



Waverley Wealth News - Summer 18

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

I hope that you had a safe and enjoyable Christmas with family and friends, and that 2018 is a healthy and prosperous year for all.

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 “2017 has been kind to investors”. We also provide you with information on “How to retire - your way”, as well as an article on “10 experiences for \$10”!

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us on 0403 879 982 or email at - enquiries@waverleywealth.com.au

In the meantime, enjoy the beautiful warm summer weather and we hope you enjoy the read.

Kind regards,
Scott.



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2017 has been kind to investors

As we head towards the end of 2017, it's worth taking a look at how investment markets have fared over the year.

It turns out we've enjoyed a pretty good 12 months – especially if you haven't had a significant chunk of your wealth tied up in cash.

The last 12 months have been steady on a number of financial fronts. Even the official cash rate has remained unchanged for the entire year, and that's been a plus for local businesses. Reflecting this, Australian shares have performed well.

Double digit gains on shares

As I write in mid-November, the ASX 200 Total Returns Index has dished up gains of 11.27% for the year to date. This in turn has impacted our super savings – especially “balanced” funds, which typically have a solid investment in equities. According to research group SuperRatings, long term (7-year) returns for super funds continue to sit at around 8.2% annually. That's good news for our nest eggs.

All asset classes move in cycles, and reflecting the economic recovery that's taking place in many developed nations, international shares have been a strong performer this year.

The MSCI World Index (excluding Australia) notched up gains of 18.9% for the year to date. Past returns are no guide for the future, but returns like this are a compelling case to add global equities to your portfolio. An international share fund – either listed or unlisted, offers an easy way to do this. Contact my office for more details on investing in global shares.

Key property markets are cooling

Despite the robust gains on equities, residential property has once again attracted plenty of media attention.

According to CoreLogic, values in Sydney have begun to cool, with annual price gains of 7.7% as at the end of October. Values in Melbourne, where the market is still rising, have soared 11.0%. But the real scene stealer has been Hobart, where property values have climbed 12.7% over the past 12 months.

For property investors, the slowing pace of capital growth especially in Sydney, reflects tighter credit policies among lenders. The shift to lower risk loans and stricter borrowing limits is not necessarily a bad thing. Coupled with rate premiums for interest-only borrowers, this is forcing many people to consider whether a rental property really suits their long term goals.

Planes, trains and automobiles deliver strong gains

One asset class that can be easy to overlook is infrastructure. Yet things like toll roads, railways, airports and utilities can be a steady performer for investors.

The ASX Infrastructure Index has achieved gains of 12.79% for the year to date. As with international shares, you could invest directly in individual infrastructure companies but an easier way to get a slice of the action is by investing in an infrastructure fund. This also has the advantage of spreading your money across a broader range of underlying assets.

With returns on cash still looking very ho-hum, it could be worth looking beyond savings accounts (where you'll be lucky to earn 3% before-tax), and think about where you could put at least part of your money to work in 2018 to earn a stronger return.

Call us to take a closer look at the range of investment opportunities that can help you achieve your goals for 2018 and beyond.

– by Paul Clitheroe AM

Paul Clitheroe AM, co-founder and Executive Director of ipac securities limited, Chairman of the Australian Government Financial Literacy Board and Chief Commentator for Money magazine.

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How to retire, your way

How you'd like to spend your retirement is as unique as you. From the big life changing goals, to the smaller, more personal ones that give your life meaning.

There's no defined age you must retire by, and it isn't just about your finances. Your state of mind, where you live, how you spend your time as well as your goals, all play a big part.

Living well in retirement

Australia has one of the highest life expectancies in the world, and it's likely to increase well into the 90s over the next 40 years.ⁱ Meaning we could be looking at around 30 years in retirement.

So whatever your retirement goals are (like travelling, having a sea change, caring for family or working part-time), it's important to be prepared financially.

The cost of living in retirement

Assuming you own your own home, recent research shows that to retire comfortably, couples will need about \$640,000 as a lump sum to retire on.ⁱⁱ

Yet, a recent survey by Roy Morgan shows many Australians aged 50-64 may not have the amount they need to retire comfortably at 65, and in fact many may still be in debt.ⁱⁱⁱ

It can be easy to feel overwhelmed by these figures, but your finances may actually be in better shape than you think.

What you can do yourself, right now

There are a number of things you can do yourself now, that can really make a difference to your future retirement – both financially and mentally. That includes thinking about how you'd like to manage your income and lifestyle to reflect your changing needs. Here are some ways to get started:

1. Get clear on your retirement goals and how you want your life to look

Too many options can make planning difficult, so it's good to get a clear idea about the lifestyle you want and the top things on your list, including:

- knowing how you want to spend your time
- if you have a partner, comparing lists, so you're on the same page
- working out where you want to live

2. Work on simplifying your finances

It's a great idea to get your finances organised sooner rather than later. Some of the things you can work on now include:

- tracking your spending
- working out where you can make savings
- getting your super sorted
- taking advantage of any government incentives you may be entitled to

Other tips and information are also available on www.amp.com.au/retireright and www.moneysmart.gov.au.

3. Think about your numbers

Have a realistic look at how you can achieve your goals, and live the lifestyle you'd like within your budget. You may need to reassess some things in favour of others, or be stricter on the smaller things (like eating out) so you can enjoy bigger things in retirement (like a holiday).

4. Put a plan in place to help achieve your retirement goals

Once you're clear on your goals, a plan will help you step out how you'll get there. It can make all the difference.

5. Talk to us

Most of us need some help to create a plan for our retirement goals. And making the most of your super, investments, government entitlements and incentives can be hard to do on your own.

We can help you:

- Work out how much you'll need to live on
- Work out how you could create an income in retirement
- Understand possible future expenses
- Examine your superannuation savings, planning for now and in retirement
- Understand your living options, including aged care and what it could mean for your finances
- Find ways to keep doing the things you love, and new things you'd like to do
- Understand the rules around age pension eligibility.

After all, understanding all your options, and having a clear plan for your future, really can help you step into your idea of retirement with confidence.

ⁱ Australian Government Treasury Department., 2015 Intergenerational report. <https://treasury.gov.au/publication/2015-intergenerational-report/chapter-1-how-will-australia-change-over-the-next-40-years/>

ⁱⁱ ASFA, Retirement Standard Summary, December 2016. The lump sums required for a comfortable retirement assume that the retiree/s will draw down all their capital, and receive a part Age Pension. All figures in today's dollars using 2.75% AWE as a deflator and an assumed investment earning rate of 6%. They are based on the means test for the Age Pension in effect from 1 January 2017.

ⁱⁱⁱ Roy Morgan Research, State of the Nation Australia spotlight on finance risk, August 2016.

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10 experiences for \$10

For the next time you're itching to get out, but don't want to spend a fortune, here's a list of 10 things to do for about \$10 (or less).

1. Get near some water

If you live in Australia, you probably live within 50km of the coastline.ⁱ And if you don't, there's a good chance you live near another type of water source – a river, dam, lake or even the local pool.

Research shows that being in blue space (near a body of water) is great for your overall wellbeing. The smells and sounds can be a calming influence on your mind, while the body and immune system will benefit from being amongst nature.ⁱⁱ

2. Save by shopping in the local markets

You may be surprised about the number of markets held throughout the week that cater to different interests and needs. And you might pick up some bargains. For example, perhaps you'd like to check out the local farmer's produce, pick up some art, or clothing from a designer who's just starting out.

The easiest way to find the local markets in your area (or an area you'd like to visit) is to do an online search, then pop those dates in your diary so you know when they're coming up. Most markets are held close to public transport and usually have reasonably priced food.

3. Go to the movies

Many cinemas have one day in the week that's cheaper than the rest (usually a Tuesday, costing between \$10-12). If you have a concession card, or are a member of a health fund or association, you may get even better deals.

Visit the website of your local cinema to find the best options, and since the snacks at cinemas can cost an arm and a leg, bring some from home.

4. Get walking

You may be across the range of walks available in national and state parks, but there's likely to be some in and around the area you live too. Sydney and Melbourne have free walking tours, and many local councils offer self-guided walks (meaning you

can download and follow directions to see and learn about different sites in your area).

Simply search for self-guided walks in your local area. And if you're interested in joining a group, get involved in the free walking groups run by the heart foundation.

5. Discover your local community events

If you haven't already, visit your local council's website. They often list a raft of family friendly and interesting events that are happening in your area – usually all summarised in a calendar, to download and have at hand. And if your council's events aren't to your liking, you can also search for events happening in surrounding council areas or an area you'd like to visit.

6. Check out the local library

While we're on the topic of things the local council offers, it can be a good idea to become a member of your local library (if you're not already). And if you're rolling your eyes at this thought, but it's been a while since you've visited one, here's why they're good:

- most have regular events and movie nights, often with some great speakers
- there's usually free Wi-Fi, so you can search the net to your heart's content without worrying about how much data you're using
- there's access to the local and international paper and magazines to read at your leisure
- if you have young children or grandchildren, there are usually free activities held there one or two days a week, as well as child friendly play areas
- and that's not to mention all the books.

To find out more about what events your local library has, look them up online, or just pop in and ask.

7. Visit a museum or art gallery

Research the galleries and museums in your local area. Sometimes, unless there's a special exhibition, entry can be free, so all you'll need

to pay is the cost to get there. If you're a member of a health fund or association, you could get other discounts too.

But, if you don't live near a gallery or museum, don't fret. Many of world's best galleries have virtual online tours

For example, you could visit Paris' famous Louvre museum. There are lots of other options too, simply search online for virtual gallery tour and you'll see loads of different virtual tours, some with access to guided talks, and some that are interactive which can be a fun activity to do with kids.

8. Get into some online learning

While we're on the topic of going online there are lots of other things you can do too. Like:

- signing up to free online courses like highbrow (<http://gohighbrow.com>)
- getting inspired by interesting people in the ted talks series (<http://ted.com>)
- or searching for free online study in a topic that interests you.

9. Have a picnic

For the days you just want to get outside in the nice weather, it can be easy to forget the humble picnic. Pack some food, coffee, your book and go to the local park to sit under a tree. You may be surprised at just how relaxing it is.

10. Go to a meditation class

It's not for everyone, but if you're interested in the health benefits that come with meditationⁱⁱⁱ, you might want to try a free class. Just search online for free meditation classes in your area – some require a donation to come along, but only what you're willing to give.

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i Australian population review 2017. www.worldpopulationreview.com/countries/australia-population/

ii Benefits of water. Lifehack blog. <http://www.lifehack.org/424336/science-explains-how-staying-near-water-can-change-our-brains>

iii Benefits of meditation. Psychology today blog, 2013. <https://www.psychologytoday.com/blog/feeling-it/201309/20-scientific-reasons-start-meditating-today>

