Waverley Wealth News - Spring 18

Welcome to the latest edition of our client newsletter - Waverley Wealth News.

Well the Footy is done and dusted for another season. I hope your team performed better than my team did again this year. I hold faith that the Brisbane Lions will once again participate in finals in the not too distant future (fingers crossed). For those of you that enjoy our Winter sport, it is a long off season until they begin again next year. For those of you that are not so keen, I trust that you enjoy the next 5 or so months of peace and quiet!

The markets have continued with a heightened level of volatility over the past quarter, however continue to creep forward in positive territory. The expectation is that we are certainly at the tail end of the longest 'Bull run' in history. Statistics say that the run can't continue forever, however it is not time to panic just yet. If you have any degree of concern about the state of the economy or your portfolio, please don't hesitate to give me a call.

As in previous editions, our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future. In this edition we discuss "If you've always thought property prices only go up…". We also provide you with information on "Money mistakes people make in their 50's and 60's" as well as an article on "10 ways to enjoy summer without spending a fortune".

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.

In the meantime we hope you enjoy the read.

Kind regards,
Scott

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If you’ve always thought property prices only go up…

It may be time to reconsider some myths about property investment.

With so much emphasis on property in the media, it can be difficult to sort fact from fiction. But before investing in any type of asset—including property—it pays to consider the pros and cons, and any commonly held misconceptions.

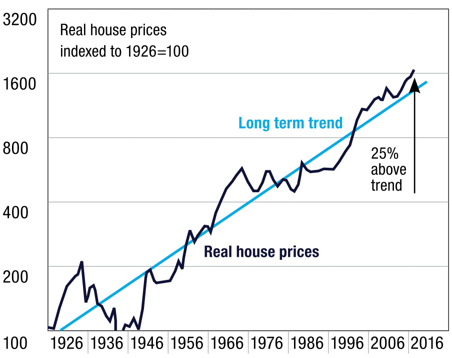
Here we bust 3 property myths.

Myth 1: Prices always go up

Believing that property always goes up is understandable—especially given prices have dramatically increased in our major cities in recent years.

But like most investments, the property market demonstrates cyclical patterns. That means, at times property performance can be stagnant and show little or no growth. And like many investment cycles, a boom can be followed by a bust.[i]

Australian house prices relative to their long term trend



Source: AMP Capital

Myth 2: All property is the same

When we think about property, we tend to think about it as one market. We generally take a macroscopic view. We hear about the performance of Australian property and may think that buying a property anywhere will turn out to be a good investment. But this approach can lead to decisions that fail to yield the results we expect.

Within the property market are countless micro-markets. And property prices can depend on the different economies they have links to—as we’ve seen in Australian mining towns where prices reached record highs in recent years only to be followed by a sharp decline.

Similarly, we hear general reports in the media that property prices are rising and this general sentiment can set unrealistic expectations. For example, specific price expectations in the CBD should be markedly different from those in a particular region or suburb. But we may tend to think that all prices in all areas will always rise. And this is where the danger lies.

Myth 3: Property’s a sure thing

The combination of low mortgage rates and rising home values means debt levels have increased dramatically. In fact, the top 10% of leveraged Australian households have an average debt to disposable income ratio of 600%.[ii]

If you cannot afford to repay a home loan due to changes in personal circumstances, such as losing your job, your entire financial future can be put at risk. Any slumps in house prices could result in many people being unable to cover outstanding loan amounts if forced to sell.

Take a long-term view

It’s important to think about property as a long term investment, even when buying a home to live in—and to borrow within your means so you’re not financially stretched. Explore your capacity to repay a loan with our borrowing power calculator.[iii]

And if you take on a home loan, consider buying insurance to help protect you in case your circumstances change and you’re unable to meet your loan repayments.

When it comes to investing, it’s important not to put all your eggs in one basket. That way you may be able to protect your money by spreading risk over different markets.

Speak with us to find out more about the types of investments that may suit you.

i http://advice.realestateview.com.au/buying/beginner-guide-to-investing/4/

ii http://media.amp.com.au/phoenix.zhtml?c=219073&p=irol-newsarticle&ID=2122127

iii https://www.amp.com.au/data/calculators/borrowing-capacity-calculator1

Money mistakes people make in their 50s and 60s

Avoid these common money traps to make sure you have enough put aside for a comfortable retirement.

When you're in your 50s and 60s, you know you've worked long and hard for what you've achieved in life and probably have a fair idea of how you want to live in your future retirement. But it's important not to become complacent and ignore the warning signs of not having enough money for retirement.

Here are some common money mistakes and suggestions on how to avoid them:

1 Accessing super too early

One of the most common mistakes people make is to start using their super too early, such as when they reach their preservation age. This can leave a significant shortfall in retirement savings when you need it most.

To avoid falling into this trap, ask yourself:

- How long am I going to need to live on my retirement funds?
- How much money do I have saved in my super now, and is it enough?
- What other sources can I draw on to supplement my income?

If you're not sure about the answers to these questions, you can access the how much super do I need article from the AMP website.[i] Use the AMP super simulator to work out how much you could save by making extra contributions to your super.[ii]

2 Underestimating retirement

Another common oversight is not preparing well enough in advance for retirement. Learn about how to prepare for retirement and then start thinking about ways you can boost your retirement savings now.

One way to save more for retirement is to consider a transition to retirement strategy. If you are aged 55 or over and still working, you can either work less hours for the same income or work the same hours to give your super a tax-effective boost. Talk to us to find out if this strategy is right for you.

3 Counting on the Age Pension

Some people think they will be able to survive on the Age Pension, but this will only provide a basic standard of living in retirement.[iii] If you want to be able to afford a few luxuries, such as a new fridge or the occasional holiday find out about saving for a comfortable lifestyle in retirement.

4 Not claiming on entitlements or government benefits

Be aware of any entitlements or what you can claim to stretch your dollar further in retirement. Find out now if you will be eligible for government benefits or other payments and visit the AMP website to find out how to make the most of your retirement entitlements.[iv]

5 Being unaware of investment risks

Just because you're nearing retirement doesn't mean you should put your retirement savings at risk for the sake of higher returns. Make sure you have a diversified portfolio and are aware of things to watch out for when you are investing and retirement investment risks.

6 Supporting adult children and aged parents

People in their 50s are sometimes referred to as the 'sandwich' generation where they're tasked with looking after their own children, as well as their elderly parents.

Visit the AMP website to read about how not to put your retirement plans at risk when the kids won't leave home[v] or to fund aged care options.[vi]

7 Prioritising home loan debt over other debt

It's no use building savings, if you still have financial pressure from other debts hanging over your head in retirement. Think about prioritising other debts before tackling your home loan debt, or consolidate all your debts into a home loan with a lower interest rate.

8 Not having a valid, current and legally binding will

Having a valid, current and legally binding will removes the burden on loved ones and avoids any confusion after your passing about how you want your assets to be distributed. If you decide to make your own will, make sure it is checked by a solicitor, otherwise your beneficiaries may not be entitled to receive any of your estate.

Also, check your appointed executor knows exactly where your personal documents are kept and that they are aware of their responsibilities.

Still need help?

If you'd like help with any of these areas, speak to us to discuss your personal circumstances.

i https://www.amp.com.au/personal/super-and-retirement/education/understanding/how-much-do-i-need

ii https://www.amp.com.au/super/supersimulator/index.html#!/

iii http://www.superannuation.asn.au/resources/retirement-standard

iv https://www.amp.com.au/news/2015/june/make-the-most-of-your-retirement-entitlements

v https://www.amp.com.au/news/2015/october/will-kids-leave

vi https://www.amp.com.au/news/2016/january/avenues-in-aged-care

10 ways to enjoy summer without spending a fortune

If you're wondering how you'll make ends meet over summer, check out these tips on how to spend, without spending every cent.

If you've been saving for something big or are just cringing at the thought of how you'll keep your budget intact over summer, don't freak out yet. There are plenty of ways you can still have fun without spending all your savings or racking up serious debt on your credit card.

How to take on summer without spending a fortune

1. Diarise your upcoming events

   Knowing what's happening and how much you're likely to fork out will help you to manage your cash and allocate what you need for each occasion.

2. Take turns entertaining at home

   This can significantly reduce the money you and your mates spend on eating out, particularly if everyone is happy to bring their favourite signature dish, juice of choice or fruit sorbet when temperatures are running high.

3. Make the most of the warm weather

   Hit the beach, head to the local playground, or pack a picnic basket and enjoy a barbecue at a nearby park. It won't involve entry fees and depending where you go, you could load up the fishing rods or even a footy for a friendly game.

4. Look out for meal and beverage specials

   There are plenty of places where you can find two-for-one offers and other great deals. Websites like TheHappiestHour can give you some ideas and you may even find some new alfresco venues you haven't been to along the way.

5. Travel smart

   Carpool, get a lift, catch public transport, or ride a bike. Too many Taxis and Ubers can drain funds, particularly if you're not keeping a record of how often you use them.

6. Cut accommodation costs

   Bunk with mates, house-sit, swap accommodation, volunteer your skills for a place to stay, or have a staycation where you check out attractions close to home.

7. Search for holiday deals online

   Look at comparison websites for flights, accommodation and transport. Doing your homework can often mean more spending money in your pocket.

8. Stick to using cash as much as possible

   When you pay in cash, there's no risk of you having to pay added interest charges. Plus, leaving your cards at home means you're less likely to go over your budget as you can't say—I'll just take out another $100.

9. Trade with friends

   If you've got more outings than outfits lined up, rather than hit the shops, borrow something from a mate. It doesn't have to stop with clothes either. You could exchange homes for the week, swap movies, or trade sporting gear like bikes and fishing rods.

10. Research free events

    Look up what's on in your local area. There are often a variety of things happening over summer, such as food and wine festivals, street fairs and markets.

Whatever your agenda over summer, it's important to have a realistic plan when it comes to your money. Give yourself some room for movement and still aim to avoid that financial hangover.