

AMBLESIDE NEWSLETTER

SUMMER EDITION
DECEMBER 2021

What's included

- + A word from the principal
- + Market update
- + Christmas hours
- + New office in Kepler Street
- + Lost super
- + Stapled super
- + Bitcoin
- + Christmas Toy Drive
- + Summer recipe

MARKET UPDATE



A WORD FROM THE PRINCIPAL

Welcome to our summer newsletter. We're officially in our new building at 129 Kepler St, next to Bohemia Café. We've already had lots of visitors and meetings, and everything is working well. There's a bit more work to do with landscaping out front and bathroom out back but we're close. We've included some photos later in the newsletter. Harris and Wood have moved into the old Ambleside building and they are busy painting before Christmas. It's great to see the old buildings in Warrnambool looked after and given a fresh coat of paint.

We'd like to give a special congratulations to Nicole, who recently completed her Graduate Diploma in Financial Planning. She has also completed the first quarter of her professional year and will soon sit the national financial adviser exam. Nicole is well on the way to becoming a qualified adviser.

The impact of the Banking Royal Commission is continuing to have a big impact on the financial planning profession. National adviser numbers have dropped from 29,000 two years ago, to 19,000 now and is expected to get to 15,000. This is the result of increased education standards, a compulsory national exam and increasing compliance. We are very comfortable Ambleside is well placed to thrive and grow as financial advice evolves in Australia.

We had our Christmas party a couple of weeks ago at the Warrnambool Racecourse. Once again The Jericho Cup was running, which remembers the Light Horsemen that served in the Middle East from 1914-19. This race has been personally financed by Bill Gibbins for the past four years and will now be taken over by Racing Victoria. It was a great day and we managed near perfect weather.

On behalf of the Ambleside team we wish you all a happy Christmas after what has been a difficult year. We will be closing the office on Wednesday 22nd December and reopening on Monday 10th January. If you have any urgent requirements over this period please call our office number as we will be checking messages daily.

The market has gone largely sideways since our last newsletter in September. The ASX 200 is currently at 7,304, after reaching an all time high of 7,629 in August and a COVID low of 4,144 in February 2020.

Dividends. Final dividends for many Australian companies were paid between August and October. These have rebounded from the same time in 2020, which is another indication of the economy emerging from the pandemic. The big four banks, which collectively make up 19% of the market, have all paid around double the dividend this year. The large mining companies BHP and RIO have seen even larger dividend increases on the back of strong iron ore prices.

Inflation. Inflation has been a big topic, especially in the US where it hit a near 40 year high of 6.8%. In Australia we're at 2.1%, which is the highest for us in six years, but within the RBA band of 2-3%. Remembering that inflation is simply the progression in prices of goods and services over time, you'll be interesting to hear the major contributors have been childcare, fuel, tobacco, motor vehicles and health. The biggest detractor has apparently been 'garments for women'!! The concerns around high inflation are firstly that everything costs more to buy, and second that banks often react by raising interest rates.

Interest rates. In the midst of the pandemic the Reserve Bank was planning to keep interest rates low until 2024. They now expect rates to start increasing from 2023, however the banks predict this may happen sooner, possibly in late 2022. This is being driven by the economy rebounding faster than expected, increasing inflation, low unemployment and strong property prices.

Evergrande. You might have heard about the Chinese property company Evergrande, and their problems repaying debt. Evergrande has staggering debt of about \$400bn. Its business model is to buy cheap land, build apartments and then sell. All this activity is funded by heavy borrowing and quick sales, and if there is a drop in these sales problems can quickly emerge. The question remains if the Chinese government will bail them out, or let the company fail. The implication for Australia is Evergrande, and other Chinese property companies, are large consumers of our iron ore.

We'll be watching 2022 with interest, with the main drivers bring the impact of any COVID variants that may emerge, balanced against inflation and increasing interest rates as economies continue to recover and grow.

CHRISTMAS TOY DRIVE

We'd like to say a huge thank you to everyone who generously donated towards our Christmas Toy Drive. This year has been especially challenging for many families in our community. Thank you to everyone who donated. 😊 The team at Emma House and MacKillop Family Services will now organise the distribution of these toys just in time for Christmas.

AMBLESIDE'S OFFICE HOURS

The Ambleside team will be taking some time off over the holiday period. We're finishing up on **Wednesday 22nd December** and will be back in the office on **Monday 10th January 2022**. 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 2022!





LOST SUPER

We continue to hear stories of employers not paying superannuation to their employees. We know that super is one of the first things that is neglected when companies get into financial distress

Industry Super Australia data reveals that 2.9 million Australian employees missed out on \$5 billion in employer super contributions in 2018–2019. That means unpaid super affects more than a quarter of employees, costing each affected worker an average of \$1,700 per year. Young workers and those on low wages are often underpaid their super.

The consequence of lost super compounds and this could be substantial, with modelling showing that \$3,000 of unpaid super for a 22 year old results in a loss of \$15,500 by the time they reach retirement. Unpaid super can also lead to loss of personal insurance cover, as this ceases if contributions are not regularly paid.

As stories of unpaid super continue to increase it is important to ensure you are being paid the correct amount. Remember that just because your payslip shows you have been paid super it doesn't mean the money is actually paid to your account. Make sure you check your super fund account transactions to confirm it is being paid.

If you suspect super hasn't been paid we can help you track it down. The first step is to contact the employer, and if this doesn't work an enquiry can be lodged with the ATO and they will investigate.

BITCOIN

We occasionally get enquires about bitcoin, ranging from 'what is it' to 'should I invest'. Our position at this stage is that while Bitcoin is a fascinating development it is not suitable to be part of an investment or superannuation portfolio.

What is it? Bitcoin is a digital or crypto currency that started in 2008, meaning each coin exists as a series of numbers and letters on a computer. These are so long and complex they can't be copied or forged.

There are a number of alternatives to bitcoin and new ones are appearing all the time. These include Ethereum, Litecoin, Cardano and Polkadot.

Who makes the bitcoin? Just like paper money bitcoin can be made, however it can't wear out or be destroyed. A total of 21 million bitcoin will eventually be issued, and there are currently around 18.9 million coins in circulation. Bitcoin can be made by anyone, using powerful computers programs and a process called 'mining'. Current estimates have the final bitcoin being mined in the year 2140.

What is bitcoin worth? Bitcoin started in 2008 at around 10 cents. By 2013 it was \$200, and 2016 it was \$900. Fast forward to 2021 and it is currently trading at a whopping \$65,000! This dramatic price rise has come with a lot of volatility, meaning there have been some spectacular falls as well. The chart below shows the bitcoin price since 2016.



Combined with strong marketing this volatility has given rise to many online trading platforms, and promises of near instant riches. Some people have made lots of money from Bitcoin (they're the ones you hear about) but others have seen either their trading platform stop working, or Bitcoin prices plummet.

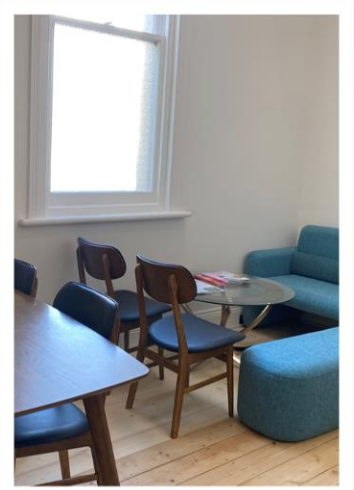
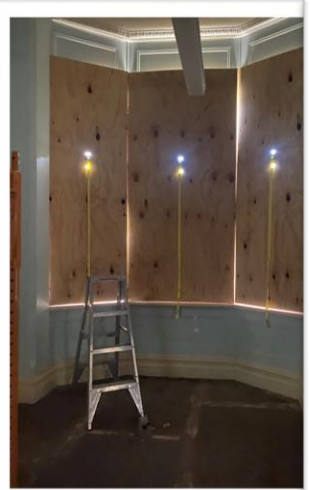
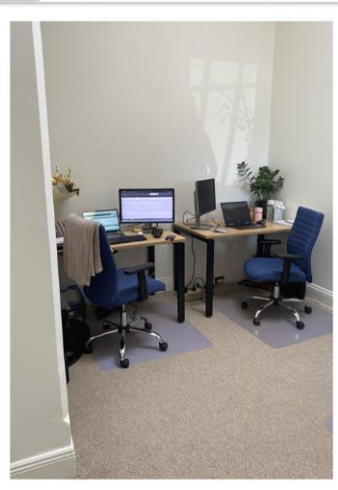
The future. The technology and concepts behind cryptocurrencies will no doubt fundamentally change the finance system over the coming years. Until however there is stronger regulation we see it as a highly speculative investment.

- James Kelly.

NEW OFFICE IN KEPLER STREET!

We'd like to say a big thanks to all the trades that worked on 129 Kepler St over the past four months. The building had been vacant for over 12 months and needed a lot of work to come back to life.

We're planning an opening function for early next year and The Standard will publish an article on the building. Over the Christmas break we'll be working on the last few jobs of the landscaping and bathroom/shower area.





HAVE YOU HEARD OF STAPLED SUPER FUNDS?

In October 2020, the federal government announced the super reform package, **Your Future, Your Super**.

The intentions of this policy were to prevent the creation of unintended multiple super accounts for employees, address underperformance in superannuation, make it easier for people to choose well-performing MySuper products, and increase transparency and accountability from super funds.

Stapling means you will keep your existing super account if you change jobs, unless you decide to change which fund manages where your super is invested. This is meant to make things easier by allowing your super to follow you from job to job, removing the hassle of maintaining multiple super accounts, with potentially multiple fees and insurance premiums.

As of 1 November 2021, a new super account won't be created automatically every time you start a new job. You can start a new job knowing your employer and the Australian Tax Office (ATO) will ensure your super contributions will be paid into your 'stapled' account.

It's important to remember that stapled super fund details are usually only required for the employer where an eligible employee is offered a choice of fund and they don't make one. If an employee doesn't choose a fund, an employer, or their authorized representative, might need to request that employee's stapled super fund details from the ATO.

The ATO is also liaising with software providers about making this available through the employer accounting software such as Xero and MYOB. The stapled fund request service is currently only available through authenticated ATO online channels. That means that the user accessing the system must have a MyGov ID and authorisation set up to use the service.

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.

ROAST PUMPKIN, CASHEW, PHILLY SALAD

Ideal with Roast Christmas lunch or Seafood platter. Can be served warm or cold.

Ingredients:

500 grams pumpkin cut into cubes
125 grams Philly cream cheese cut into smaller cubes
100 grams of prosciutto or bacon, fried until crisp, tear or cut up
150 grams French green beans, blanched
½ cup olive oil
¼ cup Balsamic vinegar
2 gloves garlic, crushed
¾ cup cashew nuts, toasted

Method

Combine oil, garlic and pumpkin and bake in oven at 200C for 30 minutes, turn occasionally.

Add Philly cream cheese and bake a further 5 minutes, drain and reserve garlic oil. Arrange pumpkin and Philly on serving plate.

Top with prosciutto, nuts and beans. Whisk garlic oil with vinegar and drizzle over salad.

