



September 2015

Spring is here and not a moment too soon!

As the weather warms up it's the signal to pack away your winter woollies, get back into the garden or start a new fitness program and start planning your summer holidays.

Things are heating up on the global economic front too.

In the United States, second quarter growth has been revised up to an annual rate of 3.7 per cent, well ahead of the initial estimate of 2.3 per cent.

Corporate investment, consumer spending and the US housing market have also strengthened. Whether this is enough to allow the US Federal Reserve to begin lifting interest rates remains to be seen, particularly since China has been aggressively lowering its rates, but in the short-term it has helped to slightly stem the selling on Wall Street.

The big surprise was the strong rebound in oil prices, prompted by a reduced supply.

After falling 30 per cent since July, Brent crude surged more than 10 per cent on August 28 - the biggest one-day gain since March 2009.

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SHARES DOWN BUT NOT OUT

Most investors are familiar with Warren Buffett's advice to be fearful when others are greedy and greedy when others are fearful. But when share prices fall around the globe as they have in recent weeks, it's difficult to keep your wits about you when everyone else is at their wit's end.

At a time when it's difficult to forecast what will happen to share prices from one week to the next, what is certain is that investors who focus on value rather than price will be the first to find disregarded gems among the debris.

Before jumping in though, it's important to understand the reasons behind the latest market volatility.

What just happened?

The trigger for the sell-off was the Chinese market's 8.5 per cent fall on Monday August 24. Shares on global markets quickly followed suit. By mid-week, the local market was 16 per cent below its April high.

Although there have been worse corrections since 2008, it was the sight of so many global markets toppling in unison that had many investors rattled.

Chinese slowdown

After climbing 150 per cent in the year to June 12, it was clear to many observers that Chinese shares were due for a reality check. The Shanghai market has fallen about 38 per cent from its June peak, but it's still about 35 per cent higher than a year ago.

The issue that pricked the Chinese share bubble was concern about a worse than feared economic slowdown

as the nation transitions from an investment boom to a consumer-driven economy. The International Monetary Fund forecasts growth of 6.8 per cent in 2015, a cracking pace compared with other leading economies, but well down from 7.4 per cent last year.ⁱ

Global concerns

Events in China may have triggered the recent volatility, but global investors have been worried on a number of fronts all year. Falling oil and commodity prices, the Greek debt crisis and uncertainty about when the US Federal Reserve will start lifting interest rates have made investors cautious.

Sharemarkets hate uncertainty and are likely to over-react to news, good and bad, until the outlook is clearer.

A correction, not a crash

The general consensus among economists and commentators is that local shares are experiencing a correction, not a crash. Our sharemarket is not over-valued and the outlook for the local economy is still fundamentally sound.

According to CommSec, the US and European markets were 18-20 per cent over-priced before the latest sell-off, the Shanghai market was 46 per cent over-valued while Australian shares were

just 10 per cent above their long-term average price-to-earnings ratio of 15, where they sit now.

In other words, local shares are not cheap but not expensive either. And some stocks that have been heavily sold may already be in value territory, provided their earnings are underpinned by solid economic fundamentals.

Australia's economy is growing slowly but steadily. The Reserve Bank of Australia forecasts growth will rise from 2 per cent to 2.5-3.5 per cent by the end of 2016. Consumers are spending and property prices are rising. Even falling commodity prices are not all bad; they keep inflation low and they are driving the fall in the Aussie dollar which helps our export and tourism sectors.

Back to basics

When share prices are fluctuating wildly, it's worth remembering that when you invest in shares you are investing in companies not abstract prices. As the annual profit reporting season draws to a close, there were few nasty surprises. Despite the challenging conditions, companies lifted dividends by about 8 per cent on average.

Australian shares offer substantial rewards for investors in quality companies who stay the course.

If you would like to discuss any of the issues raised in this article in the context of your financial situation, don't hesitate to give us a call.

ⁱ China's transition to slower but better growth, IMF, 14 August 2015, <http://www.imf.org/external/pubs/ft/survey/so/2015/CAR081415B.htm>



WILL IT *your way*

We all know how important it is to have a current will, even if we haven't got around to it yet. But documenting what happens to your assets after you die is just the start of a comprehensive estate plan.

Just as important as who gets the house or paintings when you're gone, is where and how you wish to be cared for in the final stages of life if you can't make those decisions yourself.

Life is unpredictable, but having a few crucial documents in place means that whatever happens your wishes will be clear.

An up-to-date will

A will is probably the last thing on your mind when you are young or busy raising a family, but what would happen to your children if you were to die? Who would care for them and how would they be supported financially?

A will can cover everything from how your savings and investments should be distributed to choosing a guardian for your children until they are independent.

Careful planning is even more important in an era of blended families, previous and de facto relationships and high divorce rates. In order to avoid unnecessary conflict when you die, it's important to update your will to reflect changes in your circumstances such as the birth of a child, deaths, marriages or divorce.

Dying without a will is known as dying intestate and the court will decide how your estate and assets are to be distributed, often to a strict legal formula that may not reflect your wishes.ⁱ

Powers of attorney

A good estate plan also takes account the way you want to spend the end of your life. Who will care for you and look after your affairs if you are incapacitated in some way?

By giving a trusted person power of attorney, you effectively give them the legal authority to act on your behalf if you are unable to do so.

The two main types of power of attorney are:ⁱⁱ

- A general Power of Attorney is a person appointed to make financial and legal decisions for you, usually for a specified period of time. For example, if you are overseas and you need someone to bid on a property on your behalf. This becomes invalid if you lose the capacity to make decisions for yourself.
- An Enduring Power of Attorney is a person appointed to make financial and legal decisions on your behalf if you lose the capacity due to an accident, stroke or dementia, for example.
- An Enduring Guardianship sets out who should make decisions on your behalf such as where you live and the type of care you receive if you lose mental capacity.

In some states an Enduring Power of Attorney extends to decisions about medical issues. In other states an

Advanced Health Care Directive (also referred to as a Living Will) is required to direct how medical treatment is to be administered.ⁱⁱⁱ

Whoever you give a power of attorney or appoint as guardian and the executor of your will must be people you trust with your life, so choose carefully.

Super and other assets

There are some things that can't be included in a will such as the distribution of assets held in super, by a company, a unit trust or a discretionary trust such as a family trust.ⁱⁱⁱ

You can nominate the beneficiaries of your super through the fund itself. If no beneficiary is nominated, or the person you nominate is ineligible, then it will be left to the trustee of your super fund to decide who gets the proceeds.

With assets held inside a family trust, the beneficiaries are named in the trust deed and distributed according to the trust deed.

Assets owned by unit trusts or companies controlled by you will not be part of your estate, but the shares or units will be.ⁱⁱⁱ

If you would like to discuss your estate planning needs so your wishes are respected in life and in death, give us a call.

ⁱ <http://legal123.com.au/how-to-guide/how-to-write-a-will/>

ⁱⁱ <https://www.moneysmart.gov.au/life-events-and-you/over-55s/wills-and-power-of-attorney>

ⁱⁱⁱ <https://www.slatergordon.com.au/wills/>



HAPPY CAMPERS

How the great outdoors got its groove back

Caravanning and camping are sometimes seen as old-fashioned holiday options, but times are changing. Improved technology and facilities and a falling Aussie dollar have seen a resurgence in the back-to-nature getaway.

And if you think it's only retirees and boy scouts 'roughing it', think again. In fact, a whopping 85 per cent of Aussies have enjoyed an adventure under the stars at least onceⁱ, and this type of travel makes up about 10 per cent of all trips awayⁱⁱ.

What's more, with the rise of 'glamping' (camping with a little luxury thrown in) and the availability of increasingly sophisticated caravans, interest in 'old school' getaways has long been on the rise.

Families are escaping to nature

"The popularity of caravanning and camping has been climbing for at least a decade," says Stuart Lamont, CEO of the Caravan Industry Association of Australia. Throw in a big fall in the value of the Aussie dollar and more families could be tempted to get in the car and head to the coast or the mountains rather than fly to an overseas resort.

Lamont says camping holidays appeal most to the under-50s, with groups of young people and families with kids keen to escape busy lifestyles and spend time in nature.

"As we've become more technologically advanced we've become more distracted, so caravanning and camping provides

a great opportunity to reconnect with family and friends and get away from the stresses of life," he says.

Research shows campers are more happy, energised, fit, optimistic and satisfied than non-campers. Families who go camping also feel closer and, interestingly, wealthier. Eighty per cent of kids who camp say their parents are less stressed when camping.ⁱⁱⁱ

Retirement adventure

So-called 'grey nomads' continue to dominate the caravan market, with people over the age of 50 being over 42 per cent more likely than the average Australian to have stayed in a caravan or campervan on their last local holiday.^{iv}

"In times gone by you would go to school, get a job, get married, buy a house, work for 40 years and then go camping. So it's built into our DNA – older Australians like to get out and explore," says Lamont.

Caravan registrations have experienced a higher rate of increase than any other vehicle type in the last two years, and the number of registered caravans in Australia has risen year on year by 5.5 per cent.^v

Top spots

Australians are most likely to pitch a tent or park their caravan in nature-rich West Australia, Tasmania and the Northern Territory^{vi}, but staying closer to home is also popular. Grey nomads typically head north in the middle of the year to avoid the chilly southern winter.

From WA's famed Ningaloo Reef, to the lush forests of the Grampians National Park in Victoria, to watching the sun set over Uluru or the Blue Mountains in NSW, our sunburnt country offers something for those of all ages and budgets.

Options for every budget

Camping and caravanning costs can vary dramatically. Depending on size, shape and vintage, caravans can cost anywhere from \$3,000 to \$100,000 – but the average is around \$45,000. Tents can cost as little as \$20 and an unpowered site \$10 per night, but many families choose to fork out for more expensive gear and as much as \$100 per night for a powered site.

Renting a campsite cabin is also an option; once again prices vary but it's usually cheaper than shelling out for an equivalent holiday home or hotel room.

More than memories

Lamont believes camping and caravanning have one large advantage over other types of getaway: "You can go on a holiday with your own gear and afterwards you still have assets you can reuse, as opposed to just memories."

So what are you waiting for? Pack that rucksack and get out there!

i <http://www.caravanindustry.com.au/wp-content/uploads/2015/02/MEDIA-RELEASE-State-Tourism-Bodies-recognise-excellence-in-caravanning-and-camping.pdf>

ii http://tra.gov.au/documents/Snapshots_2012_Caravan_or_Camping_FINAL.pdf

iii <http://www.caravanindustry.com.au/wp-content/uploads/2015/02/MEDIA-RELEASE-The-Value-of-Camping.pdf>

iv <http://www.roymorgan.com/findings/6291-australian-families-are-happy-campers-201506170001>

v http://www.caravanstats.com.au/_r137/media/system/attrib/file/19/2014%20Caravan%20and%20Campervan%20Data%20Report.pdf

vi <http://www.roymorgan.com/findings/6291-australian-families-are-happy-campers-201506170001>