

AMBLESIDE NEWSLETTER SUMMER EDITION



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A WORD FROM THE PRINCIPAL

Welcome to our summer newsletter. In this issue, Caitlin reviews some great personal finance books and James has a summary on the recently released interim report from the Aged Care Royal Commission. Christmas is almost on us and, while the weather isn't particularly summer like, the market has been very strong.

In late September, the Morrison government unveiled a review of the retirement income system. It is a well known that our population is ageing. In 1975 there were 7.3 people of working age between 15 and 65, for every person aged 65 and over. Today that number is 4.5 and in 2055 it is estimated to be 2.7. This issue is not unique to Australia and is set to impact many other nations as well. The review will look at whether the \$2.8 billion superannuation pool and associated tax cuts are effectively reducing the cost to taxpayers of the government age pension. The 'three pillars' being looked at are: the means tested aged care pension, compulsory superannuation, and voluntary savings including home ownership.

The government has already ruled out touching super tax breaks, and the exemption of the family home for the aged pension assets test. This is perhaps a recognition of the trouble Labor got into at the last election by proposing changes to franking credits and alienating a large number of voters.

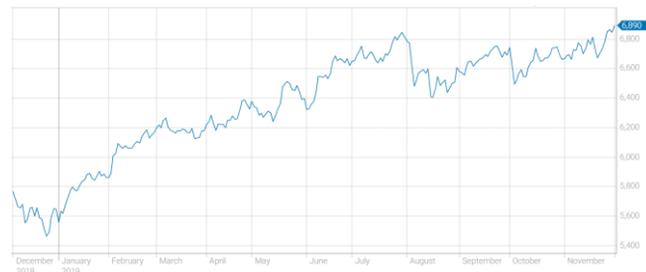
Interest rates are at record lows with reductions of 0.25% in June, July and October. This has taken the RBA cash rate to 0.75%. The result is record low mortgage rates and this has contributed to a strong rebound in the Sydney and Melbourne property markets. Melbourne house prices are just 3.7% off the peak reached in October 2017 and Sydney 8%. This story isn't the same in all capital cities, with Darwin continuing to fall and modest gains elsewhere.

The flip side of low interest rates for borrowing is the low interest rates for cash and term deposits. Many retirees rely on interest from these investments to fund retirement and pay for everyday expenses. Right now the RBA, and the government, is prioritising low interest rates for borrowers over low rates for savers.

MARKET UPDATE

After a very strong start to the year, and a record high in July, the market has seen a lot of volatility. The high was reset once again last week when the ASX 200 reached 6,983.

The chart below shows the ASX 200 over the last 12 months, and you can clearly see the strong performance over the last 12 months.



There were two key factors behind the strong US performance, which in turn boosted the Australian market. First there was a trade truce between the US and China, with President Trump announcing a phase one agreement where both countries have (in principle) agreed not to raise tariffs any further. Secondly, the US Federal Reserve has cut interest rates, adding to the previous two rate cuts in the US.

The performance of the big four banks has been under scrutiny as the outcomes of the Banking Royal Commission continue to be felt. 20.6% of the value of the ASX 200 is collectively accounted for by the four big banks (ANZ, CBA, NAB and Westpac). The heavy concentration of value in these financial companies means that any underperformance here is felt throughout the market. In June 2018, CBA agreed to pay a \$700 million fine for anti money laundering breaches and more recently Westpac is facing large fines for similar issues.

In addition the current low interest rates are putting pressure on bank profit margins. Traditionally banks have lowered deposit rates as lending rates were lowered, thereby preserving a profit margin. This is becoming increasingly difficult as deposit rates approach zero. Despite this, the Australian banks remain strong and they are expected to navigate this period of uncertainty.

CALLING ANYONE WHO WANTS TO BUY THEIR *FIRST HOME*

During the month of October, the Federal Government announced the launch of a new scheme to help first home buyers get into the market.

The scheme assists buyers by providing a government guarantee for 15% of a home loan deposit. The home buyer is required to provide a 5% deposit, and when combined with the 15% government guarantee the buyer will avoid paying lenders mortgage insurance (LMI). LMI would usually apply to a mortgage where the deposit is less than 20%. Note that this means the buyer still has to borrow, and pay back 95% of the value. The guarantee simply avoids the requirement for LMI.

The scheme will start on 1st January 2020 and is limited to 10,000 people on a 'first come first served' basis. Eligibility broadly requires three elements.

1. A buyer needs to save the 5% deposit.
2. A buyer can access the scheme where their income is below a threshold amount (a single person would be eligible where they earning up to \$125,000 or a couple earning up to \$200,000) and,
3. The value of the property is below a specified amount, depending on your location (for example \$600,000 for Melbourne and \$375,000 for regional Victoria).

It's worth noting the median house price in Warrnambool is currently \$350,000. The scheme is good way for first home buyers with lower savings to get into the market. It's important to note that having a smaller deposit will mean paying more interest over the life of the loan and taking longer to pay back the debt.

If you know of a friend or family member who would like to purchase their new home and would like more information, have a chat with one of our advisers Caitlin or James.



AMBLESIDE'S CHRISTMAS OFFICE HOURS

The Ambleside team will be taking some time off over the holiday period. We're finishing up on **Friday the 20th and will be back in the office on Monday 6th January.**

We wish you and your family a Merry Christmas and a happy and safe New Year. We'd also like to say thanks for your support, and we look forward to catching up in 2020!

DONATE FOR THE KIDS CHRISTMAS DRIVE REMINDER!

Just a quick reminder that we are still collecting toys for our annual Christmas Toy Drive. We will be collecting gifts until the 13th December.





CAITLIN MASON - BOOK REVIEWS

There are lots of books written about personal finance and they mostly contain the same message packaged in different ways. Often the author's skill is less about *what* to do but more about out *how* to do it.

That's why it's well worth reading several books on the topic as you might find one that especially resonates with the way you think. Over the past 12 months the team has read three books by Australian authors that we all thought had something to offer: *The Barefoot Investor*, *Money & Mindfulness*, *Get Rich Slow*

The Barefoot Investor. Scott Pape has a huge media profile and his book covers the basic concepts of cashflow, banking structure, super and insurance. This is an easy read and presents a great action plan for reviewing your finances.

Scott places a strong emphasis on taking charge of your personal finances by eliminating debt, living in the present and retiring in peace. Scott has also written several follow up books that focus on family finances.

Money & Mindfulness. This is one of the many books Lisa Messenger has written over the years. She is a Sydney based entrepreneur who started her own successful print company in the middle of the internet boom. She provides an insight into her thoughts around money and the stigma attached. A great read that may challenge the way you think about money.

Get Rich Slow. Sarah Riegelhuth is a Financial Adviser based in Melbourne and this book outlines the fundamentals of finance using her own experiences and mistakes. A light read for anyone new to finance who wants to get their head around the basic topics.

We have all three of these books in the office so feel free to pop in and borrow a copy if you would like to have a read.

If you have any suggestions or books you are reading at the moment feel free to let us know!



SCAMS



There seems to be ever increasing number of people caught up by scams. Often people say “I can’t believe they didn’t see it coming” but scams are becoming increasing clever and more complex. Australians are set to lose a record amount to scams in 2019, with projections from losses reported to Scamwatch and other government agencies year to date expected to exceed \$532 million by the end of the year, surpassing half a billion dollars for the first time.

Recent examples include:

- \$480,000 scammed from Emmanuel College after account payment details were changed by a fraudulent email (July 2018).
- Fraudulent calls from the ATO telling people they owe a tax debt that must be urgently paid, otherwise Police will be called (ongoing).
- A romance scam where an Australian woman travelled to Malaysia in search of love, and returned home with a planted bag of drugs (November 2019).
- Investment scams that promise returns far too good to be true, often linked to expensive training courses, celebrities or special software (ongoing).

There are a few warning signs you should always look out for. This list is not comprehensive and the scams continuously evolve to develop new tricks.

- Make sure your computer software is up to date and you have a virus scanner installed. Don’t respond to phone calls, or messages on your computer, that tell you there is a virus on your computer.
- Don’t click on links in emails. This may direct you to false websites made up to look like real sites (known as phishing).
- If you think you’re speaking to a friend on social media, call them, or find another way to contact them before acting on any advice that might result in you giving away your personal details or money.
- Minimise the chance of someone accessing your mail and stealing your identity by keeping your mail box cleared and locked. If you don’t need hard copy statements mailed to you tell your bank, electricity supplier and phone company to send you email statements instead.
- Don’t be pressured into making a decision on the spot. Scammers often employ high pressure tactics with comments like ‘once only deal’ or ‘offer only available today’.

- Scammers sometimes request payment using methods that are hard to trace. Be suspicious if they demand payment in cash and don’t provide any other option. Other cases have even seen scammers seek payment in vouchers or bitcoin.
- Be sceptical and question any offer that seems ‘too good to be true’. Check any decision you plan to make with a family member, friend or trusted professional.
- Don’t hesitate to call us at Ambleside if you suspect a scam or want to check if an offer is genuine. There are also some great resources online that have more information about the most recent scams. Check out www.scamwatch.gov.au

WELL DONE RIAN & NICOLE!

Congratulations to our Client Services Manager Rian and Office Manager Nicole, for successfully completing their Diploma of Financial Planning. All of those late nights staying back at work and chowing down KFC has paid off! It’s great to see these women developing new skills within their roles working in the financial services industry. Now you can both sit back and put your feet up...for now! 🤗👩🎓



JAMES' MUM'S MARSHMALLOW DESSERT

INGREDIENTS

2 large packs soft marshmallows (pink and white)

2 tins of drained crushed pineapple
600ml thickened cream (for whipping)

Sugar

Vanilla extract / essence

Sherry

METHOD

1. Cut marshmallows into pieces.
2. Cover marshmallows with sherry overnight (just enough to cover). Turn a few times to soak thoroughly.
3. Whip cream with a little sugar and vanilla extract / essence to soft peaks.
4. Drain the pineapple well.
5. On the morning of serving, fold all together.



AGED CARE ROYAL COMMISSION

The Royal Commission into Aged Care Quality and Safety was established on 8th October 2018. The interim report was delivered on 31st October 2019, and the final report is due on 12th November 2020.

So far there have been 7,084 submissions and 4,848 calls to the telephone information line. The interim report painted a sad and shocking picture of aged care in Australia. Many people would not be surprised by this and the report calls for a fundamental overhaul of the system.

The interim report raised three primary issues:

- Young people with a disability living in aged care facilities. About 6,000 people under 65 live in residential care in Australia and that number has been relatively unchanged for more than a decade.
- The large number of people waiting for a home care package, in many cases up to three years. As of June 2019, the waiting list was about 120,000.
- Widespread over-prescribing, often without clear consent, of drugs which sedate residents, rendering them drowsy and unresponsive to visiting family.

Another key issue raised was the staffing levels in aged care facilities. There are no mandated minimum staffing levels and there are frequent complaints from both staff and residents regarding hard pressed nurses and care staff being run off their feet, and residents not receiving timely attention for personal care needs.

A certain outcome of the report will be more funding needed for the sector, to provide better facilities, more staff and improved training.

For more information visit

www.agedcare.royalcommission.gov.au and
<https://www.abc.net.au/news/2019-10-31/aged-care-royal-commission-report-finds-unsafe-industry/11658328>

MEET THE WALKERS!

A **HUGE** congratulations to Caitlin, who married her long-time partner Josh over the weekend! We all wish the happy couple the upmost best of luck for the future!



MLC MIGHT CONTACT YOU!

Cash rates are at historic low levels with the Reserve Bank of Australia (RBA) cutting the official cash rate three times in the last six months, taking it down to 0.75% pa.

While the rate reductions may be great news for borrowers, it's not great news for cash investors. When official interest rates go down, interest payable on term deposits, savings accounts, cash funds, or the cash portion of other managed investments also go down.

MLC may write to you regarding the impact of these cuts on certain MLC investments. You do not have to action anything in relation to the letter. If you would like to discuss these investments or if you have any queries, please reach out to James and Caitlin.

GENERAL ADVICE WARNING

General Advice Warning: This advice may not be suitable to you because it contains general advice that has not been tailored to your personal circumstances. Please seek personal financial advice prior to acting on this information. Before making a decision to acquire a financial product, you should obtain and read the Product Disclosure Statement (PDS) relating to that product. Opinions constitute our judgement at the time of issue and are subject to change. Neither, the Licensee or any of the National Australia group of companies, nor their employees or directors give any warranty of accuracy, nor accept any responsibility for errors or omissions in this document. The information in this document reflects our understanding of existing legislation, proposed legislation, rulings etc as at the date of issue. In some cases the information has been provided to us by third parties. While it is believed the information is accurate and reliable, this is not guaranteed in any way. Past performance is not a reliable guide to future returns.



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