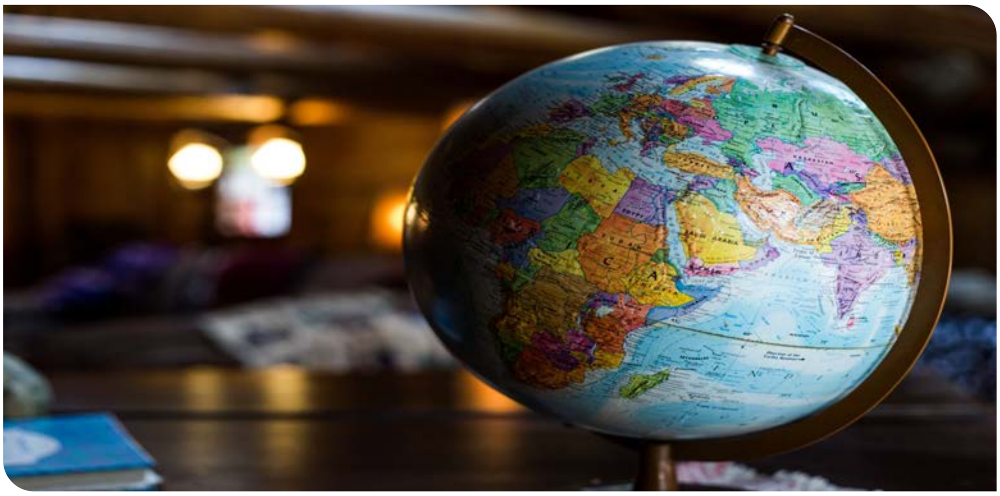

Autumn 2022 Newsletter

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 - March 2022

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

Key points:

- Wall St initially sold off on tensions in the Ukraine but bounced back once the invasion started
- US inflation data continues to remain very strong keeping upward pressure on US cash interest rates
- Australian jobs growth strong but wages growth was not

The Big Picture

The events in Ukraine are unfolding rapidly. There has been tragedy and heartache for many. But, the goals of Russian President Vladimir Putin and 'solution' remain unclear.

We have neither the expertise to elaborate on the reasons for the Russian invasion or to speculate on how it might end. Naturally, our thoughts are with those who have suffered. We will focus our attention on what we need to consider just to analyse the impact on markets.

The extremes of possible outcomes seem to be many and varied: returning the Ukraine and possibly other countries to the 'Soviet Bloc'; support for the Ukraine from outside of the region – both arms and troops; a protracted but failed attempt to 'quell' the Ukrainians; failure of Putin resulting in the end of his leadership.
Without capacity for fact checking, we are relying on news reports. Russian troops entered the Ukraine in the last week of February resulting in casualties on both sides. It has been widely reported that the Ukrainian resistance has been far stronger than most would have anticipated.

Germany has offered arms to the Ukraine in a big break with tradition. The usually independent Switzerland has joined the move for sanctions on Russia. Many other countries – including Australia, the US and UK – have offered support but there seems to have been no move yet to send troops in. NATO has been readying its defence forces in Latvia.

Russia has reportedly threatened Finland that it will get the same treatment if it attempts to follow the Ukraine in trying to join NATO. In some sense, this conflict has a parallel in the US objection to the Cuban missile crisis in 1962. The US repelled Soviet missiles on their doorstep in that encounter, and Russia might be trying a similar move now.

Although sport and the Eurovision song contest are unimportant when compared to these geopolitical issues, the Russian population might think lesser of Putin when they realise that they have lost the Russian F1 Grand Prix, the Champions League final, various Qatar World Cup (soccer) matches and participation at Eurovision.

Putin might have expected a quick resolution to his demands – whatever they might be – and claimed a big victory as he tries to install himself as a 'lifetime president'. A protracted affair and losing face over international events might erode his popularity domestically to the extent that a new leadership regime might challenge him.

Unsurprisingly, stock markets fell in value as the invasion neared. What perhaps is surprising is that a rapid reversal started as rockets hit targets in Kyiv (formerly Kiev) – the capital of the Ukraine. It is often the case that bad news such as the rocket strike has a positive effect on markets. Investors and traders might have thought it could have been a lot worse: war could be declared on Russia by the West; or the Ukrainians could simply have surrendered. In other words, markets may have priced in far worse conditions and so this bad news was relatively good compared to expectations.

Since there may well be many more stages in this crisis, it is perhaps unwise to jump in and out of markets as events unfold. Prudent investors set a long-term asset allocation and change allocations in a considered fashion.

It has been reported that talks between Russia and the Ukraine have started. The first round concluded on the last day of February. Many groups in the West – both private and government – having been expressing support for the Ukraine. China has not played its hand yet. One big worry is that, if Russia manages to annex the Ukraine easily, China may be emboldened by the apparent success of the Russian action and may initiate its policy for the re-unification of Taiwan.

There are some clear economic concerns that follow from the conflict. Oil and gas prices rose sharply because

Health insurance premium rises are here again

Noticed a proliferation of private health insurers parading sign-up offers in recent weeks?

In the run-up to the annual April 1 premium rises insurers are doing their utmost to dazzle consumers with sign-up and switching incentives.
The enticements come in all shapes and sizes. This year offers include one month to six weeks cover free; waivers of some benefit waiting periods; offers of money off the cost of cover; or rewards that can be redeemed as gift cards.

Some also introduced sweeteners for policyholders who refer a friend. As with any offer take the time to read the T&Cs. Some are only attached to combined hospital and extras cover; some offers expire before April; or require payment by direct debit.

More importantly, look beyond the razzle dazzle to make sure you get the policy you really need. If you're thinking of switching or taking out private health insurance cover for the first time here are three things to consider.

Be aware of the benefits

Hospital cover helps with some of the costs of staying in hospital while extras cover is for out-of-hospital medical treatments such as physiotherapy, optical and dental. A combined policy covers both hospital and extras.

When you're selecting a policy check the benefits, exclusions, and limits on any cover. If everyone in your family has glasses it might be a high priority to get extras cover that includes optometry, for instance.

Or you may choose a hospital policy that excludes certain services or conditions from your policy such as pregnancy and birth. Extras have limits on what you can claim. The more comprehensive the cover the higher the limits are likely to be.

Check waiting periods

Most health funds have a waiting period before you can claim. The length of the waiting period depends on the type of treatment you receive.
When you change funds you're entitled to keep the waiting periods you've already served.

If you upgrade your cover or change to a policy with a lower excess or gap fees you are likely to have to serve a new waiting period for the difference in cover.
Some two- and six-month waiting periods may be waived to encourage people to sign-up or switch.

Waiting periods for extras vary. Major dental services might have a 12 month wait and hearing aids 36 months.

You can claim a once-only waiting period exemption for mental health services.

Know the excess or co-payment

Agreeing to pay an excess if you need a hospital stay is one way to reduce your premium. An excess may apply every time you go to hospital in a year or it may be capped at a total amount if you go to hospital more than once in a year.

A co-payment or a daily excess means you agree to pay a set amount each day you are in hospital.

Need to trim your premium?

To keep a lid on private health costs:-

- Compare policies via privatehealth.gov.au;
- Renew your policy before April 1;
- Pay by direct debit;
- Secure a corporate or a youth discount.

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

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What is inflation and what does it mean for 2022?

As the global economy recovered from its COVID-related lockdowns last year, there was a spike in inflation, particularly in the US.

At the outset of 2022 the question remains whether that uptick in inflation will prove to be a temporary one or not. We all know that feeling when our dollars don't seem to stretch as far as they used to. But do we understand how inflation is calculated?

To brush up on some inflation basics, read on.

Headline inflation rate

The most well-known measure of inflation is the Consumer Price Index (CPI). It measures the percentage change in the cost of a basket of goods and services consumed by Australian households.

The quarterly headline CPI figure is based on prices of about 100,000 items, which are grouped into 87 categories and 11 groups including housing, health, recreation and culture, insurance and financial services and communication.

The price data is collected from a wide range of sources from retailers and online services to government authorities, utilities providers, and real estate agents.

The 'basket' of goods and services and their weights in the basket is based on what households in Australia spend their income on and how much they allocate to each item.

If households spend more of their income on one item that item is given a larger weight in the CPI. For example, housing has a 23 per cent weight while clothing and footwear is only 3 per cent.

What impacts CPI?

The basket can change over time to reflect spending trends. For instance, smartphones were added as technology changed.

But it's not a rapid change as data on household spending across all the items is only available about every five years.

The data only reflects changes in Australia's eight capital cities. If you live in a regional area the price changes may differ.

Likewise, the way your household spends may be different to the way the basket is weighted. A household may not have a car or spend less on health, for example.

The figure that is published also doesn't reflect quality changes in the goods and services only price changes. So if you get a better smartphone for your money as technology improves that doesn't show up in inflation figures.

Underlying inflation

Underlying inflation indicators exclude items that have particularly large price changes, often driven by temporary factors.

For instance, a cyclone that wipes out a fruit harvest one year can lead to a significant hike in prices.

Or a change in tax regulation, such as the introduction of the GST, can cause the prices of many items to rise.

In Australia the indicators of underlying inflation are known as the trimmed mean and the weighted median.

The items removed from these baskets can vary each quarter and the indicators reflect seasonally adjusted price changes. For instance, high school fees typically rise in the March quarter so an adjustment is made to spread it out over the year.

There is also a measure of CPI excluding volatile items, which leaves out fruit, vegetables, and fuel.

If you have any questions about inflation or the impact on your cashflow, please contact your financial adviser.

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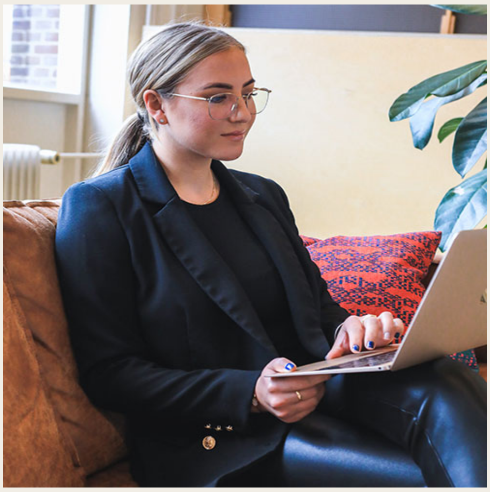
New ID numbers now compulsory for company directors



All company directors – including those linked to Self-Managed Super Funds – must now obtain Director Identification Numbers under a new requirement from the Australian Business Registry Services (ABRS).

Directors who were appointed before 31 October 2021 have one year to apply to the ABRS for their Director Identification Number – also known as a Director ID or DIN, while directors appointed after 1 November 2021 must apply within 28 days of their appointment.

The Director ID is a unique 15-digit number that verifies the identity of an individual company director. The number stays with a director for life, even if they stop being a director, change companies, change their name or move interstate or overseas. Directors receive a single ID number, even if they are a director of multiple companies.

The new mandatory requirement aims to combat fraud by preventing the use of false director identities, stopping unlawful activity such as phoenixing and making it easier to trace directors' relationships with companies over time.

Who needs a Director ID?

You need a Director ID if you're a director (or alternate director) of a:

- company
- Aboriginal and Torres Strait Islander corporation
- corporate trustee, e.g. of a self-managed super fund
- charity or not-for-profit organisation that is a company or Aboriginal and Torres Strait Islander corporation
- registered Australian body, e.g. an incorporated association that is registered with the Australian Securities and Investments Commission and trades outside the state or territory in which it is incorporated
- foreign company registered with ASIC and carrying on business in Australia.

When to apply for a Director ID

- If you became a director on or before 31 October 2021, you must apply before 30 November 2022.
- If you become a director between 1 November 2021 and 4 April 2022, you must apply within 28 days of your appointment.
- If you become a director from 5 April 2022, you must apply before your appointment.

How to apply for a Director ID

Go to the ABRS website.

Applying for a Director ID is free.

Directors must apply personally, as they need to verify their identity. No other person can apply on a director's behalf.

You can apply online, over the phone or using a paper form.

The fastest way to receive your Director ID is online, following a three-step process that begins with setting up your mygovID using the app (not the same as your mygov account).

Read more about how to apply on the ABRS website.

Need help?

Please visit the ABRS website, contact the ABRS, visit the ATO website or ask your accountant for assistance.

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

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The impact of stress on your financial decisions

When you are facing a financial decision, big or small, how do you determine the right course of action?

Decisions about money are often abstract, require us to imagine our future, and can be typically driven by emotions.

Perhaps you have the support of a financial adviser or you like to spend hours conducting your own research. Either way the decision is ultimately in your hands.

It's easy to get caught up in the details of financial decisions and that can send our stress levels skyrocketing. When we are stressed it makes us more irrational. Making any kind of decision is easier when you feel relaxed and clear. So if you're feeling under the pump here are three ways to make good financial decisions in difficult times.

Remember your why

When we are stressed the fight or flight response kicks in. That has the effect of narrowing our focus. It becomes harder to see other possibilities and we can get stuck in the mire of the small details.

To zoom out again practice focussing on your big picture and considering how the decision lines up with your values. Whether you're buying something big or small take a moment to ask yourself does this reflect my values as a person and will it help me get to my end goal?

Forgive yourself

Is the pressure coming from a fear that you've been down this road before and it ended badly? Part of moving forward and making better financial decisions is to forgive yourself for the times when a choice hasn't worked out the way you hoped.

If you keep beating yourself up for a 'bad' financial decision you can end up feeling paralysed and unable to make another decision.

Ask yourself what you learned from the previous decision and focus on what you did well. Maybe you got good advice but at the last minute decided to listen to a hot investment tip from a friend. Did you do some great research but falter when it came to negotiating? Then consider what is different this time around. Do you have a better understanding of the situation? Have you sought advice? Have you learned more about the investments or financial decisions you are considering? Or improved your negotiating skills?

Check your stress levels

If you're on the verge of making a financial decision check your stress levels. Ask yourself whether you feel calm or anxious. Are your thoughts racing or clear? Is someone else's anxieties influencing how you feel?

If you're not in the right mindset and emotional state to make a financial decision, give yourself some breathing space. Do something that makes you feel calm – take some deep breaths, go for a walk, sit somewhere natural – and come back to the decision when you're ready.

Notice when you tend to feel calmer. Is it when you first wake up or towards the end of the day when you feel a sense of accomplishment? Choosing the right moment to make a decision will help keep stress from impacting your choices.

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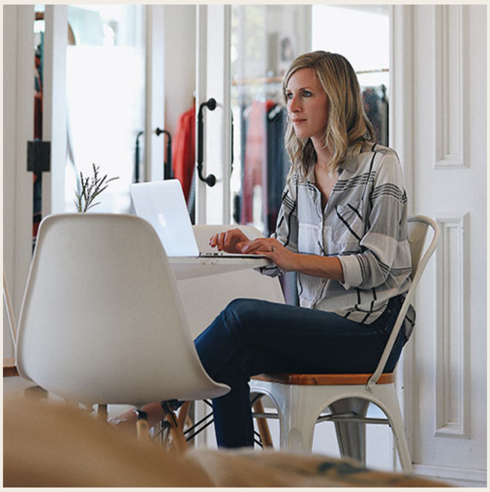
International Women's Day brings the gender pay gap into the spotlight



As women the world over gather to celebrate International Women's Day on March 8 their pay-packets are likely to come under the spotlight.

The US women's national soccer team recently had reason to cheer. It reached a landmark settlement with its governing body, over equal pay.

But in Australia a national gender pay gap still exists, which means men earn more than women.

According to the latest data from the Workplace Gender Equality Agency (WGEA), the new national gender pay gap in Australia is 13.8 per cent, a drop of 0.4 percentage points over the past six months from 14. 2 per cent. That is a difference on average of $255 per week between the full-time earnings of women and men.

Data for the private sector pay gap shows it stands at 22.8 per cent. That figure includes total remuneration of full-time, part-time, and casual workers.

And on the top rungs on the career ladder the view isn't much better. Data shows less than one in five CEOs or board chairs are women and one in three board members.

So men are twice as likely to be highly paid as women, earning in the top earnings quartile of $120,000 and above and women are 50 per cent more likely than men to be in the bottom quartile, earning $60,000 or less.

There is some good news for women in the workforce in recent data. There's been a sharp rise in the number of employers willing to offer paid parental leave. Three in five employers offer paid parental leave, although only 12 per cent of those who took it were men.

For the first time WGEA collected data on whether employers pay superannuation during periods of parental leave.
Of the employers offering paid parental leave, 81 per cent pay super for parents on paid leave; 74 per cent pay super during the employer-funded parental leave and 7 per cent on both employer-funded and government-funded parental leave.

More than half (51 per cent) of employers now offer paid domestic violence leave. This is a significant improvement on the 12 per cent of employers who offered it in 2015-16.

So what can women do to ensure the gender pay gap continues to shrink?

Keep asking for pay rises

The perception can be that women are on lower pay because they don't ask for increases or negotiate. Not true, according to the WGEA. Data shows women are asking but are less likely than men to get the pay increases.

Check where your employer stands

Gender pay gaps begin at the recruitment and promotion stage. To tackle the gender pay gap head-on check if your employer has undertaken a gender pay gap analysis and taken action on the findings.

In feminised industries such as healthcare and social assistance and education and training the gender pay gaps stand at 14.4 per cent and 10.5 per cent respectively. Yet these are the industries that are less likely to undertake gender pay gap audits (less than 30 per cent) or take action (less than 40 per cent).

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