fell in tandem on that last Friday. However, during Monday's trading, US futures were strengthening and our market responded positively. Wall Street was buoyed by Biden's comment that a fresh lockdown was unlikely. The S&P 500 roared to life and the ASX 200 followed suit on the last day of November. But Powell burst that bubble the next day in his Senate hearing testimony. He spoke of the need to discuss a faster tapering of the Fed's bond buying programme and markets did not like that.

There have been 12 previous strains given names by WHO before Omicron but only Delta has caused heightened concern since the original Alpha variant. It is far too early to judge how Omicron will affect public health but many countries swiftly moved to close borders.

The Netherlands and Austria had already gone into forms of lockdown prior to Omicron being brought to our attention owing to increasing infections from the Delta variant. The USA also put Germany and Denmark on 'no fly' lists.

One good thing to come out of this latest scare is that oil prices fell very sharply which may help contain global inflation fears.

We have held the position since early in the pandemic that we should ready ourselves for 'aftershocks' as new outbreaks or lockdowns arise. It is quite possible that this new more transmissible variant will not worsen the severity

2021: The year in review



As the rollercoaster ride of 2021 nears an end, let's take a look back at the key events that shaped the year.

While COVID-19 continued to have repercussions at home and overseas, humanity gave us plenty of highlights over the past 12 months that (thankfully) had nothing to do with pandemics, variants, borders or vaccines.

Here's a look back at some memorable moments of 2021: the year of the Ox and the UN's International Year of Peace and Trust.

NEWS

In January, Donald Trump was banned from social media and in February, Facebook became a black hole for Aussies one strange Tuesday when all Australian news websites were blocked from using the platform. In October, a six-hour outage affected Facebook, Instagram and WhatsApp, and Facebook changed its name to Meta.

Billionaire space-racers Elon Musk, Jeff Bezos and Richard Branson launched separate human spaceflights in 2021. Who won? Bezos probably. He did have Captain Kirk (William Shatner) on board.

US troops withdrew from Afghanistan, China placed new restrictions on Australian imports and the climate emergency intensified with wildfires in Greece and California, snow storms in Texas and floods in Germany and China.

In Australia in November, four-year-old Cleo Smith was found alive and well, three weeks after disappearing from a WA campsite. And police examined new leads in the William Tyrrell case.

SPORT

Tennis' Australian Open was held in February – not January – after being postponed due to COVID-19. Novak Djokovic and Naomi Osaka claimed the titles. Novak also won the French Open in May and Wimbledon in July, where Aussie world number one Ash Barty also tasted victory.

In May, Chelsea beat Manchester City 1-0 in the UEFA Champions League final and Spain's Jon Rahm won golf's US Open. Tampa Bay won the Super Bowl, the Penrith Panthers defeated South Sydney in the NRL final, Melbourne claimed the AFL flag and Verry Elleegant won the Melbourne Cup. NSW triumphed in a memorable State of Origin series, with COVID-19 forcing game one to be played in Townsville.

The Tokyo Olympics and Paralympics ran in August and September, featuring 2020 branding after a pandemic postponement. Australia finished sixth in the Olympic medal tally, eighth in the Paralympics.

POLITICS

Joe Biden became the new US President in January. He was inaugurated just weeks after Donald Trump supporters stormed the Capitol building to disrupt the election.

Here in Australia, Dominic Perrotet took over from Gladys Berejiklian as NSW Premier in October and tensions rose between Australia and France over a cancelled \$90 billion submarine contract.

THE ENVIRONMENT

The federal government set a net zero emissions by 2050 target. Scott Morrison attended the UN Climate Change Conference in Glasgow where nations pledged measures to address global warming.

POP CULTURE

Italy won Eurovision, Squid Game was a Netflix hit, Nomadland was the toast of the Oscars and Oprah interviewed Meghan and Harry. And the Collins Dictionary declared "NFT" as the 2021 word of the year.

Wishing you a safe and happy holiday season and we look forward to seeing what 2022 holds in store!

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.



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New legislation and changes to your annual renewal process



As of July 1 2021, new legislation regarding the annual service renewal process for ongoing fee-paying clients came into effect.

The new legislation, arising from the Hayne Royal Commission, was designed to increase clients' awareness and understanding of both the services they receive and the fees associated with those financial advice services.

The new legislation focuses on what was previously referred to as your annual FDS/Opt-in process, where you were presented with a Fee Disclosure Statement (FDS) outlining the services received and fees paid during the previous 12-month advice period. At the same time, you would have been asked by your adviser to confirm your acceptance to continue under the existing fee arrangement - commonly referred to as your "opt-in". This opt-in may have been done every 12-months or 2 years.

Under the new legislation, we now refer to this process as the Annual Renewal

process, which will include your FDS and other items outlined below:

1. *Fee Disclosure Statement - including:*
 - Fees paid over the last 12 months
 - Agreed services for the last 12 months
2. *Forward Fee Estimate*
 - Fee estimate for the next 12 months
 - Services available over the next 12 months
3. *Renewal Notice*
 - Client ongoing service agreement renewal every 12 months
4. *Product Fee Consent*
 - Client authorisation for fee collection (where fees are being paid directly from a financial product or service provider.)

Items 1-3 will be presented to you in a single document and if Item 4 is applicable to you, your adviser will provide you with the relevant fee authorisation process.

The complete Annual Renewal process will occur every year and is essentially designed to:

- Confirm that you received the services you were entitled to in the previous 12 months
- Confirm that you were charged accordingly
- Ensure that you understand the services that will be provided for the next 12 months
- Ensure that you are clear on the fees associated with those services.

More on Product Fee Collection

Prior to the new legislation, your consent to deduct fees from any products or services you use was required only at the time of establishing the product or service. From July 1 2021 your adviser must obtain your consent for fees to be collected from products (excluding credit cards and basic banking accounts) *every year*. The way in which you receive this product consent form will vary from provider to provider and your adviser will assist you with this process.

Where does my Client Service Agreement fit in?

Your Client Service Agreement (or CSA) is the underlying contract you have agreed with your adviser and it outlines the services that your adviser will provide and the associated fee structure. You don't need to re-sign this every year unless the nature of the services provided or the fee arrangement changes, in which case a new CSA will be created and signed. For example, if your circumstances change and you now require an additional service from your adviser, a new CSA outlining the new services and any associated fee changes will be created.

In short, your Annual Renewal process is essentially the yearly renewal of the service and fee arrangement outlined in your CSA.

If you have any questions please contact your financial adviser.

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Understanding the implications of becoming a carer



Whether it's an elderly relative or a friend; or a child with a disability or a mental illness you may find yourself taking on a caring role.

An accident, sudden illness, or a new diagnosis can thrust you into the role immediately. Or it may be a gradual process of taking on more responsibilities as someone's need for help increases.

Either way you're not alone. Australia has about 2.65 million unpaid carers, according to Carers Australia. About 861,000 are primary carers. If you're weighing up whether to take on caring responsibilities for a loved one here are four things to consider.

Are you fit for the job?

Are you physically and mentally prepared to become a carer? Do you know enough about the person's illness or disability? How much time will you have to devote to caring for them? More than half of primary carers provide care for at least 20 hours a week and one-third for 40 hours or more a week.

How will you manage financially?

Carers Australia reports the weekly median income of primary carers aged 15 - 64 is \$800 compared to non-carers, who receive \$997.

Consider how you will manage if you don't have a steady income or it is reduced. Is it possible to take time out from your career, drop back to part-time work, or work from home?

Check whether you are eligible for government benefits such as the Carer Payment (for a carer who can no longer work because of their responsibilities) or the Carer Allowance (for a carer who is still able to work or study).

There is also the Carer Supplement, an annual payment to help with the cost of caring for someone.

How can you get help?

It can be overwhelming initially. Gathering information from doctors and healthcare professionals can help you understand what treatment, equipment, and support is needed. Contacting organisations such as Carers Australia and Carers Gateway is another way to access practical support and direction.

Apart from the day-to-day stress of caring for someone you may feel a sense of loss. There can be a loss of social connection and job status, for instance. Joining a carer support group can connect you with others facing similar challenges.

And connect regularly with others – family or friends – who might be willing to provide back-up care.

How will you care for yourself?

When you are caring for someone else it can become an automatic reflex to put their needs first. It's equally important to look after your own wellbeing. Get good sleep; eat a healthy diet; and exercise regularly. Self-care can also be as simple as taking the time to listen to some music; sit in the sunshine; or chat with a supportive friend.

What's next?

A caring role may end because someone passes away, recovers, or you no longer have the capacity to be someone's carer. It helps to be prepared for that change. That may mean investigating aged care options. Or planning to downsize or liquidate other assets to assist financially. It may also mean a return to work and a career.

If you have questions about becoming a carer and the financial implications that may have, please talk to your financial adviser.

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Improve your performance through the power of sleep



Struggling to get a decent sleep? Stress, noise, or a big meal right before bedtime can all take their toll.

According to the Sleep Health Foundation, 40 per cent of Australians report getting an inadequate sleep. For half of them an underlying sleep disorder is at fault. The other half? They are just not prioritising their nightly shut-eye.

When we don't get a good night's sleep it impacts our mood and memory; our physical health; and our performance (think decision-making abilities, sex drive, reaction times, ability to learn).

Here are 12 ways to get a five-star sleep every night.

1. Stop eating a few hours before bedtime

Wolfing down a pizza or cramming in a three-course dinner too close to bedtime is a recipe for a restless night.

Most people know it helps to curb the caffeine mid-afternoon. But try keeping water and alcohol to a minimum too. For starters it means fewer night-time trips to the toilet and alcohol can cause or increase symptoms of sleep apnea, snoring, and disrupted sleep.

2. Step away from the screen

Even half-an-hour of screen-free time before bed can raise your level of melatonin – the sleep hormone – and help you fall asleep faster and sleep better. Instead, try reading, journaling, meditating, hanging out with family or pets, or simply pottering.

3. Block the blue light

Blue light from devices can affect your circadian rhythm and make it harder to fall asleep. Use blue blocking glasses or apps to reduce the impact.

4. Soak it up

Raising your body temperature by having a bath, shower, or even a foot bath, can help you to feel sleepy before bedtime.

5. Hit the hay earlier

Our body needs time to cycle through the four stages of sleep. If you struggle to go to bed when you know you should try setting a couple of alarms. One for when to start getting ready for bed and another for lights out. Then gradually set them for earlier times.

6. Get moving

Exercising during the day will help your body feel ready for rest at night.

7. Get up

Been staring at the ceiling for 20 minutes unable to fall asleep? Get up and read or listen to soothing music and go back to bed when you feel sleepy.

8. Lighten up

Exposing yourself to natural light or bright light during the day is important for your circadian rhythm.

9. Stick to the same sleep schedule

Our wake-sleep cycle works best when it is roughly the same every day. Late nights and long sleep-ins on weekends actually don't do us any favours.

10. Make your sleeping environment comfortable

A good sleep environment is free of distractions (phone, laptop, TV, radio, children, pets) and the room should be dark and quiet.

11. Ban siestas

If you must snooze during the day put a half-hour limit on it.

12. Don't worry, be happy

If you're prone to worrying your way to sleep, write down whatever is on your mind and put it aside. Develop an evening relaxation ritual to get ready for Zzzs.

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