Autumn 2020

Economic update

Global economy

The landslide UK election win by the Conservative Party, led by Boris Johnson, saw a major risk for investors subside – the risk of a disruptive UK exit from the European Union (EU). The focus is now on UK's re-negotiated deal with the EU, rather than the period of uncertainty experienced in the three years following the Brexit referendum in 2016.

We have also seen progress on US-China trade negotiations. This included President Trump deferring planned tariffs on 15 December 2019 after increasing tariffs on Chinese imports in early September 2019.

A 'phase one' trade deal between the US and China was widely anticipated and signed on 15 January 2020. Under the deal China has agreed to purchase $200 billion worth of US goods and services in 2020 and 2021.

Leading indicators of economic growth improved during the December quarter. For example, The Markit Global Composite Purchasing Managers Index (PMI) reached an eight-month high pointing to stronger growth in the global economy in the short-term.

Australia

In Australia, economic growth in the September 2019 quarter remained weak with annual growth at 1.7%. Public sector spending and net exports contributed 1.1% each to annual growth but, concerningly, a decline in private sector spending, which accounted for 73% of gross domestic product (GDP) in the September quarter, reduced annual growth by 0.5%.

Business activity and confidence was below average as was consumer sentiment. This suggests weaker growth will likely persist in the short-term.

The bushfire disaster is also expected to be a drag on economic growth but the exact extent of the impact is uncertain.

These factors are expected to see the Reserve Bank of Australia (RBA) cut interest rates at least once this year.

Shares

During the December 2019 quarter the Australian share market rose 0.7%. At a sector level, health care (up 14%) and energy stocks (up 6.3%) were strong and offset weak performance in the financial sector (down 7.8%).

The healthcare sector's performance was driven by biotechnology company CSL whose share price rose 18% from $233.69 to $275.70 following the announcement of a positive outlook for the 2020 financial year of 7% to 10% growth in profits. This anticipated growth is due to a supply squeeze on one of CSL's core antibody product lines which is expected to push the product line's price higher.

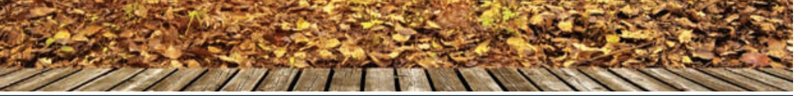
Energy stocks benefited from stronger oil prices following a decision by the Organisation of the Petroleum Exporting Countries (OPEC) to cut back on oil production.

The major disappointment among large companies was Westpac. The company saw its share price fall from $29.64 to $24.23, a decline of 18.3%. This followed a lawsuit by regulator Austrac over breaches of counter-terrorism and anti-money laundering legislation because of inadequate controls over international money transfers.

Speak to your financial adviser to find out more about your investment options.

requiredfinancial services
wealth... protection... advice

Required Financial Services
194 Gladstone Street
South Melbourne VIC 3205
T 03 9695 5600
F 03 9695 5670
E anthonyd@required.com.au
W required.com.au



Fixed income and currencies

Bond prices fell, driving bond yields higher both here and overseas. This occurred despite the RBA cutting interest rates by 0.25% in early October 2019. Normally it is expected that a reduction in interest rates would result in a rise in bond prices, however, positive global factors, including the Brexit resolution in late December and more concrete progress on US-China trade negotiations, saw bond prices fall.

This also saw investors seeking riskier assets such as shares.

The Australian dollar also benefitted from these factors even with the RBA rate cut which would normally contribute to the Australian dollar falling.

These are likely catalysts for a stronger economic environment heading into 2020.

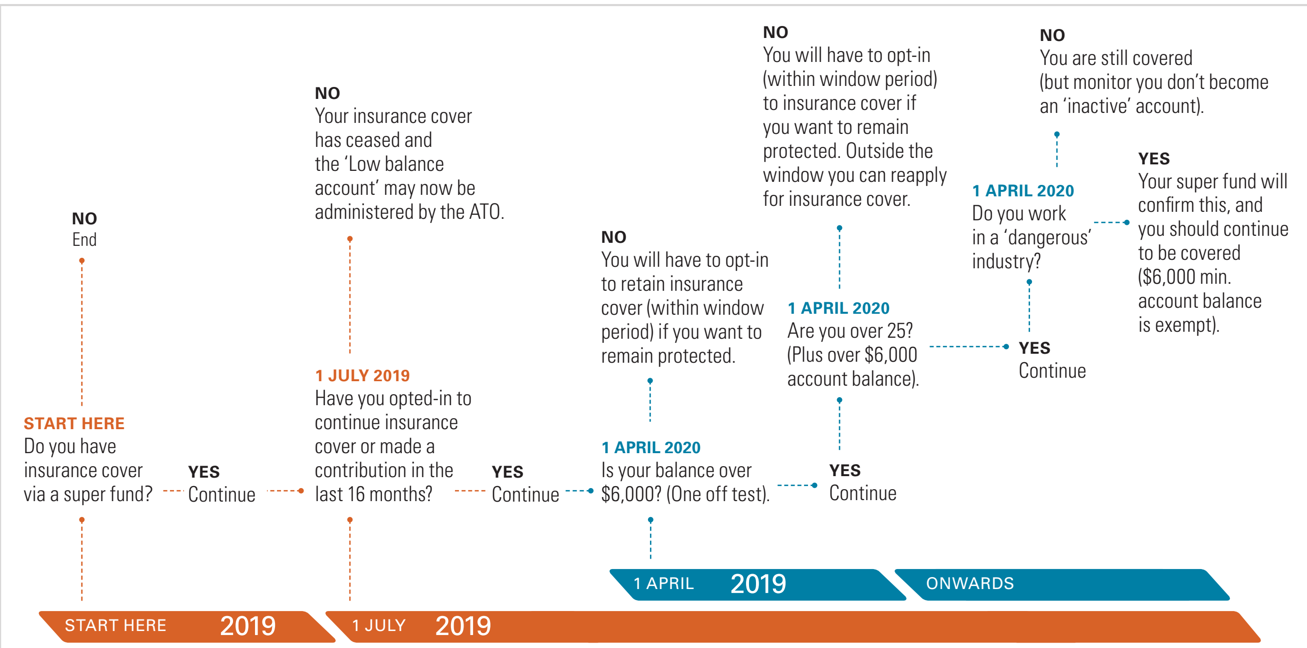
Source: IOOF

Are you covered by insurance inside super?

Insurance inside super or 'Group Insurance' is the life insurance cover you may have through your employer or your super fund.

Did you know, that in the last financial year, the industry regulator APRA reported there were over 53,000 Group Insurance claims made in Australia?[1] However with the recent changes to Group Insurance, you may be wondering whether or not you still have Group Insurance through your employer or super fund.

Here is a guide that may help you determine if you are still covered, or if you might need to talk to your financial adviser or super fund.



Source: CommInsure

Important Information This article is prepared by The Colonial Mutual Life Assurance Society Limited ABN 12 004 021 809 AFSL 235035 (CMLA). 'CommInsure' is used under licence by CMLA. This general advice has been prepared without taking into account your particular financial needs, circumstances or objectives and you should consider the appropriateness of this information in light of your circumstances and consult with a financial planner before acting on this information.

1 Life Insurance Claims and Disputes Statistics June 2019 - https://www.apra.gov.au/life-insurance-claims-and-disputes-statistics

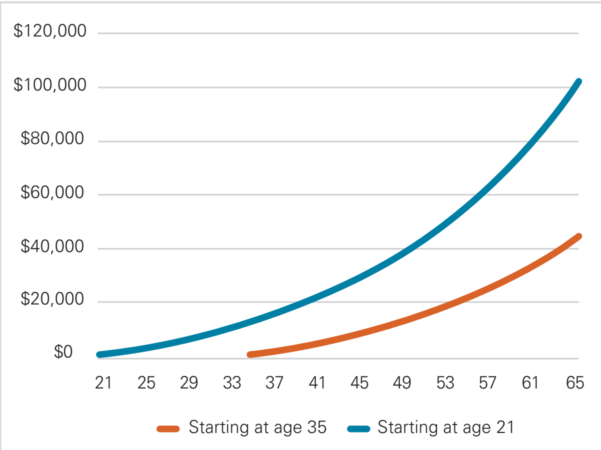
5 investing questions everyone should ask (and answer)

The thought of investing can be daunting to some. To help, we've compiled a series of questions every investor should ask themselves and be able to answer.

1. What age will you/did you start investing?

The earlier you start investing, the quicker your savings can grow.

Say, you're 35 and you're investing $50 a month over 30 years. Assuming your investments grow at 5% annually, you will have amassed savings of $44,541 by the time you are 65.



However, if you started investing at 21, your investment, based on the same logic as above, would be worth $101,744 by age 65. By starting earlier, your investment ends up being over 2.2 times larger (unadjusted for inflation).

2. Have you spread your money around?

Diversifying your investments means buying different types of investments, potentially across different countries and/or asset classes. Diversification doesn't guarantee you won't lose money but it can help to balance portfolio returns when a certain investment underperforms.

3. How much risk are you willing to take?

The risk spectrum, from low to high, generally moves from cash/savings; government bonds, corporate bonds, high-yield corporate bonds, developed market shares, to emerging market shares and alternatives. The higher on the spectrum, the greater the risk.

4. What is your time horizon?

Having a clear understanding of when you want to access your money could help you determine what type of investment is right for you. For instance, if you're saving for a short-term goal, like a holiday, you may not want your money tied up in an investment which can fluctuate dramatically. For longer-term goals, you may be able to take on more risk as you have more time to allow for potential losses to be recouped.

5. Will you reinvest your income?

Investments typically generate income: shares pay dividends, bonds pay coupons, savings accounts pay interest. You can elect to receive this income as cash or you can reinvest this income to increase your investment.

If you elect to reinvest your income, this can trigger the effect of compounding. Compounding is earning interest on interest and it can help an investment grow at a faster rate.

Say you invested AU$1,000, 10 years ago and decided to take the income from this investment as cash. Your investment would currently be worth AU$1,501 (equivalent to an average annual return of 4.1%). However, if you had opted to reinvest the dividends, buying more shares, your current shareholding would be worth AU$2,310 (an average annual return of 8.7%).

So, whether you are a seasoned investor or starting out on your journey, it's important to ensure you ask yourself these important questions and speak to your financial adviser who can help you decide what's right for you.

Remember, past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

Retirement income worry – who worries and why?

Two-thirds of retirees who have been retired for five years expect to spend their savings over the next 20 years.

The latest research from National Seniors Australia surveyed levels and causes of worry among Australian retirees. The survey found that most older Australians (53%) are worried about outliving their savings, with women (59%) more worried than men (47%).

People without any super reported the highest levels of worry, with 23% worrying frequently. Many of these people are likely to be on the full Age Pension, with one in three frequently worried about outliving their savings.

National Seniors CEO, Professor John McCallum, said these findings illustrate the extent of the worry felt by older Australians when it comes to their financial security.

"Australia has one of the best pension systems in the world, yet Australian retirees are still showing high levels of worry that they will outlive their savings," Professor McCallum said.

"This shows a need for better advice and education to help older Australians manage their savings so they can have the confidence to spend their money and enjoy retirement."

Why are women more worried than men?

Not only are retired women more worried than men, they are also more likely to be relying on the Age Pension as their main source of income. Women are also more likely to have less than $500,000 in retirement savings, which is below the ASFA comfortable standards. Divorced women are among the most worried about their financial situation in retirement.

Challenger's Chairman of Retirement Income, Jeremy Cooper, said disparities in earnings and working patterns have disadvantaged women and their potential to accumulate wealth over their lifetimes.

"Super not only provides a reliable source of income, but also reduces worry for older Australians. On average, women live three years longer than men, but our super system doesn't cater for this difference in longevity.

"What this and other National Seniors research clearly highlights is that people treat the age pension and their own savings differently. They fear running out of their own money, even though the safety net of the age pension will be there for them. This sends a strong signal that people worry about being solely reliant on the age pension. It's therefore important that super funds explore ways of providing more lifetime income to their members."

The research also found that having a reliable source income that will last for life is a key factor for worrying less, with those people with a defined benefit pension or a lifetime annuity reporting the lowest levels of worry. This is consistent with previous NSA research that found 84% of retirees said that regular and constant income in retirement was very important to them.

The full report is available at:
www.nationalseniors.com.au/retirementincomeworry

Source: Challenger