

AMBLESIDE NEWSLETTER

SPRING EDITION
SEPTEMBER 2020

What's included

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- + Market update
- + Phone update
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A WORD FROM THE PRINCIPAL

Welcome to our spring newsletter. The last edition was written as we were opening up from the first wave and we are now trying to find our way out of the second. The announcement over the weekend has us on a slow path forward to hopefully a 'COVID normal' Christmas that will allow tourism inflows to the region and support to local businesses. As we move towards summer we are also thinking of the parts of Victoria affected by the bushfires early in the year.

In this newsletter we are very excited to announce one of our team members has a baby on the way... read on to find out more. Caitlin has also written an article about the effect of COVID-19 on your insurances and we have some important information about our new phone system.

The National Australia Bank, which owns MLC, announced at the start of September that MLC will be sold to the large Australian financial services company IOOF. This will see a lot of changes for the Ambleside team behind the scenes, but we don't expect it to change how we work with you and the services we provide. I've included a separate article in this newsletter with more information on the deal.

Ambleside has remained open during the COVID-19 pandemic and technology has meant we have been able to work from our homes. Where possible meetings have been deferred or held remotely over video conference, however we are able to meet with you in our offices and meet the COVID-19 requirements. Please let Brooke know your preference for how we meet when she contacts you to book a time.

The US market has repeatedly hit record highs over the last fortnight. This is being driven by a number of factors but most of the heavy lifting has been done by the tech stocks such as Microsoft, Apple, Alphabet (Google) and Facebook. The Australian market has also shown a strong rebound and is currently 39% above the March lows. We haven't seen the same kind of gains as the US, primarily because we don't have the large tech stocks in our market.

While we often focus our attention on the Australian stock market it is important to remember it makes up only 2% of the world market, and diversification is key.

A number of large Australian companies reported their profit and dividends during August. There were mixed results with some companies choosing to withhold dividends in preparation for an uncertain period ahead.

Inflation in Australia fell below zero in the last quarter for the first time since 1998. Inflation measures how prices change over time and the Reserve Bank of Australia (RBA) targets a rate between two and three percent. This strikes the balance between the rate being high enough to promote investment, spending and wage growth; but low enough to keep costs of living and borrowing down.

The RBA has suggested interest rates will remain at their historic low levels for the next three years. While this will keep mortgage and other borrowing costs manageable, it also means the return on cash and term deposits will remain low.

While inflation measures the change in prices, the other key measure of health is gross domestic product (GDP), which measures the total value of goods and services produced by Australia. We have seen two quarters of falling GDP, which means we are technically in a recession. Australia was the only developed countries to avoid a recession during the GFC, primarily due to demand from China for natural resources.

We are carefully watching how Australia emerges from the COVID-19 crisis, and in particular how the government maintains employment levels as stimulus such as Jobseeker and Jobkeeper are cut back over the next 12 months.

Overall Australia is well positioned to navigate the next phase of COVID-19. The country has low debt levels, resulting in strong government support to workers, and we expect the economy to continue opening up as we wait for a vaccine.

BABY ON BOARD!



A big congratulations to Brooke and her partner Rick, who are welcoming their first baby in February 2021. What wonderful news, we are all excited for you both!

OFFICE PHONE UPDATE



We are continuing to work at finding better ways to stay in contact with you, especially throughout these challenging times. We are upgrading our telephone service, which allows our team to direct your calls to the right person, while we are all working from home.

Technology is allowing us to do away with desk phones, and replace these applications on our laptops and mobiles.

As we work to finalise this transition, you might see an unfamiliar number appear on incoming calls which is (03) 4513 1040. Do not be alarmed, this is our temporary new phone number for our outbound calls. You can still call us on 03 5561 5180, the temporary number will only appear if we are calling you.

We should have our phone settings completely finalised by the end of November

SUPPLEMENT PAYMENT

As part of the government's response to the COVID-19 pandemic, two \$750 lump sum payments were provided to people who receive the following social security benefits.

- Age Pension
- Bereavement Allowance
- Carer Allowance
- Carer Payment
- Commonwealth Seniors Health Card
- Disability Support Pension
- Double Orphan Pension
- Family Tax Benefit A
- Family Tax Benefit B
- Pensioner Concession Card

The first payment was made before 30th June, and second after 1st July. If you have haven't received these payments, please contact the office and talk to Rian.



JAMES – NATIONAL AUSTRALIA BANK SALE OF MLC

On Monday 31st August the National Australia Bank (NAB) publicly announced MLC is being sold to IOOF. This separation of NAB and MLC has been planned for a long time and a number of options were considered, including listing MLC on the Australian Stock Exchange (ASX) as an independent company, selling to a private equity firm, or (as was eventually decided) selling to an existing financial services company.

History. Both MLC and IOOF both originate from very old Australian institutions. MLC (**Mutual Life & Citizens Assurance Company Ltd**) traces its origins back to 1886 as an insurance company. In 2000 NAB brought the business from Lend Lease, which at the time was one of the biggest mergers in Australian history. The insurance arm of MLC was then sold to Nippon Life Japan in 2016 and NAB have owned the remainder of MLC since.

IOOF (**Independent Order of Odd Fellows**) was originally a fraternal organisation that shared many similarities with the Freemasons, and the financial services part of the organisation originated in Melbourne in 1846 as a friendly society. These historical links have long passed and IOOF was listed on the ASX in 2003. It has since grown quickly through acquisition.

Both of these companies were originally founded when Australia was a new colony. People were lucky to live past their late 30s, and often died before 55. In those days there was little in the form of government funded welfare services, so these companies played an important role in providing security for those left behind.

Reason for sale. In the aftermath of the Hayne banking royal commission; Commonwealth Bank, Westpac, National Australia Bank and ANZ have all announced, to varying extents, their withdrawal from providing financial advice and investment management. They point to rising regulatory costs and dwindling profit margins.

We also know a number of unacceptable practices were exposed during the royal commission across the industry, which happened during the period of bank ownership. These included charging clients for no service and continuing to charge clients who had passed away. As a result the banks have all put aside hundreds of millions in remediation costs, which has further motivated them to move away from financial advice.

What it means for you. While it was known NAB were planning to sell MLC, IOOF didn't emerge as a likely candidate until just before the announcement. We feel IOOF will be a good fit, and result in clients being well supported into the future as part of a strong financial services company.

We do not expect a lot of changes for you as our clients. Our business will remain where it is, and our name will not change. Your funds are not 'owned' by MLC, rather they are managed by MLC, meaning this change will not affect your investments.

Many of you already have indirect ownership of MLC and IOOF, as NAB (the current owner of MLC) and IOOF are both listed on the Australian Stock Exchange and many investment funds include these companies.

For more information see www.mlc.com.au/personal/mlc-ownership-update, and please let us know if you have any queries. We are getting more detail every day and will keep you informed of the developments.



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MOVING INTO AGED CARE



When the need arises for more care as you or your family grow older there is a lot to consider. Early planning can take away a lot of the stress and uncertainty. Unfortunately, one of the common triggers in seeking assistance can be a fall, stroke, or some other unexpected event.

These occurrences can lead to families making quick, on the spot decisions which have significant lifestyle and financial implications.

Generally, there are **five steps** to follow if you think you or a loved one may need to enter an aged care facility: **get assessed, find an aged care home, work out the costs, apply for your place, move-in.**

The **accommodation payment fee** covers the cost of purchasing your room. This can be a single lump sum, or ongoing regular payment. You may be eligible for government support to help with this fee.

- **Refundable Accommodation Deposit (RAD):** This is a one off payment that is refunded when you leave the accommodation. In many cases people pass away while living in age care so this money will go to their estate.
- **Daily accommodation payment (DAP):** This is effectively the RAD converted into a non refundable daily payment, using an interest rate set by the government.
- **A combination of both of the above.** This option involves paying a part one off lump sum, and part daily payment.

There are generally three fees payable to cover the cost of your ongoing care:

1. **Basic daily care fee:** This a contribution towards daily living costs such as nursing, meals, and generally all aged care residents are required to pay this fee for each day they are in care.
2. **Means-tested fee.** This may be payable in addition to the basic daily care fee. It is based on a formula that takes into account your income and assets.
3. **Extra services fee.** This is charged by the facility for extra services provided. This may include pay TV, a larger room, or additional leisure activities.

We recommend people seek financial advice before making decisions about aged care. The common questions we help clients with relate to retaining or selling the family home when moving into care, how to maximise age pension, and whether to pay a RAD or DAP. If you would like help or more information, contact us.

OUR FOOTY TIPPING COMP

The 2020 AFL season has nearly concluded, and we'd like to say thank you to our tippers who continued to participate in this year's competition. Even though this year we couldn't hold our usual competition, we appreciate all those would still put their tips in on a weekly basis. Best of luck to our top tippers, only a couple of points between the top three!



GOOD LUCK!!!



CAITLIN – COVID-19 AND PERSONAL INSURANCE

COVID-19 has changed many aspects of the way we live, including how you can claim on your personal insurance.

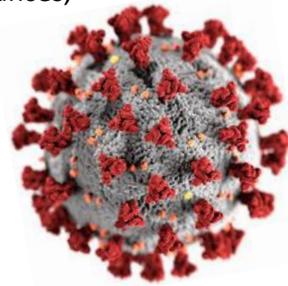
We have seen many Australians forced to reduce working hours or even lose their job altogether. This has raised questions on how insurance companies assess your claim based on your employment status.

The Financial Services Council has recognised this, and in cooperation with life insurance companies there are temporary changes in the way claims are assessed. This has generally resulted in them applying more favourable claim policies to recognise the impact of COVID-19.

Total and Permanent Disability Cover (TPD)

TPD insurance helps to protect you and your family's lifestyle if you experience an incident that leaves you totally and permanently disabled, and unable to work again.

Under normal policy circumstances, and if you were not working, you may not qualify to claim on TPD cover. This may happen even if you suffered an incident that meant you could never work again.



A change has been made to support people impacted by COVID-19. If you were working in your normal capacity on 11 March 2020 (the date the World Health Organisation declared a global pandemic), and then had your hours reduced due to COVID-19, your claim will be assessed based on your working arrangements as at 11 March 2020.

This initiative applies until 1 January 2021, however it may be extended if the COVID-19 pandemic continues.

More information can be found at www.fsc.org.au/policy/life-insurance/commitments

Income Protection

Income Protection insurance helps to protect you and your family by paying up to 75% of your income if you're unable to work. This can help cover living expenses, such as your mortgage, school fees and car repayments. Unfortunately, if you have lost your job or have been put on reduced hours you usually cannot claim on your income protection policy.

If however you are diagnosed with COVID-19 and are unable to work, you can serve the stated waiting period on your policy and then be eligible to claim.

Note that each insurer has their own policy and you should refer to the product disclosure statement for full details. If you would like any further information or would like to discuss your policy in particular, please feel free to contact us.

GENERAL ADVICE WARNING

Any advice or information in this publication is of a general nature only and has not taken into account your personal circumstances, needs or objectives. Because of that, before acting on the advice, you should consider its appropriateness to you, having regard to your objectives, financial situation or needs. Past performance is not a reliable guide to future returns.

NICOLE'S MUM'S LEMON MERINGUE PIE

Ingredients:

1 1/2 cup plain flour
3 teaspoon icing sugar
140 gram butter
1 egg yolk, lightly beaten
2 tablespoon water, approximately

Filling

1/2 cup cornflour
1 cup caster sugar
1/2 cup lemon juice
1 1/4 cup water
2 teaspoon grated lemon rind
3 egg yolks
60 gram unsalted butter

Meringue

3 egg whites
1/2 cup caster sugar

Method:

1. Lightly grease a 24cm flan tin.
2. Sift flour and icing sugar into a bowl and rub in the butter. Add yolk and enough water to make ingredients cling together. Press dough into bowl, knead gently on lightly floured surface until smooth; cover and refrigerate for 30 minutes.
3. Roll dough on lightly floured surface large enough to line prepared tin; trim edges. Place tin on oven tray, line pastry with paper and fill with dried beans or rice. Bake in a moderately hot oven for 10 minutes; remove the paper and beans and bake for a further 10 minutes or until the pastry is lightly browned. Cool to room temperature.
4. To make the filling, combine cornflour and sugar in a pan and gradually stir in juice and water. Stir until smooth. Stir over heat until the mixture boils and thickens (the mixture should be very thick). Reduce the heat and simmer, stirring for 30 seconds. Remove from heat and quickly stir in the rind, yolks and butter, stirring until the butter is melted. Cover and cool to room temperature.
5. For the meringue, beat egg whites in a small bowl with electric mixer until soft peaks form. Gradually add the sugar, beating until dissolved between additions.
6. Spread the filling into pastry case and top with meringue. Bake in a moderate oven for about five minutes or until meringue is lightly browned. Stand for five minutes before serving.

