

# **AMBLESIDE NEWSLETTER**

## **WINTER EDITION**

### **What's included**

- + A word from the principal**
- + Market update**
- + Staff movements**
- + Tax & working from home**
- + FASEA Exam**
- + Footy Tipping Competition Update**
- + Winter recipe**
- + Unlisted assets in super**



## A WORD FROM THE PRINCIPAL

Welcome to our winter newsletter. COVID-19 has been with us just over four months, with the first Australian case confirmed on 25<sup>th</sup> January 2020. Since then we have seen unprecedented changes to our lives, with some changes no doubt here to stay. Thankfully the outbreak has been well managed in Australia and it is comforting to see our social and work lives start to open up again as this newsletter goes to print.

Many people I've spoken to have drawn historical comparisons to the Spanish Flu of 1919. Similar to now restrictions meant schools, churches, agricultural shows and victory parades were closed or cancelled. What was very different was the number of people who died. In Australia the Spanish flu killed 15,000 people (population 5 million at the time) and New Zealand 9,000 (population 1.1 million). This came at terrible time for both countries with World War I finishing the previous year.

Ambleside has remained open during the COVID-19 pandemic and technology has meant we have been easily able to work from our homes. Where possible meetings have been deferred or held remotely over video conference. With the end of the financial year approaching we will be holding more meetings in the office. Please let Brooke know your preference for how we meet when she contacts you to book a time.

## MARKET UPDATE

We have seen big movements in the ASX 200 over the past five months, with similar experiences in other markets around the world. The ASX 200 peaked at 7,163 on 20<sup>th</sup> February, and hit a low of 4,403 on 23<sup>rd</sup> March, a drop of 39%. Since then it has rallied strongly, closing at 5,941 (up 35%) on Thursday.

You would be forgiven for thinking that given the percentage changes (39% down then 35% up) we should nearly be back where we started.

Unfortunately, this isn't the case and a quick revisit to high school maths will show you why. Take for example a 10% drop from 100 points to 90 points, this takes 11.1% to get back to 100 points. As the drops get bigger, the corresponding increases needed get greater. To get back to where we started in the current situation we need a 63% increase from the March low (2,760/4,403).

We continue to have confidence the market will recover and move to new highs in the longer term however we are watching several events over the next six months:

**Economic fallout of COVID-19.** There are many forecasts that say we will see another correction. The market is buoyed by case numbers dropping (in developed nations) and economies opening up again. Economic activity however is being propped up by government stimulus in the form of Jobseeker and Jobkeeper, plus banks are providing mortgage payment relief. This is all forecast to end later in the year, which will place a huge stress on business and spending.

**Dividends.** Investment return is comprised of the fund price, plus income (or dividends) paid throughout the year. The ability of companies to pay dividends depends on their profit and we know COVID-19 has had a huge impact on sales and services. As a result we expect dividend payments to be reduced over the next 12 months. This is not only because many businesses simply don't have dividends to pay, but because some businesses are holding onto cash and strengthening their balance sheets to prepare for whatever the next 12 months has in store.

**International events.** Against the backdrop of COVID-19 the wheels of world politics are continuing to turn. The US, and Australia, is being dragged into an increasing war of words with China over the origins of COVID-19, plus China's recent actions in Hong Kong. Early in the COVID-19 crisis the oil price collapsed, due to the combined effects of reduced travel; and Russia and Saudi Arabia ramping up supply.

While this may seem like a lot for the market to digest history has shown the world has constantly dealt with major change and events.

# STAFF MOVEMENTS

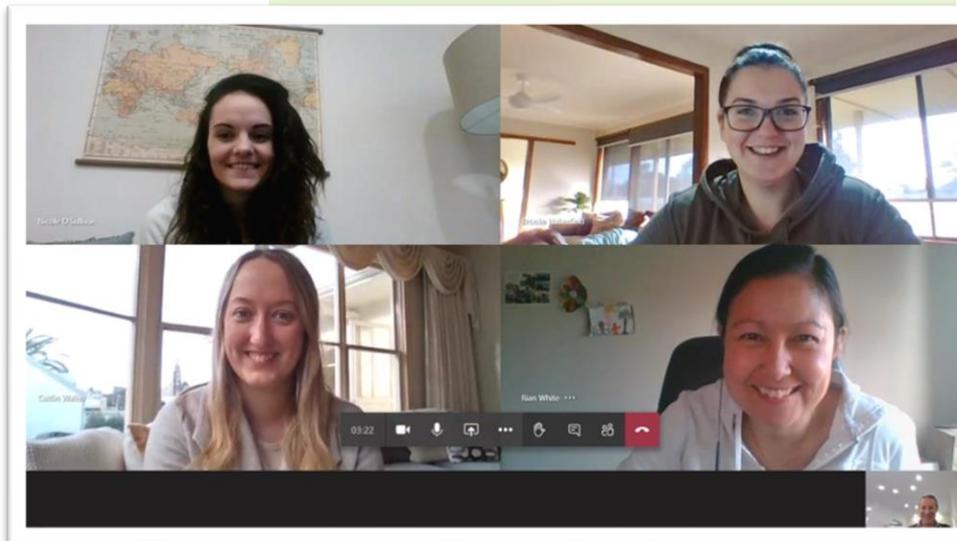
Over the last couple of months, the Ambleside team have been working from home as a result of the COVID-19 pandemic.

As restrictions are now beginning to ease, we anticipate that we will be in the office on a full-time basis from July onwards. This will be all dependant on the government directives, which we will closely monitor in weeks to come.

We do encourage you to continue to take up alternative options for holding your meeting, this includes meeting over the phone or via Zoom. If you would prefer to see us in the office, we are happy to meet face to face as well. We will continue to comply with changes we have already made to our office settings, these include:

1. Leaving our waiting room closed and asking you to go straight to the meeting room on arrival.
2. Applying hand sanitiser on arrival.
3. Still no hand shaking, and we will maintain the 1.5m spacing.
4. Wherever possible we will continue to use only one meeting room in the office, and this room will be disinfected after each meeting. This includes tables, light switches, door handles, pens and computer equipment.
5. We still ask that if you are feeling unwell you do not come into the office.

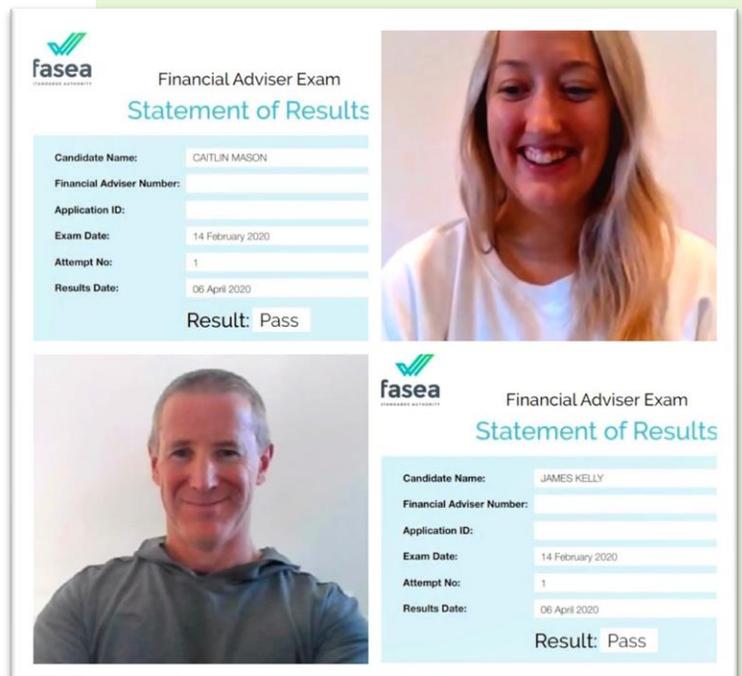
We would like to thank you for your ongoing support we've received from you at this time and stay safe and healthy.



## FASEA EXAM

Congratulations to James and Caitlin who passed their national financial adviser exam.

As part of the changes from the Banking Royal Commission all advisers must complete this new test before 1st January 2021. So far around 27% of advisers in Australia have sat and passed the exam.





## CAITLIN – TAX & WORKING FROM HOME DURING COVID-19

As working from home becomes the new “norm” you may start to notice home running costs increase.

Rest assured the Australian Tax Office (ATO) has created a temporary simplified method for calculating working from home tax deductions. This covers the period 1 March 2020 to 30 June 2020 and may be extended into the new financial year.

### WHAT CAN YOU CLAIM?

- electricity expenses associated with heating, cooling and lighting the area from which you are working and running items you are using for work
- cleaning costs for a dedicated work area
- phone and internet expenses
- computer consumables (for example, printer paper and ink) and stationery
- home office equipment, including computers, printers, phones, furniture and furnishings – you can claim either the; full cost of items up to \$300 OR decline in value for items over \$300.

### UNFORTUNATELY, THAT EXTRA COFFEE ISN'T CLAIMABLE – WHAT ELSE CAN'T YOU CLAIM?

- occupancy expenses such as mortgage interest, rent and rates
- the cost of coffee, tea, milk and other general household items your employer may otherwise have provided you with at work.

### HOW TO CALCULATE YOUR 'RUNNING EXPENSES'

You can choose to calculate your additional running expenses by using one of the three methods listed below:

- **shortcut method** – claim a rate of 80 cents per work hour for all additional running expenses
- **fixed rate method** – claim by separating into the below three categories
  - a rate of 52 cents per work hour for heating, cooling, lighting, cleaning and the decline in value of office furniture
  - the work-related portion of your actual costs of phone and internet expenses, computer consumables, stationery
  - the work-related portion of the decline in value of a computer, laptop or similar device.
- **actual cost method** – claim the actual work-related portion of all your running expenses, which you need to calculate on a reasonable basis.

For more information on how each of these methods work and what best suits your working from home situation check out:

<https://www.ato.gov.au/general/covid-19/support-for-individuals-and-employees/employees-working-from-home/>

If you are new to working from home the simplest method may be the shortcut method. If you are a working from home veteran, then a fixed rate or actual cost method may be better suited to you.

Lastly, KEEP RECORDS! The most important item to record is the hours you work from home and depending on what method you choose you may also need to keep records of your expenses. More information can be found at the above link.

# MORE PAPERWORK TO SIGN

Following the 2019 Royal Commission financial advisers across Australia must continue to ensure their clients are provided with complete transparency with regarding the services they are provided and fees they pay. The government is introducing a new system called Fixed Term Advice Agreements.

From 1<sup>st</sup> July we will be requesting you (and your partner) sign extra documents to meet these requirements. If we are unable to see you face to face, Caitlin and James will give you a call, run you through these documents and we will either post or email the forms out for you to sign and return.

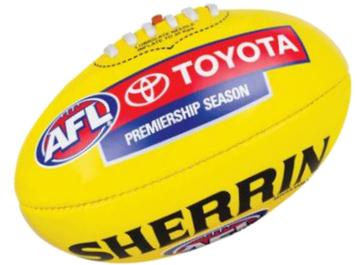
Feel free to give our office a call if you have any further questions.

# OUR FOOTY TIPPING COMP CONTINUES!

You heard it right, the AFL season will officially kick off from Thursday 11<sup>th</sup> June so we will continue to host our online Footy Tipping competition.

If you have already joined the competition, we will be in touch with more details on how to re-enter your tips in once the updated footy fixtures have been released.

**GOOD LUCK!!!**



# BROOKE'S CHICKEN NOODLE SOUP

## Ingredients:

600g chicken thigh fillets  
4 cups (1ltr) salt-reduced liquid chicken stock  
1 garlic clove, crushed  
2 tsp grated ginger  
125g thin spaghetti  
310g can sweet corn kernels  
1 cup fresh milk  
4 shallots, sliced

## Method:

1. Trim excess fat from thigh fillets and slice into thin strips.
2. Heat the stock and 1 cup water in a medium pan with garlic and ginger, until boiling.
3. Break spaghetti into short pieces (about 8cm long) and drop into stock. Stir and cook for 2 mins. Add chicken strips and cook for a further 5 mins.
4. Meanwhile, process corn kernels with the milk until roughly chopped. Add to saucepan with half the shallots and heat gently until warmed through. Spoon into bowls and sprinkle with remaining shallots.



## JAMES – UNLISTED ASSETS IN SUPER

In April I wrote an opinion piece on COVID-19 and liquidity of superannuation funds, which was published on the business website LinkedIn. This has impacted many superannuation members and I've summarised the main points in this article.

The COVID-19 crisis, and recent government policy to allow people to withdraw up to \$20,000 from superannuation has highlighted issues with superannuation funds that hold high proportions of unlisted assets.

**Listed assets** are traded on a public stock exchange, such as the Australian Stock Exchange (ASX) or the New York Stock Exchange (NYSE). They include shares in companies, bonds, listed investment companies and derivatives. They are typically traded on a daily basis and easily brought and sold.

**Unlisted assets**, in comparison, aren't listed on an exchange and typically can't be brought and sold on a daily basis. They can include infrastructure (roads, power grids and airports), property (large office buildings and shopping centres), private equity (investments in private companies) and private credit.

Unlisted assets are an important part of an investment portfolio, however they do present risks when they make up too much of a portfolio. When markets drop, it can be very hard to sell unlisted assets quickly and at a fair price.

Think of the example of trying to sell your own house during a property crash, it can be difficult to decide what that house is worth, and even harder to find someone who will buy at a good price.

We have seen this situation with superannuation during the COVID-19 crisis. Industry super funds in particular hold large amounts of unlisted assets, and they have had many members switch their investment to cash or withdraw part of their super. This has put a lot a lot of stress on these funds and in some cases they have not been able to complete client transactions.

The superannuation funds we recommend at Ambleside typically have low amounts of unlisted assets and we have had no issues completing client transactions during the COVID-19 crisis. If you would like more information about unlisted assets in your fund please contact the office. The full LinkedIn article can be read at [https://www.linkedin.com/posts/jameskelly1\\_covid-19-and-liquidity-of-superannuation-activity-6652749733150457856-wbHY](https://www.linkedin.com/posts/jameskelly1_covid-19-and-liquidity-of-superannuation-activity-6652749733150457856-wbHY)

## 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.



FOLLOW + LIKE US