

Ambleside Newsletter Summer 2022

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Market update

Inflation and interest rates are continuing to drive the market.

Interest rates. Last Tuesday the Reserve Bank lifted rates again, for the eighth time since May. We've had four increases of 0.5% and four of 0.25%. Rates now stand at 3.1%, the highest since November 2012.

The big question is where will rates go from here. This will depend on inflation figures, and the expectation that as rates rise, people will spend less and prices will come down. The Reserve Bank famously got it wrong at the start of this year when they said rates wouldn't lift until 2024 so they're reluctant to make a call now. The consensus, or most popular view, however, is rates will peak in between April and June next year before pulling back.

Markets. The ASX200 is currently at 7,200 after a strong rally that started in October. This rally is based on the thought that increasing interest rates are doing their job and we are hopefully nearing a peak. The all time high on the ASX 200 is 7,624, or about 6% higher than where we are now.

The US market has not performed as well and is 21% off its high. We know that different markets perform better at different times and this highlights the importance of diversification, or spreading our investments between different companies, different asset types and different countries.

China. As always China is very interesting and continues to impact our economy and market. They have been actively pursuing a zero COVID policy and this finally seems to be buckling after increasing frustration with mass lockdowns. The concern is they have been using less effective locally produced vaccines, and their elderly population has had fewer vaccines. The fear is any relaxation in rules will result in mass infections and further disruption to worldwide supply chains that are so dependent on China.

Long term. We often talk about the idea of long term investing, and take this to be around 20 years. We came across a great chart that shows Australian market returns since 1900, or 122 years! Since then we've had 99 (or 81%) positive years and 23 negative years. The biggest gains were 1983 and 1975, and biggest loss was the global financial crisis in 2008.



A word from the Principal

Welcome to our summer newsletter.

It's been a big few months for Ambleside with exciting news for the business and staff. John Bowman, a long standing financial adviser based in Warrnambool, has retired and Ambleside has purchased this business. We are excited to welcome the staff from Bowman Financial Services, Allira and Lauren, and their clients. We welcome John's clients and look forward to meeting you at our Kepler St office.

This is an exciting opportunity for Ambleside and importantly it gives us sufficient scale and size as financial advice continues to change in Australia. As I've mentioned to many of you, the Banking Royal Commission has resulted in the number of financial advisers in Australia decreasing from 28,000 to around 16,000 today. The addition of Allira and Lauren will put Ambleside in a very strong position moving forward.

In addition to Allira and Lauren, we are very pleased to welcome Emi to our office in a client services role. Emi has joined us from Taits Solicitors where she worked in conveyancing and customer service.

And for more exciting news Catlin and Josh have had a baby boy named Jackson! Everyone is healthy and we've included some pictures later in the newsletter. Caitlin visited us last in the office last week and was looking very relaxed for a new Mum.

In this newsletter we also provide a market update, review the recent presentation from demographer Bernard Salt and discuss the impacts of inflation.

Christmas is fast approaching and we wish you all a very happy festive season. I am personally flying to New Zealand to visit family and then back after Christmas to help at the surf club. Our office will be closing on Friday 23rd December, and reopening on Monday 9th January. We'll be monitoring our phone messages over this time if you have any urgent matters that need our help.

Thank you for your support over the last 12 months.



 Breakfast with
Bernard Salt

On the 15th November we attended a Warrnambool Council Business event at the Lady Bay, with speaker Bernard Salt.

Bernard is a business adviser and speaker who regularly writes about demographics for the Australian Newspaper. To make it even better he was born and grew up in Terang!

Bernard looks at trends and predications around population, economy and employment. We'd like to share some of the key points which really made us stop and think:

- The demand for age care is going to surge as our population grows older. It is predicted 2027 will be the peak year for the number of people turning 80.
- The nature of work continues to change. The biggest occupations by numbers in Warrnambool is now sales assistants, nurses and age care workers.
- In 1952 life expectancy was around 69, it is now 84. These additional years need more retirement income and more age care facilities.
- Working from home for office jobs is here to stay. This means people can live in places like Warrnambool, while holding down jobs in places like Melbourne.
- Linked to this last point is young professionals want a lifestyle in addition to rewarding career. This is becoming more achievable as work form home increases.
- To meet this requirement modern home design is changing. Compared to the 1960s many new homes now maximise building size are on the block (i.e. smaller gardens), and include dedicated gyms and home offices.
- The conclusion from the talk was Warrnambool has a bright future as a major regional centre. Health and age care will continue to grow, which will be supported be an ever flexible workforce.



Welcome to Allira and Lauren

Ambleside is very pleased to announce that Allira Summerville and Lauren Billington from Bowman Financial Services have joined our team at Ambleside.

We send congratulations to John Bowman on his retirement after over 40 years working in financial services in the Warrnambool region.

Allira has worked in financial services for over 10 years, eight of those being with John. Lauren has worked in the industry for many years, 25 of those with John.

We are delighted to welcome Allira and Lauren to our team.



Welcome baby Jackson!

Congratulations to Caitlin and Josh, on the arrival of Jackson Joshua Walker.

Born on the 3rd of November at 6.31pm. Jackson weighed in at 8 pound and 8 ounces and 51.5cm long.

Welcome to Emi!

We are so pleased to welcome Emi Dews to our team.

Emi brings a wealth of experience, having recently moved from Tait's Legal where she worked for five years.

Please remember to say "hi" to Emi when you are next in contact with us.



Hidden costs of inflation

There's no doubt we are all feeling the pinch with the rising cost of living, mainly driven by inflation.

According to the Australian Bureau of Statistics, over the twelve months to the September 2022 quarter, the Consumer Price Index, the measure of inflation, rose to 7.3%. In ordinary times, inflation levels are typically 1-2% per annum. There's no indication of when inflation will stop rising, and as we know, interest rates are likely to continue to rise to counteract inflation rates. While we wait to see when and if the prices of everyday goods go back to 'normal,' it's a timely reminder to review our budget.

For example, let's look at Higher Education Loan Program (**HELP**) debt, which provides loans to students studying approved higher education courses. Historically, HELP debt wasn't a liability we'd consider a priority to pay off, as there is no interest charge, however, there is an increase to the overall cost per year, which was only based on the indexation rate, which again was normally 1-2%. However, given the current economic environment, this has increased to 3.9% in June last financial year, and will likely see another increase next year. For someone with a HELP debt of \$25,000, this sees an increased cost from typically \$25,250 to \$25,975.

We are also seeing an increase in the costs of personal insurance coverage such as Life, Total and Permanent Disability Insurance, Trauma Cover, and Income Protection. Most of these types of cover have inflation proofing included, which means the amount you're insured for increases per year, along with your premiums to safeguard against buying power year on year.



For this particular year, we've seen this inflation-proofing increase to 7.3% for October. Using this figure, for someone with a Life Cover of \$500,000, the sum insured increased to \$35,000, to a total of \$535,000 and a premium of \$2,500 would increase to \$2,682.50. If they also had Total and Permanent Disability Insurance and Trauma Cover which would individually incur a 7.3% increase, the total premium will increase quite noticeably. There are options to turn off inflation-proofing for 12 months in the hope this rate will reduce the following year or turn this off for the entirety of the policy. This decision is based on personal preference and individual circumstances. Please feel free to reach out to me to discuss your options.

As mentioned, we don't know when inflation will ease, but it's a good cue to review all our expenditures, even those 'hidden' expenses, to get us through these unfamiliar economic times.

- Nicole O'Sullivan



Christmas Toy Drive

A heartfelt thank you to all of you. We are completely blown away by the contributions we have received for the Christmas Toy Drive.

We are so proud to be able to share the spirit of Christmas with two wonderful charities, Brophy Family & Youth Services and MacKillop Family Services.

Chocolate Ripple Christmas Wreath-Cake



Ingredients

900ml thickened cream
½ teaspoon vanilla
1 teaspoon sugar
2 x 250g packets chocolate ripple biscuits
Berries to serve

Method

Whip cream, vanilla extract and sugar until firm peaks.

Spread one side of each biscuit with whipped cream. Stand one biscuit at a time on its edge in the base of the pan.

Sandwich with another biscuit. Repeat with the remaining biscuits, arranging around the side of the pan to form a wreath shape. Spread the top and center of the wreath with whipped cream. Place in the fridge to chill. Top with berries of your choice.