HOW TO MASTER SHARE PRICE CHARTS + BONUS PODCAST PAGE 76

Money

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MAX RIAZ
PROTECT YOUR PORTFOLIO FROM TAIWAN WAR RISK

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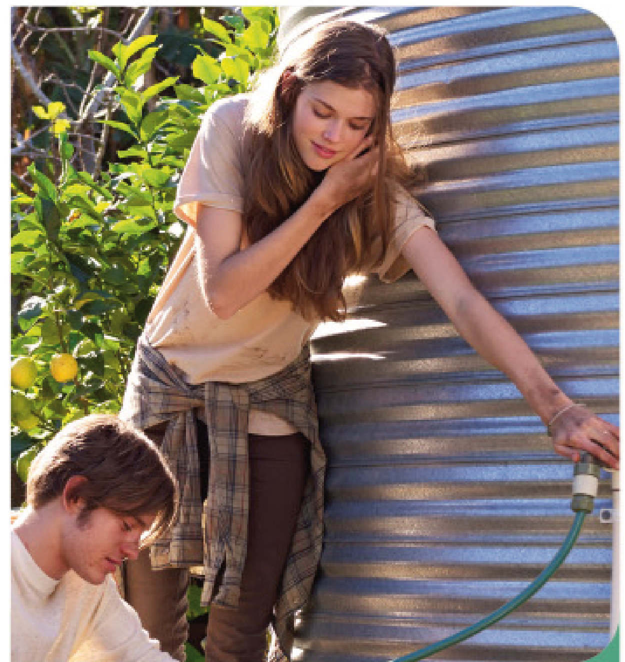

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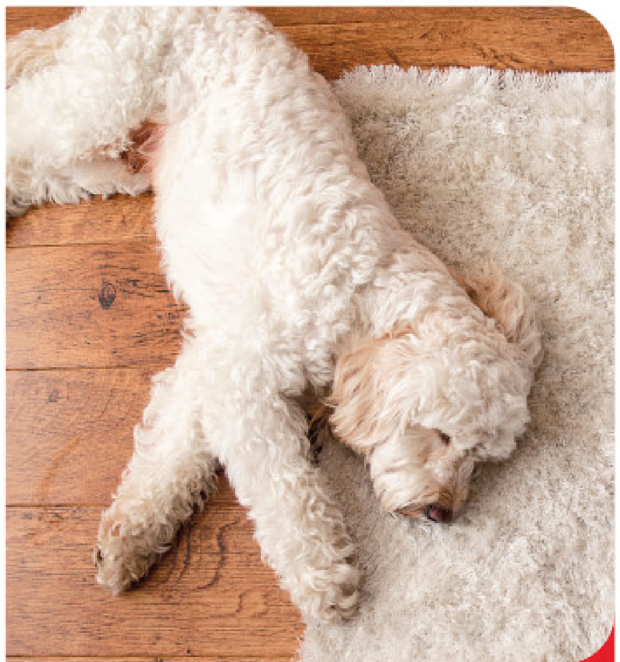
UPFRONT

MY MONEY



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EDITOR'S DESK

Both sides of the coin

LAST MONTH WE devoted our cover story, "Build your defences", to showing you how to protect your savings in tough times. In this issue, we look at the other side of the coin: the investment opportunities that have sprung up of late ("Bargain buys", page 32). For all the doom-and-gloom talk, there are ways to stay on track with your financial goals despite all the economic speed bumps.

We've also put together a mix of articles in this issue to cater for those who have just started learning about investing ("Chart your way to success", page 76) to those who are further along in their journey ("Expand your search for cash", page 66). Don't worry if you trip over some of the terms and concepts. After many years of interviewing finance experts, I still scratch my head at the huge catalogue of investment jargon that the industry has built up over the years. It can be quite daunting.

My tip? Don't let it derail you. There are plenty of other articles to get stuck into, including our latest update on home loans (page 64), how to score more frequent flyer points (page 44) and property exchange traded funds (page 62).

A couple of big announcements: we are pleased to announce the appointment of our new managing editor, Genevra Leek. She brings with her more than 20 years of experience in journalism and publishing, most recently as editor-in-chief at a lifestyle magazine. Please join me in welcoming Genevra to the *Money* team!

Second, our weekly podcast, *Friends With Money*, which launched early this year, has risen to the top 5% of personal finance podcasts globally. Thank you for your support!

Michelle

Michelle Baltazar,
Editor-in-chief

Feedback

Letter of the month

Landlord's powers – and profits – are being eroded

I have to disagree with Jordan's mantra that "the landlord has all the power" (On my mind, July issue). Part of the problem causing the current housing crisis is the fact those powers – that is, a landlord's right to control their asset – have been eroded to a point they have either decided to sell or leave it empty.

Given that a house/unit is a rather substantial investment financially and often emotionally, the fact that landlords cannot say no to pets or to a tenant doing minor alterations to the property without their knowledge makes property investing no longer a viable or desirable investment option.

With rising costs on mortgages, insurance, government taxes and services to maintain a property, a landlord's profit margin (if any) is slowly being eroded. For some, property investing has been very rewarding, but looking forward, the more laws introduced to "protect the tenant" and erode a landlord's right to control their asset, the less "mum and dad" investment housing will be available to those who need to rent.

Jill

My inheritance will go to help animals

To save everybody all the tax and handing down the inheritance (**Friends With Money podcast #43**), I have decided to give it all away to several animal charities.

Animals do not do us humans any harm; however, humans have caused the extinction of so many animals here in Australia. Yes, the fire, droughts and floods have all contributed to the loss of native wildlife, but most of the damage has been identified as caused by humans.

I regularly donate to several animal charities. That is the least I can do to help reverse the damage already done. I feel grateful I am able to make a small contribution to the voiceless animals of the planet.

I am not a millionaire trying to avoid tax. I am an aged pensioner who has worked hard all my life. My son does not deserve one cent of my small wealth. He has never contributed to my welfare even in old age. Cheers.

Mary

Children's action is a red flag

In response to Janet's question for Paul ("My daughter won't let me spend my own money", online, July), it is absolutely not the law that money from the sale of your matrimonial home during your lifetime must be shared with your children. I also doubt the circumstances warranted the power of attorney being put into effect, but expect it will be simple for Janet to revoke it.

Please consult a different lawyer to the one who assisted with the power of attorney, as their actions may deserve scrutiny by the new lawyer. Look for a specialist in "elder law".

Personally, I hope my mother spends every cent of her money living the best life she can. I can't comprehend "protecting my inheritance" and anyone who does this presents a major red flag. Could you not manage your own finances in future using a third-party service to guide you with budgeting, and so on?

Clive

Cover story hits the spot

I would like to thank Susan Hely so much for her cover story on super ("The sweet spot: why you only need $250k to retire", July). Absolutely nailed it!

I'm 63 and this is the article and information I have been searching for. Excellent.

Stuart

Prize worth winning

Each month we'll award one letter a 12-month subscription to *Money* magazine.

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REG'S TOON

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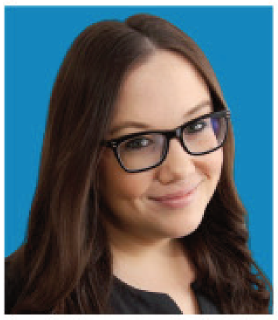
What's the best money lesson you learnt from a parent and how are you putting it into practice?

VITA PALESTRANT
Contributing writer
I began saving early in life with a money box. My mother kept the tiny keys to it and when it was full the coins went into a bank account. Saving became second nature. Money from various jobs during high school and uni grew in the account. Discovering the power of compounding ensured it. That's how I bought my first car, without debt and with a great sense of achievement.

NICOLA FIELD
Contributing writer
My parents lived by the motto "look after the pennies and the pounds will take care of themselves". They hunted for bargains and we lived modestly. But by doing so we could afford to take an overseas holiday each year. It certainly taught me the value of shopping around and thinking twice about whether an impulse buy is really a must-have or if the money can go towards a more exciting goal.



SHARYN MCCOWEN
Digital editor
If you want it, you have to be prepared to work for it. This lesson has been ingrained in me by my dad, who worked a 99-hour week as a fitter. Never one for instant gratification or consumer debt, he continues to show me that it's possible to have all you need (and most of what you want) if you put in the work. Happy Father's Day, Dad.

PETER DOCKRILL
Contributing writer
When I moved out of home, my parents told me to put savings aside at the beginning of each pay cycle, and not to leave it until the end, when money starts running low. It's a simple tip, but it makes it easy to make significant, consistent savings. I saved up the deposit for an apartment using their advice, and I'm very grateful to Mum and Dad for the wisdom.

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I am my greatest asset

Avid reader Manny Estanislao shares the money lessons he learnt early in life

I grew up in the Philippines as the eldest of six siblings. Our family was not well-off, so I understood the value of money from an early age. More importantly, I understood the value of education and the importance of gaining knowledge to generate an income.

I completed my bachelor's degree in computer science and was fortunate enough to pass a scholarship exam, which allowed me to receive allowances and payments for tuition fees. I did part-time jobs while studying, working as service crew for a fast-food chain, and used some money that I got there to assist my younger siblings.

I've since undertaken a master's degree in information systems and am currently working as an IT consultant and undertaking an MBA.

It hasn't been an easy journey. In the effort to help my family, I took all the responsibility and had to quickly understand how money works. I made some mistakes along the way and it wasn't until I started my habit of creating Excel sheets for budgets that things got on track. I like writing things out and seeing the full picture.

Now I have my own family of four, I want to instil in the children that we have to work for what we want to achieve. It doesn't happen magically. But there are some tricks to help along the way.

Find your fit

I didn't have training in managing my finances when I entered the workforce 18 years ago. Nor did I regularly save until a need for emergency funds emerged. Learning through money books and magazines and reaching out to financial advisers has helped me realign my financial objectives.

My advice to others just starting the money journey would be to assess the recommended budgeting and saving approaches and be creative in tailoring them to your circumstances. Most importantly, celebrate your money achievements!

Educate yourself

I read Scott Pape's *The Barefoot Investor* in one sitting. The contents were direct, practical and easy to follow. I particularly like how we can allocate our income into buckets (blow, grow and mojo) to ensure our needs are well covered. That includes an account for splurging and celebrations.

Set money goals

My ultimate goal is to build a robust, diversified and profitable investment portfolio. I continuously save to ensure my cashflow is healthy and I have the capital to invest. Reading *Money* is always on my list as I get insights on saving and investing.

Plan ahead

One of my biggest financial mistakes was overspending on takeaways. On average, I was spending $900 a month. Although I have a splurge account allocated for this, my busy schedule meant that I was distracted, enabling me to justify the need to pay a premium for the convenience of takeaway foods. I now plan the week's meals and make sure I prepare them ahead of time.

Share your dream

So far, I consider my most significant accomplishment was saving for a deposit for our first home. We moved in two years ago. I ensured that the whole family was aligned with this one financial objective so that everyone could contribute and support each other. We had to downsize from our rental property so we could increase our capacity to save, but the children understood this. Planning and readjusting the family budget has contributed to this success.

Invest in yourself

If I had a spare $10,000, I would allocate 50% to enrolling in courses that would strengthen my skillsets, while I would invest the other half in an ETF where I can leverage the diversification it offers without spending too much on fees.

I have always believed that our most significant asset is ourselves. Warren Buffett once said that "Whatever abilities you have can't be taken away from you. They can't actually be inflated away from you. The best investment by far is anything that develops yourself, and it's not taxed at all." This will usually always translate to an opportunity to generate income.

If you would like your contribution to be considered for My Money, My Life, email money@moneymag.com.au or write to Money, Level 7, 55 Clarence Street, Sydney NSW 2000. Please submit no more than 700 words.

NEWS&VIEWS

THE BUZZ

When rates go high, the results hit low

The tax office's latest statistics, based on the returns of almost 15 million Australians for 2019-20, are a useful tool when it comes to comparing where we sit against our fellow Aussies.

Doctors continue to dominate the highest average incomes. Surgeons rank number one at $406,068, followed by anaesthetists ($388,814) and internal medicine specialists ($310,848).

In contrast, the average taxable income was $63,882, up just 2.1% on the previous tax year (men were paid on average $74,559 versus $52,798 for women). And at the other end of the spectrum, hospitality workers, who are often younger and work in part-time or casual jobs, represented occupations with the lowest incomes.

The stats also reveal the number of taxpayers receiving Australian government allowances jumped from 933,806 in 2018-19 to 1,674,555, reflecting the early effects of the pandemic.

While the federal government has extended the $750 pandemic hardship payments to the end of September, at the time of print there had been no indication of whether it will be extended again, leaving those hospitality workers, alongside other low-income earners, vulnerable.

The Reserve Bank's statement of monetary policy, released last month, made it clear that the poor and marginalised will bear the brunt of its efforts to curb inflation. It foresees real disposable household income falling well into 2024 and starting to grow only late in the year.

A recent survey of 1000 households across the country by the NSW Council of Social Service (NCOSS) and the University of Technology shows housing stress is rife.

"Over 60% of households were spending more than 30% of their income on housing costs," says Joanna Quilty, CEO of NCOSS. "As a result, people are really having to cut back – they're looking at not taking medication, they're forgoing essential travel, they're skipping meals, they're having to take really drastic action to make ends meet."

While there doesn't appear to be a quick fix on the horizon, Quilty suggests a multi-pronged approach. "We think that there's a number of things that government can and should do … There's a really strong argument for investing more substantially in social housing … Increasing the rate of JobSeeker so that it is above the poverty line … And we would certainly say that those stage three tax cuts [directed at high earners] shouldn't be on the cards." GENEVRA LEEK

CALENDAR OF EVENTS

Tuesday, Sept 6
RBA interest rate decision

Wednesday, Sept 7
GDP growth rate

Thursday, Sept 8
Balance of trade

Tuesday, Sept 13
Westpac consumer confidence

Wednesday, Sept 14
NAB business confidence

Thursday, Sept 15
Unemployment rate

ON MY MIND

Poverty is a growing tragedy

Rising rent, rates and inflation are leaving millions in severe poverty. The skyrocketing cost of living is pushing people to work multiple jobs to try and stay afloat.

But the struggle to pay bills on time is still a very real problem, with more people falling below the poverty line, which translates to $426.30 a week for a single adult living alone and $895.22 for a couple with two children.

That's more than three million people in Australia. It's a terrifying reality that too many households and families are facing.

It's clear wages aren't keeping up, with people on full-time income feeling the pinch too. Things are even tougher for those relying on support payments. Young people, in particular, are worried about rent increases while more than 580,000 homeowners are experiencing mortgage stress.

But there are things you can do to manage your finances to protect yourself.

Consumers should get savvy with their shopping, ditching the major supermarkets for cheaper fresh produce, and decrease their spending in small chunks.

You can also grow your own fresh produce if you have the space, switch and save on utilities, and research competitive home loan rates to minimise the impact of the extreme cost of living.
Bill Tsouvalas, director of Savvy finance

NEWS BITES

CommBank, in partnership with fintech start-up Cogo, has developed technology that allows its retail customers to see their monthly carbon footprint based on the customer's spending data. The monthly tally is compared to the national average carbon footprint and customers will be able to select actions to manage their environmental footprint.

Finder's Consumer Sentiment Tracker shows almost three in five Australians are itching to travel in the next 12 months, in a bid to make up for months of border closures during the pandemic. But they may need to delay packing their bags with new data released by search engine KAYAK revealing that international fares were up by 14% in July 2022 compared with prices in May 2022.

The pandemic may be "over" but the Covid-19 virus doesn't seem to be paying attention, as it continues to circulate in the community with cases and deaths on the rise. In fact, the Actuaries Institute has released a statement based on analysis by its Mortality Working Group that deaths from Covid-19 in Australia are expected to reach 7100 for the first seven months of 2022, making it the third leading cause of death so far this year, after heart disease and dementia.

Compound interest is king

Our latest survey reveals that 44% of Sharesies investors are still thinking of investing up to $3000 this year and 66% plan to invest for 10 years or more. While $3000 a year may seem like a small amount to some and a large amount to others, the potential of compounding interest can help this $3000 grow over time.

If you decided to save $3000 a year in your bank account, you might get around 0.25% interest, which is a common introductory rate. Across 10 years, that amounts to a $30,000 deposit, plus $340 in interest. Not bad, right?

However, let's look at investing that money instead. The total average return from the S&P/ASX 200 across the past 10 years was 9.3%pa. If you were to invest $3000 every year for the next 10 years at a 9.3% interest rate, you can potentially earn an extra $16,237, turning the $30,000 into $46,237.

The power of compounding interest means investors could experience exponential growth over long periods. But it's still important to keep personal investing goals in mind and remember that end results will vary depending on market and portfolio status, and that past performance doesn't indicate future performance.

Brendan Doggett, country manager, Sharesies Australia

$3.5m

This is the average amount that 60 Aussies each earned - without paying a cent of income tax - in 2019-20. The previous year there were 66 of them.

Source: Australia Institute

NEWS & VIEWS

BOOK OF THE MONTH

MONEY QUEENS RULE YOUR MONEY: THE TEEN GIRL'S GUIDE TO MONEY
Michelle Bowes (Affirm Press, $24.99)

Who better to review a guide to money for teen girls than a teen girl herself? Eighteen-year-old Gracie Lynch gives the book the thumbs up. She found *Money Queens* to be "very beneficial and educational in terms of understanding all things money related" and "clear and easy to navigate".

Personal finance writer Michelle Bowes's aim is to empower young women by opening their eyes to money basics like saving and budgeting, and credit and debt, as well as the all-important topic of how to spot the telltale signs of financial abuse.

DEBRA DUNCAN

Five readers can win a copy.

In 25 words or less, tell us what you wish you'd known about money as a teen? Enter online at moneymag.com.au/win or send entries to Money, Level 7, 55 Clarence Street, Sydney, NSW, 2000. Entries open August 22, 2022 and close September 28, 2022.

PODCAST OF THE MONTH

FRIENDS WITH MONEY #58: PREPPING FOR TOUGH ECONOMIC TIMES
Hosted by: TOM WATSON
Guest: ANNETTE SAMPSON

It's the topic on everyone's lips … rising living costs, soaring fresh food prices and fuel and energy hikes.

In this podcast, host Tom Watson and personal finance journalist Annette Sampson discuss practical ways we can put ourselves in a better financial position in these tougher times.

Topics covered include the importance of setting up a budget and allocating dollars to an emergency fund, plus tips to tweak your spending.

Investors will be interested in the types of stocks to look at and those to avoid, while retirees will benefit from hearing about ways to manage volatility.

DEBRA DUNCAN

SCAN THIS CODE TO ACCESS ALL OUR FRIENDS WITH MONEY PODCASTS

TAX TIP

What to do in the event of death

If someone you love has just died, the last thing you may want to think about is their tax, but there are a few crucial steps that need to be taken.

In the first instance, the legal personal representative (LPR), executor, court-appointed administrator or next of kin can unofficially notify the ATO of the death by phoning 13 28 61.

Next, provide the ATO with official notification of the death by completing the form "Notification of a deceased person" (NAT 74279). Include an original death certificate (or a certified copy).

The same form can be used to advise the ATO of the identity of the executor or administrator of the estate by providing either the original or a certified copy of any one of the deceased's will, a letter of administration or evidence of grant of probate.

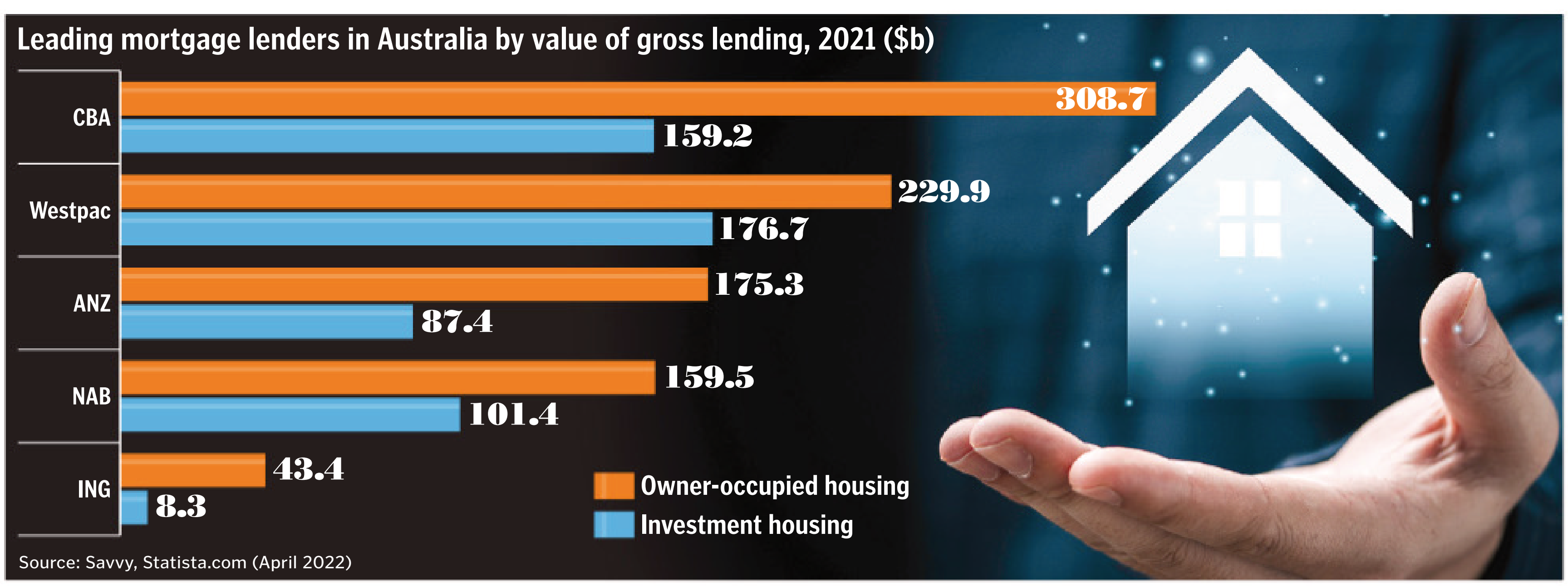
The next step is likely to be to lodge a final tax return. This will cover the period from July 1 to the actual date of death and will include all income earned by the deceased up to the date of death, including employment income, bank interest, dividends.

In most respects, it is a normal tax return, with normal individual tax rates applying (including Medicare) and a full tax-free threshold (even where the death occurred part way through the year).

The "date of death" return must be lodged as a paper document.

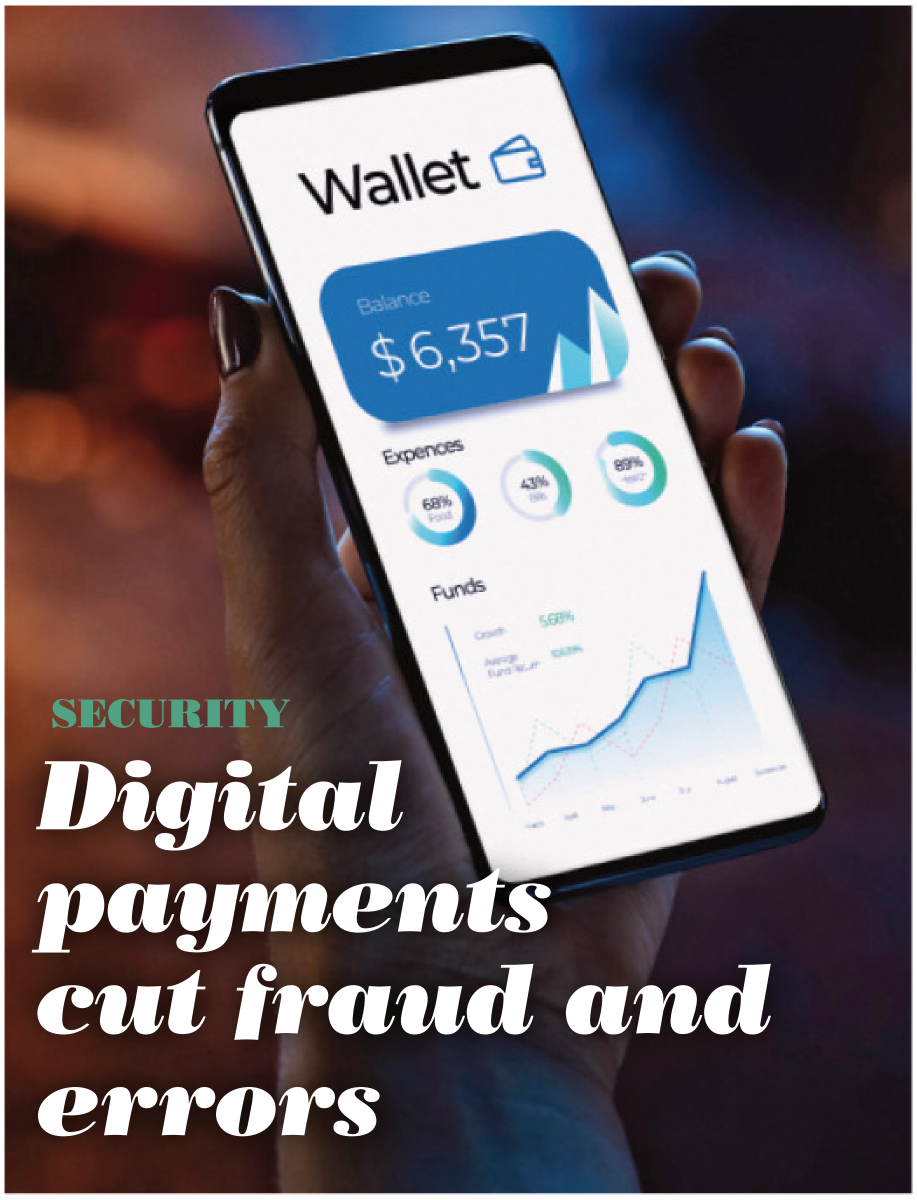
MARK CHAPMAN, DIRECTOR OF TAX COMMUNICATIONS AT H&R BLOCK. MCHAPMAN@HRBLOCK.COM.AU

SNAPSHOT Meet our top five home loan lenders



MY MONEY

▶ MORE MONEY STORIES ON P42-56



SECURITY

Digital payments cut fraud and errors

Australians are being urged to use PayID to arm themselves against financial fraud. Introduced in 2018, the online payment feature allows banking customers to use their mobile phone, email or ABN instead of the usual BSB and account number.

One in four PayID users were able to avoid sending money to the wrong person by stopping or editing the payment before it went out, research from New Payments Platform (NPP) Australia found.

Users are presented with a review screen featuring the recipient's PayID information, which means the payment can be cross-checked before it's sent, which is not the case with regular online payments.

"We've always believed that PayID can play an important role in protecting customers against fraud and mistaken payments, so we were pleased to see that PayID's payee confirmation step has been a safeguard," says Katrina Stuart, managing director of NPP Australia.

PayID is just one of the digital payment options providing additional protection, though. As Andrew Morrison, chief product and growth officer at UBank, explains, digital wallets like Apple Pay and Google Pay offer security advantages over their plastic counterparts.

"Digital wallets are safer than using a physical card because they are protected by a phone's security mechanisms, such as passcodes, patterns and biometrics," he says.

"They also use tokenisation, which replaces the card number with a randomly generated token. This means the actual card number is never shared with merchants, preventing card details from being stolen."

$227m

the amount Australian businesses lost to payment redirection scams in 2021 (Source: ACCC/Scamwatch)

Households set for more bill shock

Winter may be in the rearview mirror, but high energy bills are sticking around. The Reserve Bank has predicted that electricity and gas prices will rise by a further 10%-15% over the second half of 2022.

The RBA blamed global energy problems and domestic disruptions which, according to the Australian Energy Market Operator, tripled wholesale electricity prices between March and June.

"Energy retailers are navigating a volatile wholesale market and are passing significant costs onto customers," says Sophie Ryan, a spokesperson for iSelect, a comparison service.

"Some retailers in South Australia, Victoria, NSW and South-east Queensland announced hikes to average rates for residential customers from either July 1 or August 1 this year, and these increases could potentially add up to hundreds of dollars to an annual bill."

With many households already under increased financial pressure, Ryan encourages people to review their plans and, if necessary, switch providers.

"Power prices may be higher across the board right now, but there are still differences between retailers and plans, and even a small price difference could make a big difference to your energy bill."

COMPILED BY TOM WATSON

MORTGAGES

Borrowers rush to refinance

Homeowners have been switching their mortgages like never before in response to rapidly rising interest rates, with the Australian Bureau of Statistics (ABS) reporting that a record $18.2 billion was refinanced in June.

The total was almost $1 billion greater than the previous high set in August last year, and it included a record $12.7 billion of mortgages refinanced by owner-occupiers.

"The value of owner-occupier refinancing, where the borrower changed lender, was 25% higher in June compared to a year ago," says Katherine Keenan, ABS head of finance and wealth.

Since the Reserve Bank began lifting rates in May, most mortgage holders have had hundreds of dollars added to their monthly repayments. It's little surprise then that many have sought more competitive loans, especially when the range of rates has been quite broad.

According to August data from the comparison site Finder, the gap between a standard discounted variable loan (5.20%) and the lowest variable loan available (3.09%) would equate to a $747 difference in the monthly repayments for an owner-occupier with the average $609,789 loan.

"Home loans are getting more expensive across the board," says Richard Whitten, Finder home loans expert. "This is prompting borrowers to review their loans and look for better deals. Lenders are raising rates but also trying to compete for refinancers and new borrowers by offering deals to new customers."

VALUE OF HOME LOANS REFINANCED BY OWNER-OCCUPIERS AND INVESTORS

- **June 2022:** $18.157 billion
- **June 2021:** $15.419 billion
- **June 2020:** $13.626 billion
- **June 2019:** $8.05 billion
- **June 2018:** $8.771 billion

Source: ABS

▶ MORE PROPERTY STORIES ON P58-65

Land tax seen as a fix for falling ownership

An "unprecedented" rise in property values over recent decades in many of the world's richest countries has hampered home-ownership aspirations and concentrated property wealth among older and richer households, a new report from the Organisation for Economic Co-operation and Development (OECD) has revealed.

In Australia, the report notes that each postwar generation has been less likely to own a home than the one that came before, though younger Australians, especially lower income earners, have been most affected by falling ownership rates. Along with building more homes and using existing properties more efficiently, the report recommends that countries look at reforming property taxes to make ownership more equitable.

"In the face of unprecedented housing market challenges, it's more important than ever to ensure that housing taxes are both fair and efficient," says Pascal Saint-Amans, the director of the OECD Centre for Tax Policy and Administration.

Among the suggestions, countries have been encouraged to embrace recurrent taxes like land tax to increase the mobility of housing stock, and to reassess capital gains tax exemptions which, the report says, largely benefit wealthier households.

COMPILED BY TOM WATSON

INVESTING

▶MORE INVESTING STORIES ON P66-73

INFLATION

Art: a master stroke

In June, Cbus Super completed the first of a series of auctions divesting its fine art collection.

What began in 1990 with a resolve to invest $2 million in Australian art grew to a 30-year-old blue-chip collection comprising 310 works, with top-tier Australian artists including Arthur Streeton, Sidney Nolan, Russell Drysdale, Margaret Preston and Jeffrey Smart.

Five new artist auction records were realised at the Cbus sale, with Preston's 1929 work *Coastal Gums*, estimated to go for $180,000-$240,000, selling for $613,636. The final result of the sale surpassed its estimate of $5.5 million to reach $8 million under the hammer, according to the AFR.

Art collecting is increasingly seen as a solid investment strategy, and not just for the wealthy elite.

"As we face the highest inflation rates we've seen in 40 years, art can serve as a good hedge against inflation," writes Adam Levy of *The Motley Fool*.

If you're looking to purchase a piece of art, a physical or online auction house is a good place to start. You can also visit art fairs or purchase direct from the artist.

You may have to hold your art for a while before the value increases, and it requires care and maintenance. And selecting an artist can be difficult. It's unlikely you'll discover the next big artist before they've gained a top-dollar reputation.

There are other ways to invest. You could dabble in digital art through non-fungible tokens (NFTs) or invest in an art fund.

"Art has the double edge of giving you personal pleasure and it's educative and versatile," says Gary Singer, of Smith & Singer auction house. To a certain degree it's immune to the ups and downs of financial markets if held long-term. His purchasing tips:

"Do your research, ask [questions] and don't rush in. Understand what you're looking at, always buy the best that you can afford, and it's always better to buy an oil painting or a sculpture rather than a work on paper. Don't buy 10 things, buy one great thing."

Staying the course is a winning strategy

When 17th century French poet and dramatist Pierre Corneille uttered his famous quote, "To win without risk is to triumph without glory," he probably hadn't foreseen the volatility of today's markets.

Rising interest rates, inflation and geopolitical conflicts have pushed returns into negative territory, but rather than resorting to panic and risky investment decisions, Vanguard's advice, at least, is that broad diversification is crucial to long-term investment success.

The global investment manager's 21st annual index chart plots the performance of major asset classes over the past 30 years, showing that every major asset class has had a turn at being the best performing, as well as the worst.

While the worst-performing asset class for 2021-22 was Australian listed property at -12.3%, it returned 33.2% the year before, placing it among the best.

"Investors who maintain a well-diversified portfolio with a healthy fixed-income allocation will experience less volatility and be rewarded in the long run; markets will inevitably rebound and investment returns will grow again", says Balaji Gopal, Vanguard Australia's head of personal investor.

While accumulated returns this year have dipped compared with 2021, the broad Australian market is still on average returning 9% a year, even with inflation concerns. It's a fact Gopal says should be reassuring for new investors.

COMPILED BY GENEVRA LEEK

SHARES

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SUSTAINABILITY

Super fund dumps oil, gas

NGS Super has divested more than $190 million in oil and gas exploration and production companies, mainly Woodside and Santos.

The divestment is in line with the fund's announced target of a 35% reduction of Scope 1 and Scope 2 carbon emissions by 2025 within the Diversified MySuper portfolio.

The fund has restrictions on holding companies that generate more than 30% of revenue from power distribution and generation or thermal coal extraction, and has now expanded those restrictions to oil and gas production and exploration.

"We identified the range of companies through our analysis that we believe will become stranded in the future. So they are on our exclusion list until such time that we get additional information indicating the business has materially changed direction," says Ben Squires, chief investment officer at NGS Super. "We don't think it's feasible for many of those companies to do that."

The $13.4 billion fund set a net zero target for 2030 last year and has progressively rolled out interim strategies to support that goal. In May, it announced it aims to reduce its carbon footprint by 35% by 2025 and flagged that it would divest stocks deemed a stranded asset.

More than 70% of the membership is invested in the Diversified (MySuper) option.

"As we look out to the horizon, we believe the long-term returns of the oil and gas sector are significantly impaired," says Squires. "It's difficult to say that this impairment would happen in two years, five years or 10 years.

"All we can do is say when we look out into the horizon, we can see there is impairment and we can invest that capital into companies where we don't have that view, where we can see there is a clear path to continue to grow market share and grow revenue and therefore generate higher returns for us as a shareholder."

Reaction to NGS Super's announcement was mixed.

"This is a giant step forward for the fund and its members, and raises the bar for climate action in the superannuation industry," says Market Forces superannuation funds campaigner Brett Morgan.

"[But] this policy does not rule out investment in all companies expanding the fossil fuel industry. NGS must go further and divest from companies such as Siemens and General Electric, which are building new gas power plants and undermining climate action by locking in decades of emissions."

However, Brynn O'Brien, executive director of the Australasian Centre for Corporate Responsibility, called the divestment a "copout".

"Climate-aware institutional investors considering divesting should be thinking very hard about what power they are giving up. Decisions will be made by those around the table. Reducing real-world greenhouse gas emissions should be a higher priority for long-term investors [rather] than scrubbing their portfolios of carbon."

RACHEL ALEMBAKIS

BUY Alumina (AWC)

The Intelligent Investor Gaurav Sodhi

RECOMMENDATION

BUY	HOLD	SELL
below $1.60	up to $3.00	above $3.00

BUY at $1.41

Source: Intelligent Investor; price as at July 18, 2022, close of business

Alumina – a white powder refined from bauxite rock – is the forgotten mineral of the commodity world. Its price doesn't get reported on the nightly news, it doesn't get discussed in offices (well, except ours) and retail investors don't typically guess how high or low it will go.

It's easy to understand why it's so neglected. Like a middle child, it is sandwiched between bauxite (the precursor to alumina) and aluminium (the final product).

Alumina prices typically rise and fall with energy prices, and we expect that to continue to be the case. As with all commodities, prices reflect the marginal cost of production, which is mostly determined by energy prices.

There is a good chance, therefore, that higher industry costs and lower supply will ultimately lift alumina prices. Today's cost pressures sow the seeds for higher prices in the future.

Alumina has largely missed the mini-commodities boom that has buoyed the sector and it has been punished as higher costs have plagued the industry. In truth, conditions were neither euphoric then, nor are they depressing now.

That's because of Alumina's industry-leading resource base and logistics chain. Cashflow remains strong and the balance sheet is free of debt.

Risks remain – costs could continue to rise and the share price could continue to fall – but Alumina now represents value. We recommend buying in stages, as this market rewards sloth and reporting season will offer further insights. BUY.

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STORY ALAN DEANS

Waste warrior thinks big

Fact file

Mike Smith

Owner of Zero Co, a home cleaning and body care products company with a core goal of ridding oceans of plastic waste. Age 39, married to Alyssa.

His school teacher parents, Judy and Steve, taught him that he had a responsibility to people and the planet. His first job was at McDonald's, where he learned about teamwork and responsibility. As a teen, he surfed and took guitar lessons, planning one day to be a professional basketball player. "I was a terrible saver of money as a young person. My sister saved from working at the local cinema, and I had the largest record collection at high school." He encourages young people to become involved in any type of activity that would help to save the planet.

When Mike Smith sold his wine-making business five years ago, he talked his wife Alyssa into a global adventure. They spent 18 months in remote parts of the world, including the border regions of Afghanistan and Tajikistan, in Kurdish villages near Iraq and Iran, and in North Korea and the north-east of Russia. Edgy types of places.

What really left a mark on them was the amount of rubbish they saw. "It really affected me," Smith explains. "I didn't consider myself as an eco-warrior before that, but it was a life-changing experience. I returned to Australia in 2019, and committed myself to trying to solve the problem. I have been doing it every day since."

His challenge is big and bold. Smith hasn't limited his focus, for instance, on his home town of Byron Bay or even to the northern NSW coast. "I had an insight to solve the plastic problem globally," he says. "There are two things we had to do. First of all, we have to stop making single-use plastic because, if we keep dumping more and more of that, we will never catch up. We have to find a way to do large-scale ocean clean-ups."

As a starting point, he investigated industries that use single-use plastics. He frequented supermarkets, walking along the aisles and examining products. This led him to focus on personal care and cleaning brands, both being large users of single-use plastics.

"There has been very little innovation in these industries for a long time," says Smith. "Laundry liquid looks and smells the same today as it did 50 years ago. So, not only is it a big problem category in terms of its waste, it is ripe for innovation, for disruption, for someone to come in and have a bit of fun. I decided to build a really epic, personal care and home cleaning brand that solves the problem."

He wasn't daunted by the size of those he would be challenging. "Unilever is one of the biggest companies on the planet, but they're our competitor. It's hard for big businesses to go from decades and decades of polluting the planet to becoming its saviours. I don't think that people will believe, all of a sudden, that those companies will become champions of sustainability and solve the problem."

Smith formed Zero Co with pledges to remove water bottles from the oceans and stop plastic going into landfill.

How did he garner the confidence to challenge global consumer goods giants?

“It’s hard for big businesses to go from decades and decades of polluting the planet to becoming its saviours”

Problem solver ... Smith says he loves doing things that people tell him can't be done.

"I don't know," he confesses. "Maybe I'm crazy. It comes from realising that everyday people want to be part of the solution to the world's problems. I've never heard anyone say, 'You know what? We need more single-use plastic in the world. We need to put more plastic in the ocean.' People want to be part of the solution.

So far, Zero Co has diverted 1.7 million plastic water bottles from landfill and 1.1 million from the ocean. It aims to double its impact this year.

This trash has significant value to the company, because it is recycled into packaging for shampoo, body care lotions, laundry and dishwashing cleaners, toilet cleaners and air fresheners and other products sold by Zero Co. Customers keep their containers when the contents run out and order refill satchets, which are mailed back to the company and recycled once the contents are squeezed into their recycled containers. No waste.

But are the products any good? Smith says there is

“It’s up to us now to run like crazy and scale this thing, and have as big an impact on the plastic problem as we can”

no point setting up a business like this if the product is inferior. People simply wouldn’t buy it. Zero Co has been working with a former highflyer from Aesop skincare group, known for its organic and natural products. Formulations are independently laboratory tested to prove they work as well as, or better than, brands found on supermarket shelves.

“We try to be as sustainable as possible throughout the whole business,” says Smith. “I think of our challenge as being like a seesaw. On the one hand, we are doing the best thing for the planet, and on the other end you have a product that is highly effective.

“If you take these two things to their extremes, the most sustainable thing to do is to never wash your clothes. That is not great, because you would stink. The worst thing you could do for the planet would be to soak all of your whites in bleach and pour that down the drain. Doing these things without sacrificing the environment is a very fine balancing act.”

The starting point for the business was to collect mountains of plastic waste so they could make their own packaging. They have organised teams of followers to help in different parts of the world and around Australia. But it is alarming to hear that just one location, Fraser Island, or K’gari to the Aboriginal owners, off the coast of southern Queensland can supply all of Zero Co’s future needs.

“It’s really frightening the amount of plastic that washes up on K’gari,” says Smith. “It catches so much rubbish north from Brisbane and the Gold Coast, and also coming down from Asia. We have pulled hundreds of thousands of water bottles off K’gari, which is horrifying.”

Zero Co’s first clean-up was in November 2019, and it was supported by a Kickstarter campaign that proved to be the largest in Australia that year. People chipped in $750,000 in orders. “We had almost 7000 Aussie households pre-order a box of our products basically on a video promise that we were going to build this company,” says Smith.

“Then we got on a plane to Indonesia to do our first ocean clean-up. We pulled out 250,000 water bottles out of the Java Sea. They were processed and turned into our very first generation of forever bottles.”

The bottles were made in China, and Smith learned that working at such distances meant they didn’t have enough control. “We had to work out how we could do this in Australia. That’s when we started doing clean-ups and manufacturing here. The entire supply chain is now done here.”

The company has ambitious expansion plans. First, it wants to go from being simply a direct-to-customer ecommerce business by expanding sales into supermarkets and pharmacies. “The goal is to take the brand everywhere,” says Smith. “Make it accessible to every single Aussie, no matter where they live or shop.”

The second goal is to develop a full-time ocean clean-up system. “We are now in a position to fund that, building a team that will work every day of the week on ocean clean-ups.”

A third part of the expansion is to develop new products to be used in other parts of the house. That includes skincare, dental care and also some paper products. It is ambitious, but the company raised about $13 million at the end of 2021 to expand its team, launch new products and market them.

“It’s up to us now to run like crazy and scale this thing, and have as big an impact on the plastic problem as we can.”

Part of these funds came from a private equity raising backed by Australia’s largest private capital firm, Square Peg.

Smith’s attitude to life can be summed up simply: think big. “I’m a believer that everyday people can have an extraordinary impact on the planet if they put their mind to it. I love doing things that people tell you can’t be done. I’m quite stubborn. I love proving people wrong.”

But beyond work, he also has plans for a charity that he and Alyssa founded in Myanmar. They made some lifelong friends there, and have built three schools. “I want to use the finite time that I have left on the planet to have an impact and do good. Not just make money. Not just be an entrepreneur. It is challenging. Covid hit that country heavily, and the military has taken over. It has been impossible to do any work there in the last three years.”

Q&A

Bert got a shock when he transferred his $36,000 account

Super fund's $1259 slug

Q Thanks for your great service, Paul. I had an opening balance in my AustralianSuper account of $36,942.35, then a closing balance of $35,596.19 when I transferred it to another fund in June 17, 2022. The money arrived at the other fund on June 23, 2022 - a difference of $1346.16.

I was told by AustralianSuper this was because of market forces. I am suspicious that they took the money as an exit fee, after they had told me in May 2022 that there weren't exiting fees. On the paperwork sent to me, there was also $1259.95 taken with the title "investment costs" next to it on the "your account summary" section.

On the "your transaction history" page, it shows this same amount with a different description – "investment returns" – and the date again of June 17, 2022. I was told this was also taken out because it is the sum total of all the regular fees that had been taken from when I first joined AustralianSuper in August 1999.

Paul, does this seem all correct to you, please? Thanks for your time.

Bert, to say our super system is complicated is an understatement.

It makes complete sense to me that around June 17 your AustralianSuper fund had dropped in value – markets were at a low point then. $1346 is about 4% of your balance and in this market downturn that could well be right.

What I don't understand is the $1259 as investment costs in the summary section. AustralianSuper is a low-cost manager. It could not possibly charge you this as an investment fee on the $36,000 or so account balance in any one year.

What I would do is write to them and get an answer back. AustralianSuper is one of our leading managers and it will get back to you. If it does not, or the answer is incomprehensible, contact the Superannuation Complaints Tribunal and lodge a complaint. It will put a rocket up AustralianSuper and you will receive a rapid response.

Your question is totally reasonable and should be answered in plain English. If all of the above does not work, let me know. I'll send a bigger rocket to AustralianSuper.

Also, thanks for your kind comment.

Melinda is worried her daughter will never be able to pay off her student debt

Sleep easy – that HECS bill is nothing to fear

Q My 29-year-old daughter has a $40,000 HECS bill, $15,000 car loan, pays $350 a week rent and is trying to save a deposit to buy a studio. Should I help her and pay the HECS like her friends' parents did? I worry she will never be able to pay it as the interest keeps increasing and her wages are low. What is your advice, as I am losing sleep with worrying about her situation? Thank you.

Let's try to improve your sleep, Melinda. How would you feel if you were offered an interest-free loan of $40,000 and you made no repayments until you earned around $48,500, when you started to pay 1% of your income towards it? And if it was unpaid at your death, the loan was cancelled? We'd all be lined up to get one!

Sure, HECS debt is indexed, meaning it increases in line with inflation, but the key points are no repayments are required until you earn nearly $50,000. HECS debt, as it is not a normal enforceable debt, with interest repayments, does not affect your credit rating. That is the last loan I would ever pay off.

My view is that neither your daughter nor you should worry about HECS debt – it is the best debt I have ever heard of.

If you want to help her, I'd strongly suggest you look at a couple of options. One is paying out her car loan to allow her to save more. But if I was in your shoes, I'd be looking at how you could help her buy that studio. An apartment in a good location will become a wonderful asset for your daughter and, even more importantly, a home.

My suspicion is that you would sleep better if your daughter owned a home and any assistance you wish to provide would be best used to do that.

The HECS debt is just a number with no interest and no fixed repayment term. I'd sleep like a baby with one of those!

NEED PAUL'S HELP?

Send your questions to:
Ask Paul, *Money* magazine, Level 7, 55 Clarence Street, Sydney NSW 2000 or money@moneymag.com.au.

Sorry, but Paul can't personally answer your questions other than in the Q&A column. By submitting your question to *Money*, you consent to having your question and the response you receive from Paul published in the print and digital edition of *Money*.

Ivan could use super to buy a property so his partner has somewhere to live

‘Saving like crazy’ because of terminal illness

Q We are in a mixed head space with what to do in order to get back into the property market. We have owned properties in the past, so don't qualify for any government handouts. I am also living with a terminal illness, which eventually will see me unable to work one day. When that will be is anyone's guess. Currently, we are both working full time, earning $90,000 and $85,000.

We are tossing up whether to convert our current super fund balances to a self-managed super fund and purchase an investment property for future use, or throw our current savings at a primary place of residence.

Current super fund balances combined are about $500,000 and current cash savings are around $130,000.

We have been saving like crazy since my diagnosis a few years ago in anticipation of me not being able to work one day. This is why I am reluctant to use the savings to throw at a property, knowing the safety net is then gone.

The government doesn't see my terminal illness as one which prevents me from working, so doesn't give any benefits when you are no longer able to work. The main reason for wanting to secure some sort of property is for my partner to have when he retires. Whether he chooses to live in it, or sell it and buy something else, is up to him ultimately.

I do like the idea of using the super funds (as I will never have access to the funds in my lifetime – something that should be addressed by the government) and there would be next to no mortgage on the property, so any income could go back into the current super funds, as this is where our insurances are. We would also leave our current employer contributions going into our current super funds for insurance reasons also.

Please set us on the right path.

Hmm. You have set me a complex challenge here, Ivan. Thank you for being so frank, because without this I would be stumbling around in the dark.

I am very sad to hear about your terminal diagnosis. What cheers me up a bit, and I am sure it cheers you up even more, is that you are still working and it sounds like you may be able to do so for some time and expect to live even after you are forced to stop work.

Your primary concern is security for your partner in the form of property ownership when he retires. From this, I am assuming that owning a home for you at this stage is not a big deal.

Where we are in strong agreement is that super is a really good asset. You could set up a DIY fund and buy an investment property. In time to come, at retirement or at a time when the rules around super, such as reaching the right age, illness or a retirement even, your partner could take the property out of super and then live in it.

But it all sounds like a lot of cost and drama to set up a DIY fund and then buy a property to hold in the super fund. What I love about a good, low-cost super fund is the huge spread of risk across assets all over the planet.

Sure, if you pick the right property in the right location, it may or may not outperform your current super fund. Who knows? But owning one property is far more risky and far less liquid than the broad, global portfolio held by a good super fund.

I am left wondering if it would not be better to leave your super where it is. Once you are forced to stop work, I would think your super becomes available to you under the illness provisions. Do check this with your fund. Would that be a better time to take funds out of super and buy a property as your home?

My overall view here is that it may be better to leave your funds in super and keep growing them, as you plan to do, with your future employer contributions. After checking your fund's illness provisions, I would suggest that may be a better time to withdraw and buy a home. Another option, of course, is to ensure your partner is nominated as your beneficiary with your super funds and the proceeds are available to him at a time in the future

Most importantly of all, my very best wishes and hopes that you stay as well as possible for as long as possible.

Q & A

Simon had to quit the police force on medical grounds

What should I do with a TPD payout of $170k?

Q I am 53, married, with two young children. We own a home with a split mortgage (fixed and variable) of about $400,000.

Before the interest rate rises, the home would have been valued at around $2 million.

In February 2022, unfortunately, I had to be medically retired from the NSW Police Force after serving for 33 years. At that time I was diagnosed with PTSD and a severe depression disorder, meaning I could no longer perform my duties as a police officer.

Shortly after leaving the police force, I received a TPD payout of about $170,000, which was placed into my Aware super fund. (I am not pre-1988, when the Police Super Scheme was closed, or a member of the State Authorities Super Scheme). I also receive an income protection payment of about $5500 a month net for seven years.

My wife works full time in a management role.

What would you advise me to do with that money now? I have been advised I can access some or all of the money, with tax implications. Do we pay off one or both of the mortgages because of rising interest rates? Or leave it as it is in the super account, which is losing money every day? Or withdraw some of it and purchase an investment property?

Thank you for your time.

I am sorry to hear about your medical retirement, Simon, but at the same time relieved that your financial situation is sound. Money is just money and far less important than your health. But money stress is debilitating.

With a large amount of equity in your home, your income protection insurance and your wife working full time, plus your super, it puts you in a really good position.

All balanced and growth-type super funds are having a tough year. But the short term is of little relevance to a long-term investment. If we look at the returns from balanced-type super funds over 30 years, we see an average of around 8%.

There are quite a number of periods when super funds went backwards during this time, but with a long-term investment we need to focus on long-term returns.

Most of our properties are also going backwards at the moment – some areas by 15%, I have read. But this will not worry many property owners (and will help first-time home buyers), as with population growth and inflation, property will continue to increase in value over the decades.

For sure, the interest rate on the variable part of your mortgage is going up. This is a personal choice. In the long run, all historical evidence is that your super will provide higher returns than the rate of interest on a mortgage.

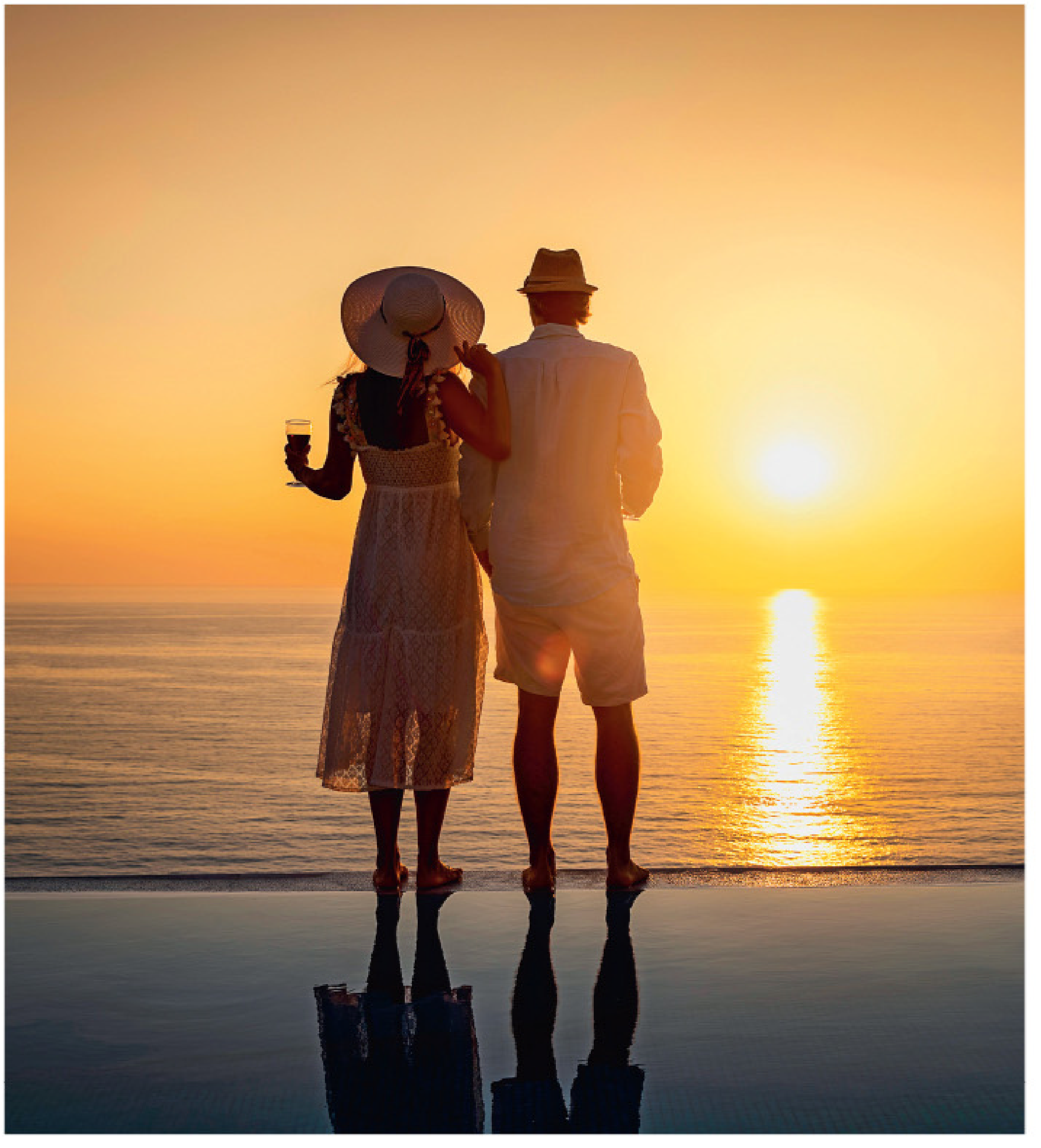
But paying off the variable part of your mortgage is risk free. I imagine that after 33 years you have a substantial amount in super. The key for me would be the amount of tax you have to pay on taking out of super all or part of your TPD. If it was tax free, paying off part of your mortgage is not a bad idea at all.

You could also buy an investment property, but this option needs a lot of detailed thought. It depends on your views on debt, how much surplus income you have and your attitude to investment risk.

You have a few variables to contend with here. I'd suggest you have a good chat to your super fund and, if in any doubt, seek professional, fee-paid advice and get an independent opinion.

Sissi and Andriy have low super balances, so are thinking of moving to China in the future

Retire for lifestyle reasons, not money



Q We are in our early 40s, with no intention of having kids. We jointly own three properties located in Melbourne – two investments and one that we live in. Their total current value is around $2.35 million, with total debt of $1.16 million ($280,000 variable home loan and the rest as a fixed investment loan).

My husband works six days a week, earning around $120,000 a year (he has an ABN). I am on $90,000 a year.

We live with my mother-in-law, who is in her late 60s and very healthy. She has no assets or income but will receive a pension from mid-2024 (she migrated from Ukraine eight years ago).

Our super is a big concern, as I have about $120,000 but my husband has only $30,000.

We have about $60,000 in a savings account and $50,000 in shares.

We both want to retire around age 55, but are worried if we'll have enough money to support us as our super is not that high and we may not receive a pension due to the assets we have.

We have thought about retiring in China, as my parents have a house there, so our living expenses are not high, but as we are both Australian residents now, it might be difficult to do so.

What else could we do except start putting more money into super? The sharemarket is not performing well and we have already lost $30,000 in the last financial year.

Having children is a very personal decision, Sissi and Andriy, but having raised three of them with my wife, Vicki, I can say with great confidence that they cost a fortune! We adore our three kids and now three grandkids, but the economics of kids I don't want to think about. And it is not just expenses, in our case, we were on one income for a very long time.

However, having decided you are not having children, with the assets you already own, you are on financial cruise control. With a combined income of $210,000, you will have ample surplus income. Here I agree with you: topping up your concessional super payments to the maximum $27,500 a year each makes a lot of sense to me.

In my answer to Simon (page 26), I looked at the issue of super, which, like property, has been falling in value. My view has always been that the best time to buy quality assets is when they get cheaper, so I would argue this is a good time to top up super. The long-term returns from super have been very good, as is the case with property.

Additional investments also depend on your attitude to risk. With interest rates going up, you could put more into an offset account on your home mortgage. This is your safest option. It would reduce the amount of non-tax-deductible debt you have and build a pool of money for future investments.

If property values fall further, which is a reasonable possibility, providing you feel you can handle increased debt repayments, then you may want to add to your property assets. I do need to stress that this is a very personal decision based on many factors that only you can determine.

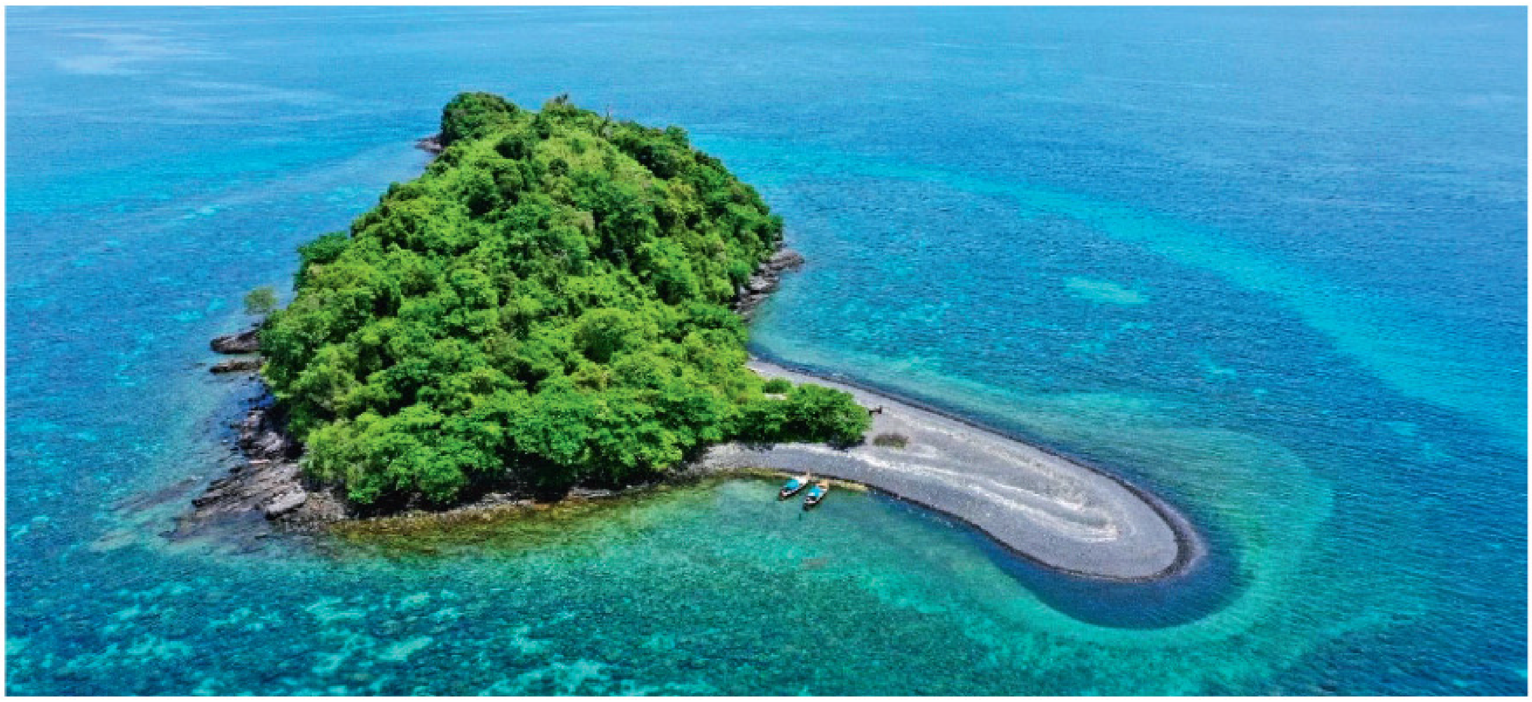
As for living in China, that is not a decision that I or any expert can assist you with. But I would not be moving to save money.

You have substantial assets and with a continued focus on building wealth through super, your properties and other investments, I have no doubt that by age 55 you will be very financially secure, allowing you to choose where you want to live for lifestyle reasons, not money.

SMART SPENDING

Destination Koh Lipe, Thailand

If you're looking for a relaxing holiday, there is no shortage of beautiful islands and beaches to explore in South-east Asia. Though if you are seeking adventure, you're going to want to check out Thailand's best-kept secret, Koh Lipe.



Dream land ... clockwise, from above, Ko Hin Ngam, in Tarutao National Park, is renowned for its black gravel beach; Serendipity Beach Resort; relaxing on a traditional longboat tour; beach at the Serendipity resort.

Five things to do

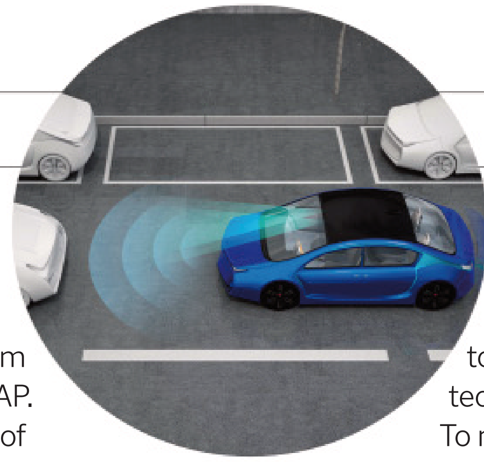
1. Visit: Koh Lipe is Thailand's southernmost island and is situated in the Tarutao National Park, near the Malaysian border. It's the kind of place you dream about when you're thinking of an island getaway: white sandy beaches, turquoise blue waters, colourful coral reefs, delicious Thai food and laidback good vibes. There are no direct connections, so travel to the island requires time and planning. The simplest and quickest way from Bangkok is to fly to Hat Yai (known as the food city of Thailand), take a taxi to Pak Bara pier and then a speedboat to Koh Lipe.

2. Stay: During the low season the island can feel like your own private paradise. Serendipity Beach Resort has rustic timber villas built into the hillside overlooking a secluded beach. From each of the villas you can enjoy magnificent views of the surrounding islands (see if you can spot Langkawi, in Malaysia) and tropical jungle.

3. Explore: Koh Lipe is just 4sq km, so you can easily explore it in a couple of hours. Sunrise Beach is famous for its sunrises and arguably the island's best snorkelling. At the northern end, Karma Beach is known for the white sand bar that appears at low tide. A traditional longboat tour is a must-do, and hiking the trails of Koh Tarutao to the Lu Du waterfall and up to the Top-Bob cliff will give you the best vantage point to look back at Koh Lipe.

4. Drink: Zodiac Bar on Karma Beach is a chic bar right on the sand and the perfect spot to park up on a beanbag to watch the sunset or a fire show.

5. Eat: There are plenty of delicious restaurants, street stalls and fresh seafood barbecues to enjoy. Walking Street, which slices through the island from Pattaya beach to Sunset beach, is a great place to snack on freshly grilled moo ping (grilled pork skewers) and flaky, crispy roti – a staple in Thai cuisine. Southern Thai food is much spicier than that in the other regions of Thailand. Stir-fries with fresh prawns and shrimp paste and various curries packed with coconut and native aromatic spices are the signature dishes. SAM STARRAT



DRIVING PASSION

Where car safety is heading next

Australia's independent vehicle safety authority, the Australasian New Car Assessment Program (ANCAP), began aligning its testing protocols and policies with the European NCAP from 2015 to 2017.

Until the last decade or so, the main focus for safety authorities was occupant protection through passive design – that is, how well the car copes in a collision. Improvements in design structures and the use of advanced materials have greatly reduced the severity of a crash.

Now crash safety bodies and governments around the world are trying to keep pace with new tech that has the ultimate aim of eliminating all car crashes.

Focus on "active" systems

While occupant protection continues to evolve, there has been significant focus on "active" safety technologies, which help prevent a collision.

One of the first of these was electronic stability control (ESC), which became mandatory in 2008 to achieve the maximum five stars from ANCAP.

But today, the list of active safety features required to achieve a top rating is extensive.

Autonomous emergency braking (AEB) alone must function for various situations, including those involving vulnerable road users such as pedestrians and cyclists.

AEB requirements also now extend to highway speeds and junction assist, which scans for vehicles entering from the side.

Other systems for five-star endorsement include autonomous emergency steering, lane keep assist, lane departure warning or active lane support, and seat belt reminders.

Computers take over

According to ANCAP, about 90% of crashes are a result of human error. And key to eliminating these is vehicle autonomy – letting the vehicle manage the situation.

The autonomous classifications range from level 0, like your basic cruise control systems from the 1990s, up to level 5, which represents fully autonomous vehicles.

Most vehicles sold in Australia are level 1, with some more advanced vehicles categorised as level 2.

Safety standards are already preparing for this and will have to adapt to capture these new technologies.

To move from level 2 and beyond, the next thing on the development radar is vehicle-to-vehicle and vehicle-to-infrastructure (V2I) communication technologies. A combination of them both is known as vehicle-to-everything. Compatible vehicles are able to share relevant information to each other wirelessly.

This can be used to warn of broken-down vehicles, roadworks or approaching emergency vehicles.

V2I can aid in reducing fuel/energy consumption and congestion by adjusting vehicle speeds in accordance with traffic signal timing.

The advantage of these systems versus radar or camera-based technologies is they can work over several hundred metres and do not rely on a direct line of sight. This way a vehicle can adjust its speed before arriving at the scene rather than relying on current reactive technologies.

With an increasing portion of vehicle control moving from human operators to computers, one of the next big talking points in the industry is a data recording system that captures a history of events much like the "black box" found in aircraft.

CARSALES.COM.AU

WINE SPOTLIGHT

2020 Longhop Mount Lofty Ranges Shiraz $20

Domenic Torzi and Tim Freeland make two impressive shiraz – one from old vines on the Adelaide Plains and this from high in the Adelaide Hills. My choice is cheaper and more readily available. In 2020, it has bright red berry aromatics, is supple, fleshy and medium-bodied with a gentle grip to finish. It's pleasantly satisfying and easy drinking, yet with some grunt. Exclusive to Dan Murphy's.

SPLURGE

2019 Taltarni Shiraz Cabernet Reserve $75

This is an outstanding shiraz cabernet blend from the Pyrenees in Western Victoria and a producer with a long history with these varieties. It is complex and multi-dimensional, has powerful blackberry aromatics, is surprisingly soft and generous in the mid-palate, yet tight with brambly minerally notes to finish. Approachable now, yet built for the long haul.

PETER FORRESTAL

EXTRAVAGANCE

Keep calm, carry on

With room for your notebook, tablet, smartphone, headphones, cards, pens and those pesky miscellaneous receipts, this environmentally certified leather folio is your portable PA.

How much: $449

Where from: bellroy.com

SMART SPENDING

SMART TECH

Notebooks can keep you in the picture

Truly, we live in the age of the Zoom meeting. It's hard to quantify exactly how much the pandemic had to do with that. Obviously, Covid was a huge factor that spurred Zoom uptake, given that millions of us needed to find a way to still work together during lockdowns, when distancing requirements made it harder (or impossible) to inhabit the same space.

That said, video-call tech existed long before the pandemic; it just never became such a mainstay in the workplace (and culture at large) until the novel coronavirus turned up.

Either way, Zoom meetings appear to be something we're stuck with now and, funnily enough, that makes the humble laptop more indispensable than ever.

Many desktop PCs don't come with webcams; phones and tablets do, but they're not always as suitable for meetings where people often need their hands free to multi-task.

By contrast, pretty much every notebook has a webcam built in. Yes, that upward-oriented, just-below-the-chin height might not be the most flattering vantage point, but in the age of the Zoom meeting, most of us are probably too busy to lose sleep over it. PETER DOCKRILL

What is it? Microsoft Surface Laptop Go 2
How much? From $1099
Pros: If you want a capable entry-level laptop, you could do a lot worse than the just-released Surface Laptop Go update. For your money, you get a 12.4in display powered by an 11th-gen Intel Core i5 CPU with a 128 GB SSD. Not a powerhouse, but a sleek, attractive laptop for light use.
Cons: With just 4GB RAM as standard, you'll probably want to spring another $100 for the 8GB model.
microsoft.com

What is it? Apple MacBook Air (M2)
How much? From $1899
Pros: Apple wowed a lot of folks with its M1 chip in 2020, and now we're seeing the first machines trickle out with the M2. The new Air sports a slick redesign, 13.6in Liquid Retina display, MagSafe charging and up to 20 hours of battery life.
Cons: Apple's notebook range is a bit confusing at the moment, with a mix of old and new tech on offer at various price points. Do your research for the best deals.
apple.com/au

What is it? LG gram (17in)
How much? From $3299
Pros: Notebooks might be the most convenient all-rounder PC, but there's no denying their smaller, cramped screens are a considerable drawback. External monitors are the way to go when you're at your desk, but they're no help if you're on the go. If that's an issue, the comparatively huge expanse of a 17in display is a life-changer, and at just 1.35kg LG's gram isn't even heavy.
Cons: 17in notebooks always command a premium.
lg.com/au

GIVE IT UP

Prostate Cancer Foundation of Australia

What is it? More than 18,000 men are diagnosed with prostate cancer each year, and more than 3300 will die. While it is the most commonly diagnosed cancer in Australian men, it also has one of the highest survival rates. According to the Prostate Cancer Foundation, about 95% of men are likely to survive five or more years. The two main risk factors are age and family history.

Where your money goes: Donations help fund research into the disease, as well as education programs to increase awareness and promote early detection. The foundation also provides tangible help for men and their families, from support groups to counselling to specialist nurses.

How to donate: September is Prostate Cancer Awareness Month, and the foundation offers a range of donation options.

The "In Memory/In Lieu of Gifts" option allows you to make a one-off donation, set up a website for others to donate, or share memorial envelopes for loved ones to make their own donations. You can also give at work through the workplace giving program.

To make a donation online, go to fundraise.pcfa.org.au/inmemory/donate or email donations@pcfa.org.au. Or phone 1800 220 099 or write to Prostate Cancer Foundation of Australia, Reply Paid 87371, St Leonards, NSW 1590. Donations of $2 and above are tax-deductible. SHARYN McCOWEN

WEBFIND

RBA.GOV.AU/ CALCULATOR

Want to put this year's soaring inflation into context? The Reserve Bank website has a calculator just for that. For example, a basket of goods and services valued at $20 in 1966 would be worth a whopping $276.93 in 2021 (the most recent possible year). This is a 1284.6% increase over 55 years, equating to an average inflation rate of 4.9%pa. SHARYN McCOWEN

CASE STUDY

Tony with wife Elaine and son Keiran.

Should I top up super while shares are down?

Hi Paul, I have written to you once before and I hope you don't mind me writing to you again.

I am 44 this year and I've been self-employed since my mid 20s. I never cared too much for super because I was always focused on building wealth sooner rather than later.

I now realise the importance of super because I'm a lot closer to retirement age. As a result, I've only got around $53,000 in super, which is hugely below average for someone my age. I have since increased my super contributions to 15% per week to try to catch up.

When the equities market is down, like it is currently, is it a good idea to put extra payments in super? Do you get more bang for your buck when you top up your super during a market downturn, and then when the market recovers is your super worth more?

Tony B

Nice to hear from you again, Tony. It sounds as though you have done well with investments outside super. This is great. For decades my advice to younger people has been to stick with building wealth outside super. For many, compulsory employer contributions mean their super is building anyway.

I'm now 67 and, yes, our super is a brilliant asset. Earnings inside my fund are concessionally taxed, we can draw a tax-free pension and tax-free lump sums if we wish. I am also self-employed and can still add to super.

But as a younger person, the future was not as clear. The biggest issues for me were access to my super, which at that time was decades away, plus complete uncertainty about super rules in 30 or so years. Like most younger people, we were looking to use our funds to buy a home, to gear investments and in our case start a business.

For you, at 44, it makes sense for you to focus on super. Your "super rule uncertainty" is down to 20 years or so in the future. I am not concerned about dramatic changes to super that would render it obsolete or "stolen".

I do get a few conspiracy theorists who email me at *Money* concerned that super is a government plot to steal our funds. This makes little sense to me. In a democracy, I don't think that "stealing your super" is exactly a vote-winning concept. The other issue is that if governments did steal it, then they would have to pay us an aged pension!

As I look back at what I have said about super over 40 years, one surprise is that it took so long to restrict how much we can put in and put a limit on how much you can have and draw out tax-free. I really felt that by the time I got to access my super I would only be able to draw out a pension, not a lump sum as big as I like, which I can do today.

This ability, once you reach the required age, to retire or have a "retirement event" and then access all your funds in super, generally tax-free, is a mystery to me. Clearly you would be crazy to pull your money out of super if you did not have a really good plan for it. Our community gives us very serious tax concessions to put money into super. Then we pay a low rate of tax on earnings inside super.

Paul's verdict: Putting in the maximum amount is hard to beat

History tells me that asset prices will go up over time

The whole idea of these tax concessions is to make us financially independent and less of a drain on community resources by reducing those of us on an aged pension. Depending upon an individual's or couple's personal situation, it may well make sense to draw capital out of super, do all the things we have dreamed off, such as travel, while reducing super to a point where we gain an aged pension.

So, many decades ago I felt that by now our super would be a pension-only system, meaning I would be drawing a pension from my super (which I do) but with no access or highly restricted access to lump sums. Wrong again!

Moving back to you, my answer is "absolutely yes". I have no idea where asset values will go in the short term. History tells me they will go up over time. So, topping up during a downturn makes complete sense to me.

This is another thing I love about super. One of the few truths about money is the effectiveness of dollar cost averaging. By adding to super on a regular basis, you buy fewer assets when markets are high and more when they are low.

How simple and effective is that? Zero skill required – we just put in regular amounts and when assets are cheap our contribution buys more. When assets are at silly prices, we automatically buy fewer.

Given your age today and the fact that you have built good assets outside super, providing you have thought carefully about your plans, have the surplus income to do so and accept that when money goes into super you have no access to it for a couple of decades, putting in your maximum deductible amount of $27,500 a year is pretty hard to beat.

As you reach your mid-60s, I am hoping to be around 87 (the alternative to getting older is not good) and unlikely to be able to respond to you then, but thanks for dropping me another note, and all the best for your next stage of wealth creation.

Ask your question

If you have a question, email money@moneymag.com.au or write to Level 7, 55 Clarence Street, Sydney NSW 2000. Questions need to be 150 words or less and you must be willing to be photographed.

Readers who appear on this page will receive a six-month subscription.

BARGAIN BUYS

NICOLA FIELD
REPORTS

ASSET MARKETS MAY HAVE TAKEN A HIT, BUT THAT CAN SPELL OPPORTUNITY FOR INVESTORS

INCLUDES SHAREMARKET • FIXED INTEREST

Australians are sitting on a mountain of cash. Collectively we have close to $1500 billion stashed away in deposits, and while interest rates are rising inflation is at multi-year highs.

So, while money in the bank can earn around 3% at present, inflation of 5.1% means the purchasing power of your savings is falling by 2% annually. It means now could be the time to put your money to work elsewhere – and potentially snare some bargains along the way.

Glen Hare, co-founder and financial adviser at Fox & Hare, says many Australians face the dilemma of where to invest. “People know they should be doing something with their savings, but that can be overwhelming,” he says. “Or people become so concerned about making the ‘wrong’ decision they make no decision at all. And that just means extra money ends up sitting in the bank.”

With this in mind, let’s take a look where investors can find value.

Sharemarket

It’s been a tough year for equities. The leading Australian sharemarket index, the S&P/ASX 200, is down 8%. In the US, stocks have lost 10% of their value since July 2021 and, more broadly, close to 14% has been wiped off global equities since mid-2021.

The upside is the potential for bargain buying. Mark McShane, financial adviser and director of Chrysalis Lifestyle Planning, likens the current situation to a department store sale. “Dips in sharemarkets can be viewed as a chance to pocket a generous discount.”

There are undoubtedly big savings up for grabs, even on the share prices of corporate titans. At the time of writing, Commonwealth Bank shares were trading at $97, down from $110 in late 2021. CSL is down to $286 compared with $319 late last year, and Atlassian is trading at $38, down from $48 in August.

The catch is that the market could fall further. “The challenges we see today are macro-level, involving higher interest rates, higher inflation and geopolitical concerns,” says Hare. “So it will take time to work through these issues.”

McShane agrees that buying today may not mean paying the absolute cheapest price for a share, but trying to time the exact bottom of the market is generally a losing game. “Investors who buy now are still securing relatively cheap prices for quality assets over the long term.”

Focus on personal goals

Hare says investors may look to sectors such as oil or utilities, where inflationary costs can be easily passed on.

“Defensive shares can help protect your portfolio during periods of heightened market volatility and economic downturns,” says Nick Lloyd, financial planner and owner of ITL Financial Planning.

Defensive stocks are shares in mature, dividend-paying companies that tend to post consistent profits, regardless of the state of the wider economy.

“As we have seen in recent months, growth stocks have seen the biggest pullback with value/defensive stocks outperforming in comparison,” says Lloyd. He adds that if the US goes into a recession, it will have flow-on effects in Australia, and defensive stocks may continue to outperform.

Hare cautions against focusing on specific sectors, saying this can come with added risk. “The market will go on to recover – we just don’t know when,” he says. “What really matters is selecting investments

• PROPERTY • CRYPTOCURRENCY

that fit with your personal timeframe and investment purpose regardless of the economic climate."

McShane agrees that now is a time for investors to stay focused on personal goals. "We are seeing a lot of emotion in the market right now, with high-quality stocks being sold off along with more speculative stocks. Some quality companies are now selling at single-digit price-to-earnings ratios, which reflects the overlay of emotion among investors." He believes investors can strip back that emotion "by sticking with long-term investment fundamentals and staying true to quality".

Anne Graham, CEO and senior financial planner at Story Wealth Management says, if there are bargains to be had, then investing in them isn't a bad idea. "It's like anything – if the investment is good quality, but happens to be on sale, then why not?" Investors should be looking for stocks with good balance sheets that aren't debt-ridden. Strong management and cashflow are attractive as well."

Are ETFs still relevant?

Exchange traded funds (ETFs) offer a low-cost way to gain instant diversity across sharemarkets or sectors. Many ETFs are passively managed, meaning they aim to mirror rather than outperform a market index. Others are actively managed, aiming to beat the index.

Lloyd points out that some Australian active equity managers have outperformed the benchmark S&P/ASX 200 index over the past year. That said, he adds that it is harder for an active manager to outperform an index over the long term once fees are taken into account, and the question of active versus passive can come down to where you want to invest. Active managers may be more likely to outperform the index in "less efficient markets, such as small companies or emerging markets, where there are fewer resources allocated to research".

In the current climate, it pays to look at both fund fees and performance, though Hare notes many of his clients are interested in an additional X-factor – notably funds that don't invest in companies that contribute to climate change or human rights issues. He says these ethical funds can come with slightly higher fees, but the trade-off is alignment with an investor's personal views.

Keep an eye on cashflow

If you are in the wealth-accumulation stage of life, Fox and Hare's Glen Hare believes the current market can offer opportunities to snare a bargain, especially for those who are prepared to take on what he calls "informed risk". He points out that inflation is 6.1% (June quarter), which means investments need to generate a return of at least 6.1% just to keep pace with living costs.

"There are opportunities to capitalise on the downturn in Australian and international shares. But investors need to be very clear on their future cashflow needs so that they won't be forced to sell out of a portfolio that was intended to be a long-term investment."

Lloyd says areas that have been discounted or hit hardest may be the sectors that record the greatest rebounds once market confidence returns. "Areas such as technology have seen the biggest revaluations in past months, therefore they may offer the greatest opportunity if you're investing for the medium to long term."

For investors in or near retirement, it can be stressful watching share-based wealth, including superannuation, take a hit. McShane says some basic strategies, such as delaying giving the kids some help to buy their first home, or reducing personal drawdowns can give battered portfolios time to recover their value.

McShane adds that the silver lining of the recent interest rate hikes is the opportunity for self-funded retirees to generate income.

"Annuities, for example, are starting to generate more interest as a potentially suitable solution for retirees, particularly where they also provide favourable means-testing outcomes for the age pension."

Fixed interest

Fixed interest is traditionally considered a defensive asset, acting as the ballast to growth assets. But McShane notes that in recent months we have had the unusual situation where both the equity and fixed-interest markets have made negative returns.

Graham says fixed-interest and income funds have taken a hit over the past three to six months due to

the prospect of central banks increasing official cash rates quickly and dramatically. Nonetheless, she believes fixed interest can be an integral component of a well-diversified portfolio. But she cautions: "This can be a complex asset class, and not all fixed-interest funds are the same – there are international and Australian investments, and the duration or time to maturity of the investments varies."

Property

Values have taken a hit, thanks to rising interest rates, and plenty of pundits are tipping further price falls. David Plank, head of Australian economics at ANZ, believes the Reserve Bank's hard and fast moves with interest rates could see house prices fall more than 15% by the end of 2023.

The Commonwealth Bank holds a similar outlook. Gareth Aird, CBA's head of Australian economics, says: "Based on our forecast for the cash rate, we expect home price falls nationally of around 15% over the next 18 months."

On the plus side, CommBank expects home values to stabilise by late 2023, and is even pencilling in interest rate cuts for the second half of 2023. Nonetheless, it predicts Sydney and Melbourne could bear the brunt of price falls through to the end of 2023 (see table below – Commonwealth Bank dwellings).

Property researcher CoreLogic notes that as of late July, falling values have spread to 40% of Australia's house and unit markets. Not every segment will respond in the same way, though. "Historically, premium suburbs are more volatile. Values shoot up much faster during an upturn, but are among the first to fall during a declining market," says CoreLogic economist Kaytlin Ezzy. It can be the cheaper sections of the market that hold their ground, and this trend is already evident in the apartments. Ezzy says over the June quarter, values increased by 2% in the most affordable 25% of the apartment market.

Finder's Property Investment Index, which predicts price stability, and even price growth, in suburbs across major cities, may offer a guide to areas likely to do well in the current market. Across Sydney, houses in Cammeray, Redfern and Wahroonga could have the highest potential for price growth. When it comes to Sydney apartments, Waverton, Narraweena and Davidson score highest for potential market stability (see table, right – Suburbs forecast for price growth)

More broadly, Angus Raine, executive chairman, Raine & Horne, believes Perth and Darwin are worth

Commonwealth Bank dwelling price forecasts

FORECAST GROWTH/FALL	SYDNEY	MELBOURNE	BRISBANE	ADELAIDE	PERTH	HOBART	DARWIN	CANBERRA	AUSTRALIA*
2022	-11%	-10%	6%	6%	2%	-4%	-1%	-4%	-6%
2023	-7%	-8%	-10%	-11%	-8%	-9%	-9%	-9%	-9%

Source: CBA Economic Insights 2022 *Eight capital city average a look by investors, as both cities are experiencing growth. "I like the north suburbs of Darwin, such as Leanyer, Alawa, Jingili, Moil and Wagaman, where you can buy four-bedroom, two-bathroom homes for prices in the $600,000s, which can be rented for $700 a week," he says.

More signs of distress

Rising interest rates have the potential to tip some homeowners into financial stress, and already more properties are coming onto the market. The latest PropTrack report from REA Group finds new listings in June were 8.5% higher than at the same time last year, making it the busiest June for new listings nationally since 2011.

Increased listings don't necessarily reflect an uptick in homeowners desperate to sell. SQM Research notes that at the end of June 2022, just over 6000 homes nationally were selling under distressed conditions. It's a far cry from the 15,000 distressed listings in January 2020 before Covid.

"At this stage, we can safely state there is no panic in the market," says Louis Christopher, managing director of SQM Research. "The downturn remains orderly." But he notes that vendors are adjusting their market expectations downwards, which is a plus for investors.

Christopher adds that Queensland has the highest number of distressed listings. "This is not something new or something to be particularly concerned about. Ever since we have been tracking distressed listings, Queensland, particularly south-east Queensland, has always had higher counts compared to other regions around the country."

Price falls mean there can be bargains in property, but it pays to plan carefully. Graham cautions that lending criteria could be tightened because of rising rates. "If you are relying on rental income, include a buffer because if the economy weakens and employment is impacted, there could be a flow on to rental income."

Suburbs forecast for price growth

PLACES WITH THE HIGHEST POTENTIAL	SYDNEY	MELBOURNE	BRISBANE	ADELAIDE	PERTH	HOBART
HOUSES	Cammeray Redfern Wahroonga	Alphington Aberfeldie Carnegie	Teneriffe Hawthorne Hendra	Wayville Glenunga Medindie	Subiaco Trigg Churchlands	Snug Lauderdale Hobart
APARTMENTS	Waverton Narraweena Davidson	Aberfeldie Yarraville McKinnon	Hawthorne Kalinga Tennyson	Millswood Clapham Beaumont	Floreat Trigg Menora	Taroona Snug Dynnyrne

Source: Finder's Property Investment Index, June 2022

The double-digit growth seen in the property market over the past two years is unlikely to be repeated for some time.

Financial adviser McShane explains that in many parts of Australia, residential values were cooling just before Covid, and it was record low interest rates that put a fire under the market. “Currently there appears to be no clear driver that could push up house prices anytime soon,” he says. “It may be that we see an extended flat period across the market.”

Strong commercial market

For investors concerned about the prospect of falling residential property values, an alternative could be commercial property.

Raine & Horne’s latest *Commercial Insights* report notes that commercial property, especially the industrial market (which includes warehouses and factories), is experiencing high demand coupled with an intense shortage of stock.

Raine says it’s a misconception that you need to be a multi-millionaire to get into commercial real estate. “Strata self-storage units can be purchased for around $200,000 and can generate yields of around 7%,” he says.

Critical locations for these facilities are close to CBDs, airports and high-cost housing areas where land is at a premium, according to Raine. “Self-storage units require very little maintenance, making them virtually tenant-proof. They also come with low strata costs.”

VOLATILITY

Switching from shares to property

Alexandria Peterson* has been a keen sharemarket investor for the past 10 years and has amassed a solid portfolio worth about $90,000. But rather than stocking up on bargain-priced stocks, the 28-year-old is now pivoting into property.

“I still think the sharemarket is a great way to build wealth over the long term, so it’s not been entirely placed on ice,” she says. “But I feel the portfolio I’ve accumulated is too exposed to market events like the ups and downs of Covid and the recent downturn in the market.”

Peterson adds that share market volatility has “resulted in huge swings in my net worth both for better and worse”. She hopes exposure to property will bring diversity and potentially greater stability to her portfolio.

Explaining her timing to step into property, Peterson says: “Higher rates will likely take some wind out of the sails of property valuations, and I would rather pay a lower upfront price for a property even if it means dealing with slightly higher rates in the coming years.”

Despite the downturn in equities, Peterson is using cash savings to invest in property rather than selling her shares.

“I have seen substantial growth in sharemarkets but also substantial volatility – I have been stung by downturns in 2018, during the pandemic, and especially over the past year. After each downturn markets have come back, so I am pretty comfortable with holding onto the shares I have and adding slowly over time. And getting dividend payments is nice even when your share prices are going down.”

**Name changed to protect privacy*

SCAMS

Beware if it sounds too good to be true

When markets are turbulent and values are falling, it can be tempting to seize what appears to be a golden opportunity. But investments that promise high yields or look like a bargain could be little more than a scam.

Last year Australians lost a record $2 billion to scams. The true figure could be closer to $3 billion, with the ACCC's latest *Targeting Scams* report confirming a third of victims don't report their losses.

Investment scams involved the highest losses, accounting for $701 million. Cryptocurrency was the overwhelming driver of this figure, with losses jumping 270% in 2021.

The ACCC says crypto scams generally involve crooks setting up fake investment and trading platforms, sometimes impersonating legitimate, well-known websites. Others lure people into buying a fake crypto wallet or trick them into giving away their seed phrase (which acts as the master key to a wallet).

Crypto isn't the only area attracting crims. Bond scams are also on the rise. This involves scammers impersonating legitimate companies to sell fake high-yield corporate or government bonds. Scammers often promise high yields for short-term investments and direct investors to send money to a bank account that would be managed on their behalf. In many cases, victims noted they were contacted after submitting queries on investment comparison websites and felt pressured into investing.

Protection stepped up

The expression "if it seems too good to be true it probably is" holds a lot of merit when it comes to avoiding scams. But action is being taken to stop scammers before they contact investors.

In mid-July, the Australian Communications and Media Authority (ACMA) introduced rules that require telcos to identify, trace and block SMS scams.

ACMA chair Nerida O'Loughlin says the action to target scam SMS will build on the success of the 2020 industry code that tackled phone calls.

"In the first 16 months after the Reducing Scam Calls code was put in place, telcos reported blocking over 549 million scam calls to Australian phone numbers, and we have seen a dramatic drop in scam call complaints. We expect to see SMS scams reduce as industry steps up to do more to protect their customers."

The new SMS blocking rules have plenty of bite. Telcos can be fined up to $250,000 if they fail to comply.

But there is still a lot that consumers can do, and the Australian Banking Association (ABA) is encouraging customers to use PayID to combat scams.

PayID is a piece of information, such as your mobile number, that is linked to your bank account to receive payments. It means you just hand over PayID to receive payments instead of handing out your BSB and account number.

ABA CEO Anna Bligh says PayID helps to stop scams because, unlike a traditional payment, the payer can see a confirmation screen, which includes the intended PayID name, before they confirm the payment. "The more payments we see using PayID, the more protected customers will be."

Cryptocurrency

If anything is a potential bargain right now, it's cryptocurrency. But does that make digital currencies like Bitcoin and Ethereum a good buy – or could it be a case of saying goodbye to your money, as has been the experience of many investors in recent months?

The MVIS CryptoCompare Digital Assets 10 Index, which tracks the performance of the 10 largest cryptos, is down 43% over the past year. Bitcoin, for example, is trading for $33,000, down from its former high of $90,000 in November 2021. Ethereum, which hit a high of $6500 last year, can now be picked up for about $2300.

Despite the rollercoaster ride of crypto, research by the consumer group Choice confirms digital currencies remain popular. "Our data shows that almost one in five Australians is either involved or interested in crypto trading," says Patrick Veyret, senior policy adviser at Choice.

He adds that two in five people who are interested in cryptocurrency are not investing due to the risk of scams. It's a fair call.

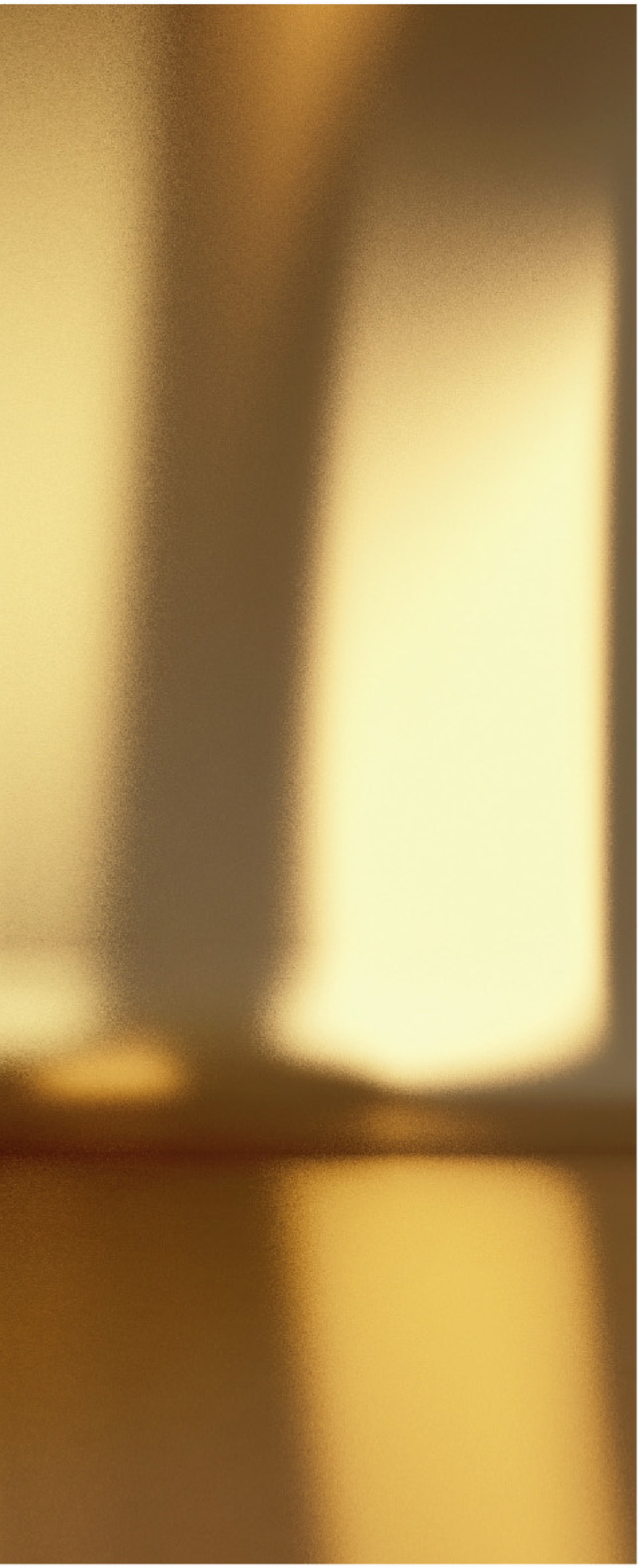
Delia Rickard, deputy chair of the ACCC, the consumer watchdog, says the popularity of crypto and associated hype has led to a surge in losses to investment scams (see "Beware if it sounds too good to be true", page 39).

The main way to invest directly in crypto is through a cryptocurrency exchange. But there are other ways to get into the market. For example, the online broking platform SelfWealth plans to offer direct investment and ownership in five popular cryptocurrencies, including Bitcoin, Ethereum and Ripple.

Not everyone is convinced about crypto, though. "There will be parts of the crypto market that do really well over time," says McShane. "However, investors need to consider how much they can afford to lose – or be prepared to wait years to see who the winners will be and who will be the losers.

"If the US Federal Reserve begins to issue digital currencies, for instance, Bitcoin and Ethereum may not stand a chance because of the scale of the Fed and the added security of central bank backing."

McShane believes that there is too much uncertainty in the crypto market to make a clear call. "Until that fog clears, the risk of crypto is too extreme for the average investor," he says. "For investors keen on putting money into crypto, it should be a very small proportion of your portfolio, possibly 2% or less, which you can afford to lose. Even then, it makes sense to diversify across crypto possibly through an ETF or managed fund." *M*



... AND LET'S NOT FORGET SUPER

Be patient – don't lock in losses

Sharemarkets are down, interest rates are up. That can make it seem like a no-brainer to switch your super out of a share-heavy balanced or growth strategy and into something a little less lively, such as a conservative or capital stable option. But Bernie Dean, chief executive of Industry Super Australia, cautions against making a hasty move.

"It's understandable to be concerned about the economy and the prospect of lower super fund returns," he says. "But it's important to remember that super is a long-term investment and markets have a habit of recovering.

"Rash decisions, like switching to cash, can lock in losses and lead to a fund member falling further behind as the market recovers."

Data from SuperRatings confirms that some of the best performing balanced super options have bypassed the worst of the sharemarket downturn and notched up positive returns or only minor falls over the last financial year (see table, below). By comparison, returns on capital stable super funds have averaged around 1% over the last financial year, but the 10-year returns are closer to 5.4%pa – well below balanced options.

Kirby Rappell, executive director of SuperRatings, sums up the outlook, saying "while the 2022 financial year has seen super funds record a modest fall, the benefits of diversification have shone through. When we compare returns for equity, bond and listed property markets to balanced-style portfolios among super funds, these results should be reassuring to members."

"Superannuation is a long-term investment and patience remains key. For Australians under 50, the recent market volatility is not expected to have any impact on their retirement. This year's results are just one out of a 30- to 40-year investment for younger Australians."

Top 10 balanced super fund options over 12 months to June 30, 2022

RANK	OPTION NAME	1 YEAR %	10 YEAR %PA
1	Hostplus – Balanced	1.6%	9.7%
2	QANTAS Super Gateway – Growth	0.6%	8.1%
3	Christian Super – MyEthicalSuper	0.5%	7.9%
4	legalsuper – MySuper Balanced	-1.0%	8.3%
5	Australian Retirement Trust – Super Savings – Balanced	-1.0%	9.0%
6	Energy Super – Balanced	-1.2%	8.1%
7	Aust Catholic Super & Retirement – Balanced	-1.2%	7.8%
8	CareSuper – Balanced	-1.7%	8.7%
9	HESTA – Balanced Growth	-1.8%	8.5%
10	TelstraSuper Corp Plus – Balanced	-1.9%	8.5%
	SR50 Balanced Index	-3.1%	8.1%

Source: SuperRatings

8 skills to achieve success

Whether you're starting out, supercharging or completely changing course, the rules are the same

Building a career is not easy, and nor should it be. Work and career give us the chance to make a meaningful mark on the world, and nothing meaningful ever comes easily.

This is especially important in modern times when people can have multiple careers in their lifetime, often going from a reasonably respected and lofty level in a previous career to the bottom of the pack in a new one.

Whether you're early in your career and wanting to get ahead, or mid-career and trying to supercharge your rise to the top, or at the top of your game looking at how to better consolidate or pivot into new opportunities, the rules and traits needed to build a successful career remain the same.

Here are eight key traits that we observe to be common among successful people.

1. Be purpose driven (have a clear "why")

If you know why you are doing something, then what you are doing becomes less important. This is critical because career paths are rarely predictable, with no two journeys ever the same.

If you are locked into a particular role or draw too much identity from a particular expertise, then you will be less open to opportunities that may end up being critical to your development.

If you are more locked into the impact you want to have, or an outcome you wish to influence, then the particular role in any company becomes less relevant, and you become more open to working for purpose-aligned companies, and stepping into opportunities that are slightly outside your expertise.

2. Be an audacious goal-setter

Know how to set long-term goals, and the short-term goals you need to keep you on track. Make sure your goals are a little scary – better to aim high and miss than aim low and hit, so be comfortable with falling a bit short and be gracious to yourself when you do.

If you keep hitting every goal you set, you're not being adventurous enough. But also, be aware that if you set goals that are too unrealistic, then you will take risks that are far too big.

If things don't work out, this can lead to frustrated and negative mindsets creeping in around self-worth, hopelessness and internal competence. Successful career builders know how to set audacious goals, and how to use them to keep motivated and stay focussed.

3. Be conscientious

Learn the art of self-reflection and self-improvement, and cultivate a sensitivity and awareness of the people and things in your environment. You are never at a point at which you cannot learn and improve your skills, knowledge, attitude or behaviour.

Psychological literature shows that people high in the trait of conscientiousness better anticipate the needs of themselves and others and are able to consider future consequences more realistically. They also tend to be more resilient, live longer, are less likely to do illegal acts, earn more, have a greater influence, make successful leaders, have better relationships and are happier at work.

4. Have humble confidence

Don't be afraid to ask for help. Find yourself several high-quality coaches and mentors and know the difference between the two.

With that will come a quiet confidence in your own internal capability, while continuing to scan for the gems of wisdom from others who can help you learn and grow.

The world's elite sportspeople, actors, musicians, politicians and businesspeople all have multiple mentors and coaches. This is because they know that no matter how technically skilled or experienced they are, it often takes an outside view to identify gaps and increase performance.

Building a career is a competition between you and the rest of the pack – getting that extra little bit of refinement can be the difference in getting ahead or missing out on opportunities.

5. Build emotional intelligence

To be successful before the industrial age, you had to be physically strong – you had to have brawn. Then over the past few hundred years with the rise of the smart and intelligent workforce, success moved from brawn to brains.

Now, in the digital age with algorithms and AI supplanting the need for specialised knowledge and crystallised IQ, what is separating the smart from the successful is those who have strong EQ. It has moved from brains to heart.

Successful people know how to sense different emotions and their intensity, both in themselves and others, and how to dial those emotions up and down to suit the situation at hand.

Your emotions are your superpower, and emotional intelligence is a capability that can be learnt and practised. It is a skill, a language that is well worth learning, and is critical for making better decisions and navigating a socially complex world effectively.

6. Be socially connected and likeable ... to everyone

The British entrepreneur Richard Branson once said in an interview that the one superpower he thought he had over others was the fact that he really likes people, and he seems to be able to get people to really like him quite quickly.

Because of this, he looked forward to meeting new people and loved building networks with others who shared similar passions. This is so important because people will always prefer to do business with and promote others they like.

If people like you, they are more likely to trust you, and individual competence or brilliance comes a long way behind trust and likeability. The more people you connect with who like you, the more likely opportunities are going to come your way.

Be careful not to fall into the trap of gossiping about people you don't like, but rather look for the qualities in everyone that you do like and go from there. This doesn't mean you have to suffer fools, but simply move on from them and don't let them drain your mental or social energy.

Direct your social energy into creating positive relationships and you will be rewarded for it.

7. Be reliable and opportunity-seeking

Do what you say you will do, in the timeframe you said you will do it, and look outside the scope of your job description for ways that you can help. Set clear expectations around what you can achieve then work to meet or exceed those expectations.

Keep your focus on doing things that will help the company win, as opposed to simply looking out for your own role and whether you're doing enough not to get fired. Going in with an attitude of 'how can I help?', then following up talk with action is a sure way to get the attention of the movers and shakers in any organisation.

8. Be insatiably curious

Probably the most important trait is left for last. Be curious about every aspect of your career path, and of the world around you. Read, study, ask curious questions and observe. Curiosity may have killed the cat, but it rarely kills a career.

Of course, curiosity is also best coupled with some social sensitivities, which is why emotional intelligence and conscientiousness are so important. But if in doubt, be bold enough to ask the question.

The lead singer of U2, Bono, revealed in the book *Bono on Bono* that the one thing he regretted about his youth is that he wasn't bolder, that he often baulked at asking the curious question or talking to a more experienced person. Learn a lesson from one of the most successful artists of all time, and let your curiosity be bolder than your fears.

One trait that you may have noticed is not on this list is becoming the technical expert in a particular field. This is because in the current workforce it's less about being the "expert" in something, and more about how adaptable and proficient you are at learning new things.

Even in such defined fields as data science, programming and engineering, it is those who are good at demonstrating the traits above who tend to rise above the pack, rather than the one who is technically the best.

Of course, work hard at being the best you can be at whatever you put your hand to, but these eight traits will serve you well wherever you are, whatever you are doing and however your career journey emerges.

Phil Slade is a behavioural economist, psychologist, and co-founder of decision architecture firm Decida.

Loyalty has generous rewards

There are some great deals for frequent flyer points – but you may have to act quickly before they disappear

After Covid-19 made leisure travel almost impossible in the past two years, many of us have kept our frequent flyer membership card tucked away in our wallets, unused and forgotten. That could soon change as more people revive holiday plans or travel for work.

Here's what you need to know about the latest wave of reward programs offered by major banks and credit card providers.

Bonuses for signing up

One way to stay on top of the latest deals is to check out Point Hacks (pointhacks.com.au), a leading online website featuring guides, articles and promotions around frequent flyer points.

As at August, NAB and Westpac are leading the pack with up to 120,000 bonus Qantas points on a new credit card. Citi is offering 100,000 bonus Virgin Australia Velocity points. If you run a business, they also give extra bonus points, but you have to check the bank's website for details.

"The offers we're seeing from banks today seem even more generous than pre-Covid," says Chris Chamberlin, from Point Hacks. "Previously, it was rare for a bank to offer 100,000 frequent flyer points – or even more – on a new credit card, but now it's exceedingly common."

The thing with sign-up offers is that you need to grab them when they become available. "It's common for banks to alternate between a really generous deal and then a not-so-generous offer," says Chamberlin.

Work those expenses

If you have the discipline to pay your credit card in full each month, consider signing up for a new credit card that allows you to earn the sign-up bonus points and use the same card for your everyday expenses. This means you get the points without the penalty of extra interest payments since you pay on time or before the interest is charged.

While it's tempting to get reward points from big-ticket items like home loans and other loans, bear in mind that those products could cost you more than what the points are worth. Do your homework or stick with using a points-earning card for household expenses only.

Not all points are created equal

Earning frequent flyer points is often a two-step process. On many credit cards, shoppers earn "points" in their bank's loyalty program first before those are converted into actual frequent flyer points. Typical conversion rates are 2:1 or 3:1 on these transfers. Ideally, you'd want a 1:1 conversion, but if this is not possible, make sure you check if the conversion rate of your preferred card is 2:1, not 3:1.

"Of course, bank loyalty points can be spent on a wide variety of products and experiences – transferring them into a frequent flyer program is merely one option. But even with the conversion rates at play, turning your credit card points into frequent flyer points is still usually the most rewarding choice," says Chamberlin.

Calculate the conversion rate first

A card offering 120,000 bonus reward points at a 3:1 conversion rate to your preferred frequent flyer program could mean earning 40,000 airline frequent flyer points. A competitor's card might only offer a much lower 80,000 bonus points, but at a 2:1 conversion rate you still get 40,000 airline frequent flyer points.

"These programs are tricky to understand. It's often suggested that those beginning their frequent flyer journey start with a 'direct earn' card first," says Chamberlin. So, look for cards that directly reward you with Qantas points or Velocity points before you move onto bank-operated loyalty programs, which may not be as straightforward.

Higher score for flexibility

For the most generous reward program, look at American Express Membership Rewards. Eligible cardholders can transfer their points to up to 10 different frequent flyer programs and two hotel loyalty programs from a single card. "This is great because you don't need to choose which frequent flyer program to earn points with until you're ready to book a flight," says Chamberlin.

If you prefer to go with a big bank, there are reward programs that also offer a good degree of flexibility, including ANZ Rewards, CBA Awards, Citi Rewards, NAB Rewards and Westpac Altitude Rewards.

Banks have different cards for individuals and businesses. Black-tier credit cards offer the most generous rewards while Platinum-tier cards generally strike a balance between rewards and fees.

Chamberlin says bank-operated loyalty programs offer gift cards or discounts on goods in exchange for points, but if you're planning a trip, you'll save even more by using your points to book a flight. "You don't need to be a frequent flyer to earn frequent flyer points, but the best way to spend them is indeed to fly."

A luxe honeymoon at a bargain price

Some years ago, John Smith* was planning an important holiday: a honeymoon with his soon-to-be wife. Having earned lots of points over the years – primarily just by using points-earning credit cards to pay for everything – he had enough reward points saved up for something special.

They flew business class from Australia to Singapore, and then Hong Kong, London, Venice and Paris, and home again through Asia. They also used points to book their hotels.

While they still had to pay some taxes and fees when spending points, the whole trip only cost $2755.90 each: for a two-week trip to Asia and Europe, flying business class and staying in nice hotels. Since then, he has sharpened his "points game" even further and flew business class with his wife for just $110 each, thanks to points earned through their credit cards.

** Not his real name*

Michelle Baltazar is editor-in-chief of Money. *She has worked on various finance titles including* BRW *(now closed) in Australia and* Shares *magazine in London.*

Why it pays to think green

STORY TOM WATSON

Budget-friendly improvements can reduce your power bills, make your home more sustainable and even improve its value

It may feel like a distant memory as we head into spring, but less than three months ago parts of the country were experiencing their coldest start to winter in decades. While those chilly days were unusual, they did reveal that many Australian homes aren't particularly effective at dealing with cold weather – a fact that has been made more apparent by the resulting energy bills.

Homes that require less energy usage and have a lower carbon footprint are in demand, though. Research by the CSIRO has found that, when given the choice, two-thirds of prospective buyers prefer energy-efficient homes.

Adding to that, the *Domain Sustainability in Property Report 2022* found that units and houses with energy-efficient features not only sold at higher prices, but also spent less time on the market. Domain's analysis revealed that, so far this year, sustainable houses have fetched 17% more than those that don't have energy-efficient features – a premium equivalent to $125,000.

While many homeowners may like the idea of making upgrades to reduce their bills or overall footprint, there is the matter of cost.

The good news is that there is a range of energy-efficient improvements that can be made on budgets big and small – some of which can even pay for themselves over time.

Budget: Under $10,000

Dayne Thompson, chief executive of EnergyFit Homes, is adamant that if you're working with a smaller budget, gap-sealing will provide the best bang for your buck. It's an energy-efficient measure that even renters can utilise, depending on their landlord.

"Just putting weather stripping under your doors, sealing around your main front door and fixing any seals that have popped off your windows is going to save you money on heating and make you more comfortable. It's also really cheap, especially if you do it yourself."

After gap-sealing, another cost-effective improvement is putting in LED lighting. "Just do the LEDs straightaway," says Thompson. "If you've got compact fluorescent lamps, leave them in until they blow, that's okay, but if you've got incandescent or halogen lights get them out and put in LEDs."

Beyond the smaller solutions, Thompson recommends that homeowners look at their hot water systems, because they are typically responsible for about a quarter of the average household's energy bill.

"If you're looking for one-off ideas, moving to a heat pump hot water system is a good one, but avoid the really expensive models, because if the heat pump is over $4000, you're probably not getting bang for your buck anymore. They are more efficient, yes, but once you've already reduced your hot water costs by, say, 70%-80% with a standard heat pump, it's probably not worth spending an extra $1000."

When it comes to water efficiency, Tracie Ellis, chief executive of Renovators Directory, says households should look at installing a rainwater tank. Depending on the model and the labour needs, a tank will cost a few thousand dollars, and there are even space-efficient tanks that can sit under houses.

"A great way to reduce your water consumption and bills is by using rainwater to flush toilets or water the garden, and all you need is a handy plumber and an investment in a rainwater tank. Another option is water-efficient tapware and fixtures which can help save water consumption."

Budget: $50,000

Moving up the price ladder, many households will be able to make extensive energy-efficient improvements with a budget under $50,000.

In fact, Thompson says that on average, his customers get their homes down to zero carbon emissions for just over $20,000. Plus, with the money saved on energy bills, the payback period for the initial outlay is usually as fast as four to seven years.

If you haven't already, installing rooftop solar is the place to start – largely because it can help lower your

bills and reduce your reliance on the grid. Solar systems aren't necessarily cheap, though. According to the Clean Energy Council, costs can vary from $2800 for a 2kW system to $14,000 for a 10kW system.

"Solar is great," says Thompson. "You should try to find the right solar system for you, which is not just what fits on your roof, but trying to match the solar system to your electricity use. A good solar installer will try to help you with that.

"If you do have solar, making sure that your big energy-using appliances can actually make use of that solar-generated electricity is really important. If half your appliances are using gas, then you're missing out on half the opportunity of solar."

Beyond heat pump hot water systems, another appliance that can make a big difference is a quality reverse-cycle air-conditioner. After all, heating and cooling typically contribute to between a quarter and half of home energy costs.

"Going from gas to reverse-cycle air conditioning, if it has a good star rating, is a no-brainer for most of our customers because they can really save money, particularly in cold climates."

What about home batteries, though? While they can certainly be a great addition, Thompson says the current $10,000 to $14,000 price range means that batteries are still too expensive to be cost-effective over their lifespan for most homes at present. For that to change, they would need to come down by between 40% to 80%.

Budget: Over $100,000

If you're building a new home or renovating your current house, then there are certainly features you

WHERE TO FIND THE CASH

Personal loan
If you're looking to finance your project with a personal loan, then a green loan may be worth exploring. Green loans typically come with lower rates than standard personal loans and they can be used to fund solar panels, energy-efficient appliances, home batteries, insulation, double-glazing and even electric vehicles. Bendigo Bank, Brighte, Commonwealth Bank, Gateway Bank, Plenti, Police Bank and SocietyOne are among the institutions currently offering green loans.

Home loan
For renovations or larger projects, tapping into your home equity may be one of the more cost-effective funding options – depending on your home loan rate. If you're building a home from scratch, though, you may want to consider a green home loan. They come with lower rates than normal home loans, though borrowers will need to ensure that they meet the energy efficiency and sustainability requirements set by each lender. Bank Australia, Gateway Bank, loans.com.au and Regional Australia Bank are among those currently offering green home loans.

Government assistance
Before you start on any home improvements it's worth checking out the financial support available from the federal or state and territory governments. Depending on where you live, there may be concessions, loans and rebates worth thousands of dollars to help you with everything from installing solar panels and batteries to purchasing energy-efficient appliances. See energy.gov.au/rebates.

may want to consider to make it more sustainable, cheaper to run and comfortable to live in over the long run.

"One key aspect, especially if you're doing a larger renovation or a knockdown and rebuild, is understanding the physical orientation of your home along with the weather cycles," says Ellis.

"This will allow you to design a space that is comfortable to be in throughout the year and reduce the need to heat or cool it.

"If you were doing an extension, for example, opening up a north-facing living room to the winter sun then allows the heating of the slab or the wall, which better captures and holds the heat."

Other elements to consider are the flow of air through the home, as well as insulation and double glazing, although given its high cost, double glazing may not be cost-effective for all households. "Insulating your home, ceiling, walls and underflooring can help keep your interior really comfortable regardless of our extreme Australian conditions, and it can lead to savings of around 15% to 45% on your cooling and heating bill," says Ellis.

One factor worth bearing in mind for anyone building or renovating at present is the impact of supply chain issues on building materials. Given that, Ellis suggests that it may be worthwhile looking closer to home.

"Sourcing local building materials or even recycled materials is certainly a much greener choice than purchasing overseas products and you can get better answers around affordability and availability. It will require some research, though, because a lot of our product is sourced overseas." *M*

Stress as a secret power

Keeping calm is key to improving your finances, but what if dialling up the emotion is just as critical to your success?

As a young musician in the '90s playing in the artistic corners of Brisbane's Valley music venues, I found myself with a lot of waiting time between gigs – which often turned into a few rounds of pool with the locals.

I was a bit of an introvert, so a few beers to calm the nerves and embolden the mind seemed to dramatically improve my performance. However, as soon as I started on a third beer, my ability to slot a ball in the corner pocket dramatically diminished.

As it turns out, this performance curve is something that has been studied quite a bit in psychology, particularly in relation to suppressants and stimulants, such as alcohol and caffeine.

A little bit of alcohol suppresses the nerves, lowers inhibition and increases focus. Too much and you lose peripheral vision, cognition decreases and coordination becomes more problematic.

Caffeine follows a similar curve, albeit as a stimulant rather than a suppressant. A little coffee and we become faster and sharper, too much and we can "over-cook" our brains, becoming overwhelmed and less focused.

Scientifically, alcohol and caffeine are simply chemicals, and as our brains are powered by chemical and electric reactions, it stands to reason that they will have an influence on our cognition and performance when we ingest them.

Interestingly, our body has its own natural chemical simulants that work in much the same way. One of these stimulants is known as stress.

A little bit of anxiety about the future or stress about the present and our brain becomes more active, faster, more alert.

FIVE WAYS TO HELP MANAGE EMOTIONS

Learn the language of intensity. If you don't have a word for something, you can't think about it. Use conceptual tools like an emotion wheel. Knowing the five levels of anxiety (concern, apprehension, worry, overwhelm and panic) helps you recognise your emotional intensity and then consciously adjust it.

Become conscious of your reactivity. Take note of what rising anxiety feels like when you feel it. Whenever you are in a high-pressure situation, or once you've calmed down from panicking about something, take a minute to analyse the way you thought and felt. Be curious about why you reacted in that way, and how to be better next time.

Practise pausing. There is a world of opportunity in the momentary gap between thought and response. Creating a moment of space allows your brain to better process the situation rather than simply relying on instinct.

Exercise. We all know it's good for us. Just do it. Look after the temple that's looking after you. It's an important part of emotional regulation.

Limit the other stimulants or suppressants you put into your body. Coffee, alcohol, sugar, carbs, supplements – they all play a part in the way we navigate the world. Use them wisely.

The occasional bout is common. Too much, however, and our performance begins to deteriorate, and we get bogged down in overwhelm, rumination, distraction and fear. Such a condition, or anxiety disorder, is a mental illness that can have a debilitating impact.

Fortunately, though, we have more control over our response (anxiety) to external stressors than we realise. With practice we can dial it up and down to put our brains in an optimal state of alertness to respond to a stressful situation.

Extensive psychological studies, like the Dunedin Study, which has been tracking around 1000 people since the late '60s, have proven that successful people are those who can better understand and manage their emotions.

While many people might look to understand their emotions more, most aren't as good at the management bit. Managing emotion includes intentionally increasing anxiety to a level of concern or apprehension (for example, through goal setting, or fear of being poor), which can help increase our vigilance toward our finances or menial tasks when things seem to be going well.

On the other hand, when we are faced with a bad investment or some significant financial stress, knowing how to calm your mind so you don't slip into panic or overwhelm (for example, through breathing exercises, humour or mindfulness practices) helps you make better, more proactive decisions rather than the knee-jerk reactiveness that just makes things worse.

Getting control of your emotions and being able to dial them up and down at will is key to improving all areas of life, especially your finances. Reducing stress and anxiety when you're overwhelmed is only half the story. Intentionally waking up the panic monster at times in order to snap you into action is just as critical to achieving success.

Phil Slade is a behavioural economist, psychologist, and co-founder of decision architecture firm Decida.

Book a spot on the gravy train

SMEs now have a better opportunity to pick up some government business

The federal government is giving small businesses a better shot at winning potentially lucrative contracts with a significant revision of the commonwealth procurement rules (CPRs).

Each year the government spends about $70 billion on contracts, and now 20% of this business must be made available to SMEs, an increase on the previous 10%.

Anne Nalder, founder and CEO of the Small Business Association of Australia, says the increase is timely, but it won't necessarily create rivers of gold for SMEs.

"Businesses will still need to reach a certain requirement level to win government work, and being on preferred supplier panels will help procure more work.

"However, each government department has different procurement divisions and requirements, and SMEs will need to meet these conditions.

"Whether you're in a multinational or an SME, you might have prohibitive compliance costs that don't make the procurement exercise worthwhile."

Compliance obligations might include having the correct insurance, such as professional indemnity and public liability, especially if the project involves engineering and construction work.

With these caveats in mind, whether the commercial opportunity lies with a commonwealth, state or territory agency, several standard steps can help your SME catch the government business gravy train.

Read on for tips for winning government tenders.

Understand the jargon

The Australian government publishes business opportunities and notices of successful contracts and standing offers valued at or above $10,000 on the tenders.gov.au website. You can use it to register to be notified of opportunities matching your business profile and to find details about successful tenderers and existing contracts.

Tender processes use a standard set of terms, and making sense of the jargon will help reduce errors and increase your chances of success. For example, some tenders will provide a request for tender (RFT) or a request for proposal (RFP).

An RFT is the most common format and usually provides a set of questions and requirements that the tender response must address. An RFP is generally less formal and might contain a set of guidance statements about the information the government agency would like to receive. The RFP should also summarise the tenderer's experience and capability.

Every tender is a competition, so you must analyse your chances of winning the bid before you invest too much time. This analysis will include factors such as the evaluation criteria, the submission requirements, the due dates, whether the work is a strategic fit for your business, the cost of bidding and the potential profit for your SME from winning the tender.

When weighing up the opportunities and costs, there are bid management specialists who, for a fee, can give advice. Alternatively, other consultants can assist by providing a well-written bid document that ticks every box outlined in the RFT or RFP.

Nalder says you should be able to talk to a project officer from a government department about the tender. "You should ensure you're on the right track. You might be selling lobsters, and they want crustaceans. If you don't match their criteria, you might waste your time submitting a bid."

WHERE TO START

Each state or territory has an agency responsible for tenders and contracts:

ACT – tenders.act.gov.au
NSW – tenders.nsw.gov.au
NT – nt.gov.au/industry/procurement/how-government-buys/quotations-and-tenders-online
QLD – qtenders.epw.qld.gov.au
SA – tenders.sa.gov.au
TAS – tenders.tas.gov.au
VIC – tenders.vic.gov.au
WA – tenders.wa.gov.au/watenders/home.do

Support your case

Nalder says owners must show their SME is viable and operational and has a good track record in delivery and performance.

"Strong client and project references that apply to the contract you're bidding for, especially if you're new to government tenders, will help your cause. If you're tendering for the first time, you need to be able to show private sector experience relevant to the government tender at hand."

The experience of your key people will also be evaluated, as well as the methodology you intend to use as part of your service.

Along with a competitive price, Nalder suggests identifying your company's differentiators to show how you will deliver value or benefit to the government client to help meet its objectives.

"It is becoming increasingly crucial that value for money includes the social, environmental and other community benefits you can deliver for the government client."

Anthony O'Brien is a small business and personal finance writer with 20-plus years' experience in the communication industry.

Carers pay a high price

Like many others in a similar situation, a devoted daughter is making a big financial sacrifice to care for a loved one

When my friend Janice found out her mother, Kay, had been in a bad car accident, she didn't realise the enormous impact it would have on both their lives.

Kay, a widow, couldn't look after herself without round-the-clock assistance. Janice was still working and tried to manage her mother's care needs with part-time support. She took her paid carer's leave entitlements at work and then leave without pay.

But eventually Janice quit her job to become Kay's primary carer.

On the one hand it was an agonising decision to make because Janice likes her job and the income it provides. But as an empathetic and devoted daughter, she knew it was a time to support her mother and she didn't want the 60-year-old in a care home during the Covid outbreaks.

At first Janice hoped her mother would come good and be able to care for herself so she could return to full-time work.

Janice finds caring for her mum all-consuming, with many challenges, but she doesn't want to hand it over to anyone else. She is an advocate for her mum, making sure she receives the right medical care, monitoring her medicines and liaising with doctors and therapists.

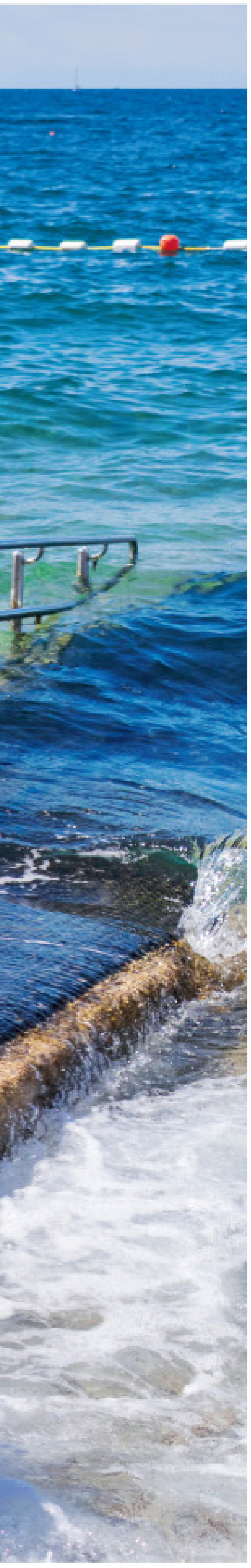
Janice has taken on flexible part-time work from home, but earns less – about half of what she earned before. She feels cut off from people, has a limited social life and doesn't see a way out of her caring role because of Kay's limited mobility. Janice worries that her future earnings won't get back to where they once were and is facing poverty in old age.

Impact on lifetime earnings

Of the 2.65 million carers in Australia, about 861,000 are primary carers and approximately 72% are women. A third of carers of older people are daughters like Janice.

Thirty-four per cent of older people are only supported by informal carers. Of those living with a disability, 42% don't receive formal assistance for their needs and rely on family members and other informal carers, according to Carers Australia.

The age at which a person becomes a carer and interrupts their career not only hits their income but their retirement savings, too.



Often informal carers must work or study part-time or become full-time carers. This has a huge impact on their earnings and superannuation, with Carers Australia estimating it reduces lifetime earnings by $39,600 a year.

Also, it devastates an informal carer's retirement savings, reducing their superannuation balances by about $17,700 for every year of their caring role (taking into account the compounding effect).

Carers Australia says lost earnings and superannuation add up to more than $567,000 ($392,000 in wages and $175,000 in super) on average for our 2.65 million carers.

But if you are caring full-time over your lifetime, it is much more.

The most affected carers are those who start very young as full-time carers. They will lose at least $940,000 in lifetime income and $444,500 in superannuation.

In Australia, there are more than 235,000 carers under the age of 25, looking after a parent, partner, sibling, their child, relative or friend.

The federal government paid out $10 billion to informal carers in 2020-21. They may be eligible for benefits for constant care of someone who is living with a disability or a severe medical condition, mental illness, drug or alcohol problem, terminal illness or is a frail, elderly adult.

The government also spent $700 million on respite services through its home support program, home care packages and residential aged care.

There are two sorts of payments: a carer payment and a carer allowance. It is possible to receive both at the same time.

Additional supplements of $600 for each eligible person and $1000 for each child under 16 were paid in July and August to carers.

Susan Hely has been a senior investment writer at the Sydney Morning Herald. *She wrote the best-selling* Women & Money.

WHAT BENEFITS ARE AVAILABLE

Carer payment

Around 300,000 people receive a carer payment that is similar to the amount of other income support payments, such as the age pension and the disability support pension. The carer payment is subject to income and assets tests.

A single carer can be paid up to a maximum of $987.60 a fortnight while a couple can earn $1488.80 or $744.40 each.

You can work or study up to 25 hours a week away from the person you care for and still get the payment. But earning an income could reduce the amount of assistance you receive.

The amount of the payment considers whether you are in a relationship and whether or not you are a homeowner.

Carer allowance

Around 623,000 Australians receive a carer allowance. There's no assets test for the carer to claim this $136.50 a fortnight if you are providing care for someone who is over 16 but there is an income limit of $250,000 per household.

If you are sharing the care with someone else, you can split the carer payment and receive an amount based on how much care you provide.

If you are giving additional daily care and attention to someone because they have either a disability or severe illness or are old and frail, you qualify.

Respite care

You can use 63 days of respite care each calendar year if you get the carer payment or carer allowance.

State government support

Some states and territories offer extra support for carers, including counselling and respite care.

Personal and carer leave entitlements

Full-time employees receive 10 days each year of paid sick leave and carer's leave. Part-time workers receive a pro rata 10 days each year.

Unpaid carer's leave

An employee is entitled to two days of unpaid carer's leave for each occasion when an immediate family member requires care or support because of a personal illness, injury or unexpected emergency.

Carer Gateway

Phone 1800 422 737 or visit carergateway.gov.au for this government-run program, which provides emotional, practical and financial support to carers. All unpaid carers, including carers who are not receiving government benefits can use this service.

Emergency respite care is available through Carer Gateway for eligible carers who are ill or injured and can't look after the person they are caring for.

It offers an online community forum for carers to share advice and ask questions; there are also local peer support groups for carers to meet other carers.

Carer Gateway also offers face-to-face and online counselling and coaching services as well as skills courses, which include understanding of the legal responsibilities of a caring role.

Travel and transport help

The person you care for may qualify for a mobility allowance to help them with travel costs.

STORY TOBY HAGON

EVs pick up speed

Despite supply problems, high prices and a poor charging network, electric vehicles will take over our roads sooner than many people think

Electric vehicles are the minnows of the new car industry in Australia, but they're fast becoming the main game. In the first six months of 2022, EVs made up almost 2% of the market, but that's expected to rise significantly in the second half of the year.

The increased interest is set to ramp up following the newly elected Labor government's move to introduce a bill that exempts those driving electric cars below the luxury car tax threshold ($84,916) from fringe benefits tax. There are potentially big savings.

It comes off the back of the ACT's move to ban the sale of new petrol and diesel vehicles by 2035, something the head of the Electric Vehicle Council, Behyad Jafari, says aligns with plans by other major markets that account for 42% of the world's new car sales.

While there's little chance car makers will change their planning to capture a slice of the ACT's circa-1.5% market share, Jafari says it's a significant moment because it's "the first one to say it out aloud".

"It" is the inevitable shift to zero-emissions vehicles. Do the numbers and it's clear we're in for a major ramp-up of EVs.

In the lead-up to the election, Labor said it wanted 3.8 million EVs on the road by 2030. That means about half of all vehicles sold between now and the end of the decade would need to be electric.

With a target to hit net zero carbon dioxide (CO_2) emissions by 2050, transport is seen as an easy win given the technology is proven and becoming more affordable, especially once significantly lower running costs are factored in.

But there are calls to take a national approach in the transition to EVs, as well as the inevitable taxes that they will have to pay to use the roads. "What markets need – obviously regional initiatives are good – but at some point you need ... clear national initiatives," says Wayne Griffiths, the head of recently arrived Spanish brand Cupra, which plans to command 5% of the electric car market.

A significant but declining chunk of federal revenue to fund the upkeep of roads comes from the fuel excise, which is charged per litre.

EVs currently don't contribute, although Victoria is the first state to charge EVs 2.5 cents per kilometre in what is a clunky tax grab. Other states plan to follow suit once EV ownership increases.

And the numbers will increase, with many predicting it will happen faster than originally forecast.

"It's not a matter of if, it's a matter of when EVs will dominate the landscape," says Kia Australia's chief operating officer, Damien Meredith. "It's happening far quicker than anybody thought."

Waiting ... waiting

The immediate challenge, though, is getting hold of cars. Most EVs have long waiting lists, some stretching out more than a year. Those popping down a deposit on the popular Tesla Model 3, the Model Y and the Polestar 2 are being told their cars won't arrive until well into 2023.

The Hyundai Ioniq 5 and Kia EV6 – each of which sells for upwards of $75,000 – are arriving in such limited numbers that buyers are scrambling over a few hundred vehicles.

"For Australian consumers, getting an electric vehicle is akin to winning the lottery," says Jafari. "The challenge for the moment ... is how do we get more in their hands."

He says the key to unlocking more stock is tough, tighter regulations surrounding CO_2 emissions.

"Every other developed country in the world has these standards in place, except us and Russia," says Jafari, suggesting carbon dioxide regulations force car makers to sell more EVs.

That's in part because EVs can offset penalties applied to petrol and diesel cars sold in places such as Europe. For a brand like Tesla, it's an important source of revenue: in the first half of 2022 Tesla banked more than $US1 billion ($1.44 billion) in regulatory credits sold to other car makers.

"We need to have a rule book that matches up to the rest of the world," he says, adding that the voluntary targets currently in place with the Federal Chamber of Automotive Industries are too weak.

With lower targets for some vehicles, including many SUVs and utes, he says there's less incentive to send electric versions our way.

"These [CO_2] standards need to be as strong as the ones that are in the US, in Europe, and around the rest of the world, otherwise the imbalance remains."

Fast chargers unreliable

Of course, there's another part of the EV equation: where to charge. While most EV owners will charge at home using a regular power point or a faster-charging wallbox, there are still concerns about heading off on a longer journey.

Charging stations are now common on major east coast routes and even through to Adelaide. But queues can form at the limited number of plugs during peak periods and some fast-charging stations have been unreliable.

"We want the chargers that are there and the new ones that we're building to be more reliable, but also we just need more of them," says Jafari.

There's also the question of how the 2.5 million people who live in apartments – more than 10% of the population – charge their cars. Most don't have charging facilities, although that's changing with new developments.

The National Construction Code is due to be updated by the end of the year and has provisions forcing developers to ensure at least the cabling is laid for EV charging in new developments.

Older blocks can provide more of a challenge, but there are solutions, according to Tim Washington, the CEO of JET Charge, the country's largest installer of EV infrastructure.

"Almost all existing brownfield buildings have not been set up to incorporate the load that electric vehicle charging will bring."

He says the cost of upgrading the supply is "prohibitive" and that a more practical solution is spreading the load through smart software management.

"We need to have an emissions rule book that matches up to the rest of the world"

"We do energy management in all these buildings that allows them to get five times as many charging stations as they otherwise would," says Jafari, adding that in most instances there is no need to upgrade the existing supply.

Washington nominates body corporates as a blockage for EVs. "The far greater problem is bureaucracy ... everything is decided by the owners' corporation and different states have different laws."

He says Victorian unit dwellers can get approval from the owners corporation, but in NSW the topic needs to be raised and voted on at the annual general meeting or an extraordinary general meeting, which adds to the costs.

His message is to start the process before you buy an EV.

Those in units also typically pay more for a charger due to those challenges and the additional management required to work within the existing electrical boundaries. Whereas a charger can cost less than $2000 in a house, it's typically around double that in an apartment – sometimes higher.

But none of those challenges is likely to slow the take-up of EVs in Australia.

Already there are more buyers than cars available, and the EV Council's Jafari says overseas experience suggests there's a tipping point that effectively opens the floodgates.

"[Once you] get to 5% or 10% of [new] cars being electric ... people are more familiar [with the technology and charging] ... everybody knows someone with an electric vehicle." *M*

Revive your tired rental

A refresh can be the key to attracting top-quality tenants, but it pays to shop smart

STORY TRACIE ELLIS

In a busy and competitive rental market, keeping your investment looking up-to-date to stay competitive and get your best return is important. Home renovations and rental property renovations do differ significantly. One is an upgrade to your home and quality of lifestyle, while the other, quite simply, is a real estate investment.

The rent that a property is able to generate in proportion to its value (or rental yield) is a primary consideration when tackling a renovation. The debate is always whether something is really worth doing if it won't add any value in the long run.

Value for your money

Get the most out of the money you spend on a budget renovation by working out what will add value. After all, in every suburb, the wishlist for renters can vary widely,

depending on the people who live there. It is beneficial, then, to take the time to do your research.

Talk to your local rental agents about what is high on the wishlist of potential tenants. What a young family prioritises is different from what singles, couples and retirees require.

Once you have completed your due diligence, you should have a much better idea about where to direct your spend.

Renovating on a budget is a balancing act. Knowing what areas will deliver higher returns places you in a great position as the landlord. Let's explore potential areas to renovate:

Plan a cohesive kitchen

An updated kitchen can do wonders in adding value to your property, but we all know that the costs can be steep. Regardless of the lengths you go to, it is essential to ensure the final look fits in with the era of the property, so it's cohesive. Budget-friendly improvements that can help you maximise your rental return for under $5000 include:

- Adding/upgrading appliances, such as a dishwasher or coffee machine;
- Creating additional space for people to gather, with a breakfast bar deep enough to accommodate stools;
- Re-coating your doors and drawers can be a cost-effective way of retaining the carcass of your kitchen while still improving the overall look;
- Replace or resurface your benchtop;
- Paint your tiled splashback with a tile paint to provide a new look;
- Replace your sink, tapware, power points and light fittings.

Beautify the bathroom

An old, dated bathroom has to be one of the biggest deal-breakers for renters. So, while an entire bathroom renovation can be expensive, there are also budget-friendly ideas to breathe new life into the space.

- Most rentals have dated hardware and fixtures – these are easily replaced on a tight budget. Replace tapware, mirror, shower rails/hooks;
- Install some modernised lighting that will instantly inject life into the room;
- Plants provide great character;
- Most importantly, transform that grout. Whether it be a deep clean or changing your grout colour, instantaneously you can have a new bathroom.

All of these can be achieved for less than $2000. It is absolutely essential that your bathroom sparkles with cleanliness no matter how old it is.

Choose the right flooring

Bad flooring can really let a property down and cheapen its look. Carpets, while generally the most cost-effective installation option, can get stained, worn or burnt and trap odours. Depending on your tenant, carpets can be harder to look after than hard flooring, particularly if you're renting to families with children and/or pets.

Laminate that gives the illusion of timber flooring may be a better fit for your rental. It will give the space a touch of class and your tenant can easily add personal touches with rugs. Laminate flooring costs range across Australia – $20 to $80 a square metre is a good indicator.

Add a bedroom

Converting an extra living space into a bedroom can be done providing there isn't too much structural work involved (as this will require a significant cash injection). Adding a bedroom can open your property to many additional prospective tenants. It can also attract a higher price when it comes time to sell.

Keep it cool – or warm

A large percentage of renters won't even consider a property if it doesn't have air-conditioning, so if you're renovating an older property keep this in mind. At the very least ceiling fans, which can be purchased for as little at $41 each, are a must.

> An old, dated bathroom has to be one of the biggest deal breakers for renters

Consider window dressings
Older properties are often adorned with heavy curtains that create a drab feeling. Switching to blinds can significantly improve and modernise these rooms. There is a broad range of blinds available, costing between $30 and $285 for a standard window.

Upgrade light fixtures
Light fixtures are certainly a low cost but high impact detail of any room. There is no need to invest in expensive selections. Keeping it simple with downlights and neutral, non-trendsetting selections will give any room a lift.

Dark living areas create a poor first impression. Natural lighting is always your friend, so remove any obstacles that could prevent light from entering any room. This may be as simple as trimming a low-hanging tree branch outside. Also consider your exterior lighting. Is it sufficient in providing a safe and secure residence for your tenants?

Make it neutral
Repainting the exterior can be a little expensive and out of reach; however, repainting the interior is a game changer when it comes to boosting a property's appeal. Freshening up the walls is guaranteed to deliver more interest and will certainly pay for itself. Keeping your colour palette neutral is the best way to appeal to renters, regardless of their taste.

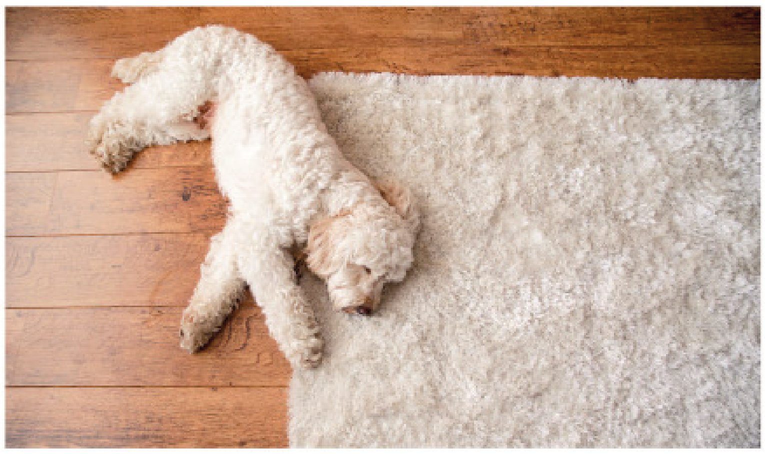
Replace handles and knobs
Doorknobs and cabinet handles are another way to make cost-effective upgrades to your rental property. Cabinet handles can be purchased for as low as $2. You will be surprised how effective this upgrade can be in modernising your rental.

Replace toilets
It is important for your toilet system to have a "low-flush" button. If not, you are literally flushing dollars down the drain. A new toilet will not only look better, but will cut water costs for your tenants. Budgeting around $500 for a very basic unit will cover a new toilet suite and installation costs by a licensed plumber.

Tidy the backyard
Maintain the yard and keep the grass and landscaping appealing. This might require a few days or weeks of effort on your part. Consulting your local landscaping professional to get advice on creating a low-cost and low-maintenance area is time well spent. They will be able to help you identify native plants that will thrive in your yard without needing too much TLC.

Build a fence
If you allow pets at your rental, then there's a good chance your tenants will come with one! Your backyard must be a safe and practical play space with a budget-friendly fence. Your fence doesn't need to be fancy – it just needs to be able to keep animals in.

Painting the exterior
Painting the exterior of your rental (circa $3500-$35,000), isn't going to be as cost effective as painting the interior. If your budgets allows it, a fresh coat of paint can make a night and day difference in your property's marketability. If a fresh coat of paint will pay for itself in just a month or two. It may certainly be worth the investment.



There are plenty of budget-friendly ways you can renovate your rental property to increase its short-term and long-term value. Set your budget and prioritise your list. Start with essential improvements and stretch that budget as far as you can.

Your rental property is an investment, but it takes money to make money. Over the life of your rental, you're going to need to invest in it. The goal, however, is to inject less money and net more income.

The best renovations are the ones that never have to happen. Maintaining rather than repairing or replacing is always ideal. However, should a renovation be in order, don't try to be too trendy. Trendy goes out of style quickly, and out of style means more frequent (and costly) renovations for you. *M*

Tracie Ellis is the CEO of Renovators Directory, the platform that brings together business owners in the renovation sector and consumers requiring their services. There are more than 100,000 businesses listed on the site, which has amassed more than 12 million views since its launch in 2020. See renovatorsdirectory.com.au

Property without the price tag

Real estate ETFs can offer diversification and low initial outlay. Here are the factors to consider.

Most Australians want to invest in property – bricks-and-mortar has many attractions. But with high house prices, good quality commercial property way beyond the means of most of us and surging interest rates, we need to look at other ways we can get a stake in property without outlaying a fortune or borrowing a cent.

Enter real estate exchange traded funds (ETFs), which are available on the Australian Securities Exchange (ASX). The good news is you can buy a parcel of ETFs for as little as $500 and instantly have a diversified portfolio of either Australian or overseas income-producing property companies.

These companies own assets in many sectors, such as residential, commercial offices, industrial, retail and more specialised areas, such as health and hospitality.

Diversifying our investments to include property, a big asset class, makes a lot of sense. Diversification across geographical boundaries reduces risk.

Access to expert management is also an attraction, but this does come with fees.

ETFs pay regular income distributions, which is particularly good for those who live on investment income. Other pluses include low initial outlay and high liquidity and transparency.

One negative is volatility: you have no control over the price of your ETF, so ideally you would not panic and sell if it fell. Another downside is having no control over the portfolio in which you own a stake.

The four local ETFs, ranked from highest funds under management down, are:

- Vanguard Australian Property Securities Index (ASX: VAP)

- VanEck Australian Property (MVA)
- SPDR S&P/ASX 200 Listed Property (SLF)
- BetaShares Martin Currie Real Income (RINC)

The two international ETFs ranked by size:

- SPDR Dow Jones Global Real Estate ESG (DJRE)
- VanEck Vectors FTSE International Property (Hedged) (REIT)

WHAT TO CONSIDER

Five factors to take into account when evaluating property ETFs are:

1. Fees and costs

These do impact on overall returns, so the general rule is the lower the better, unless higher fees are tied to outstanding performance.

VAP is the clear winner here, charging 0.23% in management fees each year. Another four, MVA, SLF, REIT and DJRE, charge 0.35%, 0.4%, 0.43% and 0.5% respectively.

RINC, which is actively managed, charges almost quadruple the cost of VAP, with a fee of 0.85%. As well the buy/sell spreads on VAP are the tightest, at 0.09%, whereas RINC's are 0.49%, meaning the total cost of ownership is quite expensive at 1.34%.

2. Income

All six pay regular dividends, even though total returns for some are now in negative territory, thanks to the sharp drop in overall share prices since March.

Current dividend yields (at time of writing in mid-July) are elevated because of this relatively steep decline in the prices. The three highest, SLF, MVA and VAP, according to data from Nabtrade, yield 6.95%, 6.67% and 6.5% respectively. The next three, REIT, RINC and DJRE, yield 4.55%, 3.9% and 3.22%. This is an indicator that RINC's higher fee does not bring superior returns at present.

3. Dividend frequency

For many investors, especially those funding their lifestyle with dividends, the more often they receive payments, the better. VAP, SLF, RINC and REIT pay quarterly distributions and MVA and DJRE pay every six months.

4. Liquidity

A key advantage of using an ETF to gain exposure to property is the ability to buy and sell your investments quickly. VAP is the clear winner on this measure, trading almost $5.6 million in average daily volume. This is also a factor of its size – it's a giant among the six with more than $2.3 billion in funds.

Among the other local ETFs, MVA and SLF trade about a fifth of this and RINC considerably less.

Of the two international EFTs, DJRE, which has $401 million in funds, trades about $4.3 million. REIT, with about $200 million under management, has an average daily volume of $3.8 million.

5. Diversification

If you are looking for a wide exposure, then the two offshore ETFs are the clear winners with 338 (REIT) and 254 (DJRE) stocks. US companies represent the biggest chunk of their portfolios, about 70%, with Japanese and European companies ranking second and third. Warehouse investor Prologis is the biggest holding for both.

For DJRE, data centre investor Digital Realty Trust (4.3%) and Simon Property Group (3.4%, the biggest owner of shopping malls in the US) rank second and third.

The second and third ranked stocks in REIT's portfolio are Equinix (4%), which invests in internet connection and data centres, and Public Storage (3%), the largest brand of self-storage services in the US.

Among local ETFs, VAP invests in 32 stocks, with its largest holdings Goodman Group (25%), a specialist global industrial logistic centre investor, Scentre Group (11%), which owns 42 Westfield shopping centres across Australia and New Zealand, and Dexus (8%), owner of a substantial portfolio of Australian office, industrial and healthcare properties.

MVA owns 18 stocks and has about 10% in several A-REITs, including Goodman, Scentre, Dexus, Stockland, which owns a large portfolio of retail town centres, workplace and logistics assets and residential, land lease and retirement communities, and Mirvac, a diversified property developer and investor with residential, office, industrial, retail and build-to-rent divisions.

SLF has 24 holdings and its biggest are Goodman (27%) Scentre (12%) and Dexus (12%).

RINC is the only one that does not track an index and its twist is it includes utilities and infrastructure stocks, such as AGL Energy, APA Group and toll road owner and operator Atlas Arteria, as well as A-REITs.

Pam Walkley, founding editor of Money *and former property editor with the* Australian Financial Review, *has hands-on experience of buying, building, renovating, subdividing and selling property.*

Fixed vs variable

STORY JACK TALBOT

Is there any value in fixing your mortgage anymore? It pays to look at the pros and cons

Interest rates have increased significantly in the past few months and aren't tipped to slow down anytime soon. They sat at a record low 0.1% for more than a year to protect Australia's economy through the pandemic.

As a result of record low rates and record stimulus spending, inflation is creeping up: it currently sits at 6.1% (June quarter) and is tipped to get as high as 8% by next year. The Reserve Bank is using interest rates in an attempt to curb spending and to reduce the heat in the economy.

The ASX 30 day interbank cash rate futures may provide some insights into what Australia's economic future may look like. Since April, we have moved from a cash rate of 0.1% to a current rate of 1.85 (June quarter), with markets predicting we will see an increase to 3.75% next year.

With an average mortgage at $600,000, this will equate to an additional $1825 in interest costs every month – definitely not an insignificant amount of money!

I still look fondly at a transaction I wrote in mid 2021, where I fixed a client's rate at 1.99% for four years. (Alas, those days could be gone forever.) Today the equivalent loan costs in the vicinity of 6.2%. At such wildly increased fixed rates, we are commonly asked if a fixed rate loan now offers any value.

The borrower market is constantly assessing the value differential between fixed and variable rates.

Fixed loans surged in popularity through the pandemic as borrowers sought certainty in an uncertain world. Nearly 50% of all loans written in July 2021 were fixed, up from around 15% in March 2020.

Today, as fixed rates creep up with the expectation of a higher cash rate, variable loans are returning as the clear favourite, with only 10% of borrowers choosing to fix.

There are pros and cons to both variable and fixed loans. However, picking the best outcome based on paying lower interest can be anyone's guess, particularly among the economists of the major banks. CBA expects the cash rate to increase to 2.60% by November whereas ANZ expects a staggering 3.35% over the same period.

In the current market, variable rates are significantly cheaper than fixed rates as the lender is predicting the cost of money to increase over the term of your loan. Understanding where the best value lies depends on the differential between the two rates – if the variable rate will meet the fixed rate over the term of your loan and when.

For example, if the current variable rate offered is 3.29%pa and the two-year fixed rate is 5.59%, this means the variable rate would need to increase 2.3% over the term for the borrower to see value in the fix. An additional point to consider is at what point in the fixed term the variable rate becomes higher than the fixed rate.

The tables, on the right, indicate the true value in the variable and fixed rates being offered by a lender.

As the property market cools with fewer purchases, lenders are switching their strategy from attracting new home loan purchasers to retaining existing customers through refinances.

The refinance war is heating up, with lenders offering low rates and cashback payments in a bid to attract new business. The Bank of Melbourne/St.George group is a big player, currently offering $4000 cashback to any successful home loan refinance of more than $250,000 with a loan-to-value ratio (LVR) of less than 80%.

When a customer attempts to leave their existing lender, they are met with a call from a retention team who are equally as keen to retain their business, offering to slash their rates and even provide a cash payment to stay.

With such a competitive market for home loan customers, our advice has never been more pertinent: we recommend you check with your mortgage broker every two years to make sure you're still on the best deal.

This is particularly important if you have recently reverted from a fixed rate back to a variable rate or you've sat on a variable rate for a while, as your discount may have reduced over time.

Interest rates are having an impact on property prices, albeit at a modest rate – Australia has seen a decline of 0.2% nationally with the largest fall in Sydney at 3%. We are in the early stages of a market decline, but does that mean it's time to panic?

It's important to keep the decline in perspective. Property prices have increased by 25%-30% through the pandemic, and many homeowners will have made a significant gain during this period.

It is not unusual for markets to see attrition in some form or another after such sustained growth. I sometimes hear newer entrants say they are nervous that they have overcapitalised or bought too late, but it's important to look at the past data to get an idea of what's coming.

Long-term performer

The Australian property market has proven itself time and again to be an excellent performer and staple asset class in any portfolio, particularly within the past 20 years, when it outperformed nearly every other asset class.

The important thing to remember here is to be patient. With the speed of information in this modern world, social media appears to have got us hooked on instant gratification, with investing being no different.

CommSec and crypto portfolios that are able to be updated in real time at the flick of a finger have rewired our brains into seeing investments as shorter term.

Australian property over a lifecycle of 10 to 20 years has shown to be a no-brainer and it's important to remember – it's going to take time.

As with any investment, you are almost never going to time your market entrance and exit perfectly – and that's okay!

As long as you have cashflow to continue to make mortgage payments through the dips in the market, property will once again shine true as a strong investment. ***M***

Jack Talbot is director of Leverage Capital.

STAY ON TOP OF RISING RATES

If you're concerned about higher interest rates, here are some tips to help you remain in control:

- Take the opportunity to get ahead of your mortgage repayments. Look closely at your finances to see if you can increase your repayments each month. This will create a buffer should you hit any cashflow bumps in the future.
- Speak to your mortgage broker to ensure you are getting the best deal. You may be eligible for a cheaper rate somewhere else or even a cashback offer – or both!
- Be careful with unsecured credit, like credit cards or personal loans. If you are struggling with an increasing cost of living, adjust your spending habits today rather than accumulate unsecured credit.
- Create a plan – understand what the next two years will look like. Do you have enough cashflow to meet your obligations? If you don't, you need to think about what you're going to do. This may involve adjusting your spending habits or selling some assets to pay back some debt.
- If you do get into trouble with your loan, be proactive. Lenders are more than happy to work with a borrower to restructure your payments – they are far more interested in helping to fix your problems than in kicking you out of your house to recover your debt.

What lenders are offering

	VARIABLE	FIXED RATE	DIFFERENTIAL
Fixed – 1 year	3.29%	4.69%	1.4%
Fixed – 2 years	3.29%	5.59%	2.3%
Fixed – 3 years	3.29%	5.79%	2.5%
Fixed – 4 years	3.29%	6.19%	2.9%
Fixed – 5 years	3.29%	6.29%	3%

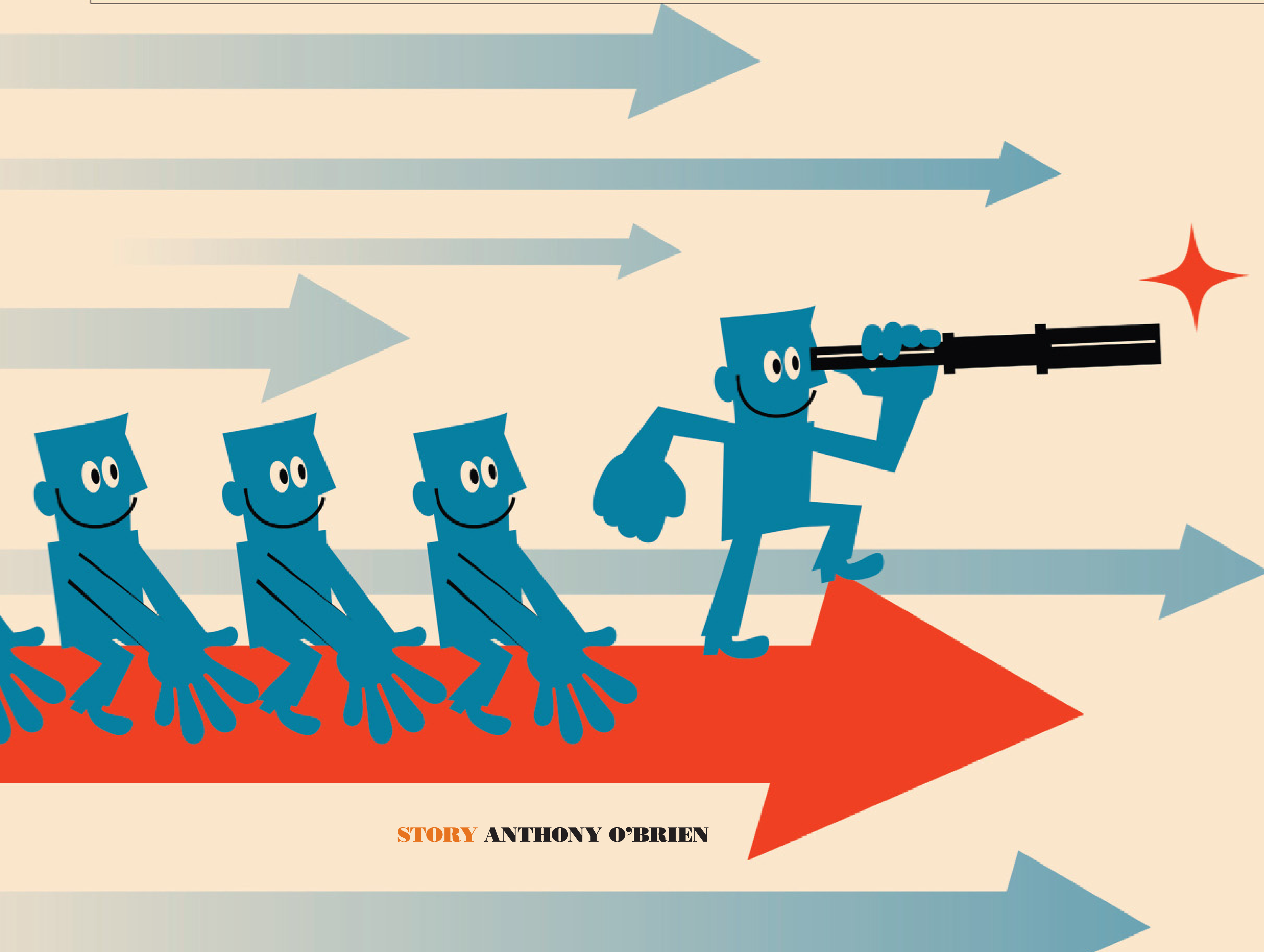
Actual rates offered by a major lender as at July 15, 2022

Cash rate predictions by November 2022

LENDER	PREDICTION
ANZ	3.35%
CBA	2.60%
NAB	2.60%
Westpac	2.60%

Actual rates offered by a major lender as at July 15, 2022

Check with your mortgage broker every two years to make sure you're still on the best deal



STORY ANTHONY O'BRIEN

Traditional fixed-income products are not getting a lot of love, but experts say alternatives such as corporate and private debt could offer good value

Expand your search for cash

With volatility high across most asset classes at present, it can be worth considering fixed-income alternatives that deliver income without a considerable uplift in risk.

"When we look across the world in fixed income, we are identifying a lot of attractive relative value in investment-grade securities," says Adam Grotzinger, a senior portfolio manager at Neuberger Berman, an investment management firm.

"And you can achieve upwards of 5% yield pretty easily with a high-quality, straightforward investment-grade portfolio."

He adds that corporate debt is attractive and believes the "triple B part of that market has some interesting value": telecommunications, cable media and US banks are three industries that offer good value.

"We also like current production agency mortgages in the US, which are a high-quality liquid asset, backed by the full faith and credit of the US government," he says.

Dania Zinurova, the portfolio manager for WAM Alternative Assets, says there are numerous fixed-income alternatives available to investors, and they can provide strong, risk-adjusted yields with low volatility within the alternative assets space.

She believes these investments can provide a powerful alternative to conventional fixed income. "Valuations on alternatives are done less frequently compared to more traditional asset classes, and so more wholly reflect long-term underlying fundamentals as opposed to short-term market volatility."

Zinurova says also that the highly specialised nature of the alternatives market and low number of participants mean more favourable terms can often be negotiated, including high yield relative to publicly listed counterparts, and inflation hedging through CPI-linked cashflows embedded in contracts.

"Certain types of unlisted infrastructure investments, which are largely non-discretionary in nature, such as schools, hospitals and renewable energy, are often characterised by long-term contracts with highly creditworthy counterparties, and monopolies or high barriers to entry can provide regular and reliable streams of income through economic cycles," she says.

"Investments in some types of natural resources, such as investments in water rights, can be a valuable source of diversification in the income-producing component of a portfolio due to their returns being driven by a different underlying risk premium (that is, climactic conditions) than that of publicly listed stocks (the equity risk premium)."

Stuart Dear, the head of Australian fixed income at Schroders, argues that it is important to distinguish between risk to underlying cashflows and mark-to-market risk.

"Some fixed-income alternatives have avoided the mark-to-market volatility but could be subject to underlying cashflow impairment ahead," he says.

Meanwhile, Schroders sees opportunities in private debt, which has avoided much of the mark-to-market volatility by virtue of its floating rate nature and reduced sensitivity to daily market moves.

Even so, "a very prudent approach to assessing credit risks is required as we enter the more difficult phase of the economic cycle for borrowers".

Other fixed-income alternatives may be appealing if they genuinely offer exposure to different types of underlying economic risk.

"If your portfolio has a concentrated exposure to corporate risk, various forms of securitised debt may offer some diversification. Debt linked to activities with low correlation to the economic cycle, for example, insurance-linked securities, are likely to be truer diversifiers."

Beware hidden risks

As Roy Keenan, co-head of Australian fixed income at Yarra Capital Management, points out, the issue of where to generate income without too much risk is the million-dollar question for all investors.

"There are lots of asset classes that people say will give you income, but capital volatility is quite often the trade-off," he says.

"As much as fixed income over the past couple of months has been very volatile relative to its long-term history, it has still been less volatile than many other asset classes. But it is a truly income-focused product. You're not really in there for the capital gains that you may be trying to get with equities."

He says it is "very hard" to get additional return without taking risk and cautions that the risk may be hidden in some alternative products. It could be liquidity risk or some other financial risk that isn't obvious, especially to retail investors.

"There is never a free ride. If you are getting something, you are paying something else for it."

Role of private debt

Australia's superannuation sector is increasingly showing interest in private debt, and there are a range of factors driving both activity and opportunities in the space, but it's an asset class that also brings challenges.

"Private debt is often considered a safe harbour in times of economic turbulence, with covenant packages and often real asset security providing additional comfort. This allows managers to step in early and take proactive steps to protect the principal of their investors at the first signs of stress," says Dear.

He adds that with rate hikes underway and more expected in the near term, the floating rate nature of private debt can provide reassurance to investors' principal and interest in the event of rate rises.

"With inflation risk looming on the horizon, history tells us that rates generally rise as inflation pressures mount. So, while not a direct hedge, floating rate debt may act as a protection mechanism against such inflationary pressures."

He says credit analysis needs to be even more focused in such times, as these pressures are also creating stress on the cashflows of underlying borrowers. He believes this calls for an increase in the amount of downside analyses on cashflows that should be undertaken.

"The benefit of private debt is the depth and breadth of information provided about company cashflows. This, combined with the ability to get much closer to the management of our borrowers, allows for a more granular understanding of how strong these cashflows are in relation to the terms and conditions on offer."

Private debt, like many alternative asset classes, encompasses a broad range of strategies that vary significantly in their risk-return characteristics. This enables the asset class to perform well across market cycles and work well as an alternative to fixed-income investments.

"The withdrawal of liquidity from the banking sector has led to a supply and demand imbalance, creating the potential for strong risk-adjusted returns," says WAM's Zinurova.

"Over the past decade, low interest rates have driven demand for higher-yielding alternatives and have led institutional investors to increasingly shift their allocations from conventional fixed income to private debt in order to achieve their risk/return objectives."

She expects this trend to be further supported by the floating rate structure of many private debt instruments, which provides a valuable interest rate hedge in an environment of high inflation and increasing interest rates.

Historically, lending in Australia has been dominated by the big four banks. However, recent regulatory changes, led by the Basel Accords, an agreement drawn up by central banks, have seen them withdraw from the sector. As a larger provision of debt financing is required from non-bank financial institutions, Australia's nascent private debt industry has been growing rapidly.

For investors seeking strong income with reduced volatility through economic cycles, Zinurova says senior loans in particular offer the potential for stable, frequent cash returns.

"Senior loans are characterised by lending to highly cash-generative businesses, extensive due diligence processes, first-ranking security (that is, paid out first in the case of insolvency or bankruptcy) and bespoke structures with extensive maintenance covenants to protect against credit deterioration and ensure recoverability in the case of a default," she says.

Risk versus return

For Hamilton Wealth managing partner Will Hamilton, the benefits of private debt need to be balanced with additional risks.

"We had a designated private debt allocation, and I want to stress that it is very different from fixed income. You need to look at liquidity. You need to look at what the underlying investments are and what the risk is," he says.

"This is an area for us that over the past eight years or so has paid good, stable returns. But we also recognise economically that the environment is different and we are watching it with a lot more caution."

Neuberger Berman manages a $16 billion private debt business globally, and Grotzinger confirms there is an appetite for private debt spanning institutional clients and high-net-worth individuals. This is partly a function of wanting to achieve higher levels of running yield and lower levels of mark-to-market volatility in a portfolio.

"What we have also seen, particularly as the private debt market has grown over the past 15 to 20 years, is that it has expanded to all types of areas of private debt – not only corporate, general-partner-backed, mid-market loans, but also consumer financed areas of the business. Clients are increasingly blurring the lines between public and private, or liquid and illiquid, fixed income. It's simple: it's about how can I get more unit of return, higher levels of yield and continue to reduce my volatility?"

While he acknowledges the benefits of the sector and why it's growing, Jonathan Sheridan, director of fixed income and investment strategy at FIIG Securities, sees two main points of appeal driving the market.

The first is opportunities to lend to issuers/borrowers who have no need to access public markets for whatever reason.

"It may be that they do not want to pay for a credit rating, or their business is too small to satisfy the minimum size requirements of a public issue (typically $200 million-plus), or the borrower is in a specialised field where detailed credit work is required to understand the particular risks," he says.

The second driver is the opportunity to capture an illiquidity premium.

"Just as in private equity, private debt is not marked to market. This sometimes offers the illusion of stability in capital price as the positions are not marked to market on a regular basis. As most of these loans are not made in security format and therefore are not tradeable on a public market, the illiquidity for the investor must be compensated for in the form of a higher return than might be paid for an identical issue in the public markets."

Nick Lloyd, principal adviser at Income to Live Financial Planning, says private debt is stepping into the opportunity created by

Private debt: what does it all mean?

Is this your first time reading about "private debt" and you can't make head nor tail of it? You're not alone.

The world of private debt investments was once a closed door to the average investor and for good reason. Investing in shares for the first time can be daunting as it is, let alone investing in something that is potentially more complex many times over.

What might surprise many, however, is that they already have money in private debt and don't know it because it's done on their behalf by their super fund.

Many super funds have ramped up their investment in the sector. AustralianSuper, one of the top-performing super funds in the country, said that it plans to have $15 billion of investments in private debt by 2024, up from over $5 billion a year ago. DIY investors in the US are ahead of the curve with more than $US1 trillion of their retirement savings going to private debt.

Why the sudden interest in this asset class? Put simply, traditional sources of fixed income haven't been delivering the same rates of return as they have done in the past.

Covid-19 made banks more risk-averse and companies needing to borrow money turned to non-bank lenders, bolstering the private debt market. Rising inflation cemented the trend.

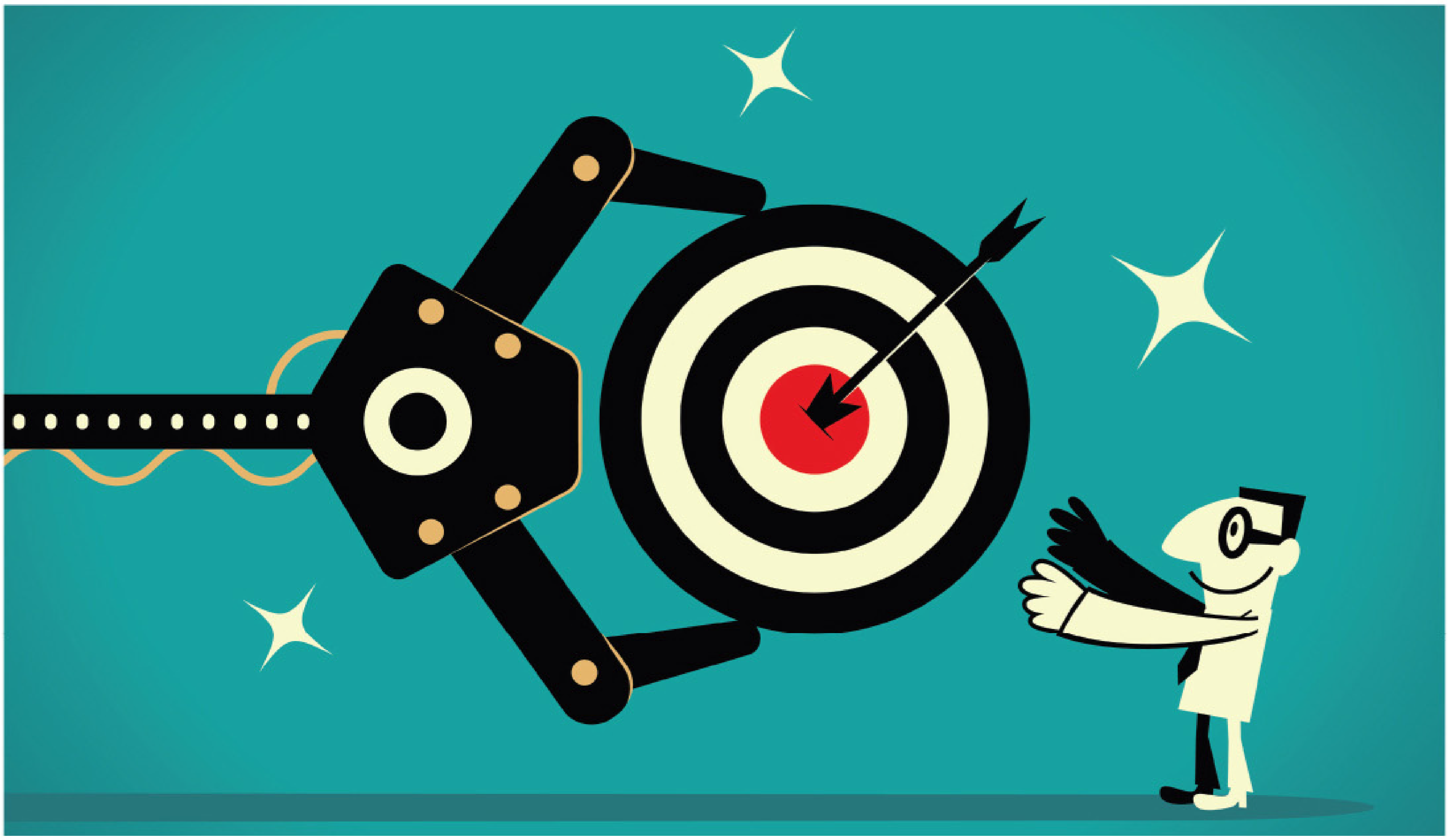
Private debt is money lent to individuals and businesses in exchange for an agreed interest rate. These debts are bundled inside a private fund that can then share the interest earned to its investors.

The returns vary because there are at least 600 fund managers in the country that can offer private debt products.

How do you buy them? Therein lies the rub. Many private debt products are geared for so-called "wholesale" investors. In Australia, these are investors who have net assets worth more than $2.5 million or at least $250,000 a year in gross household income, or both.

Investors outside this category are called "retail", which for all intents and purposes, are those of us who are just starting to build our personal wealth.

Metrics is one of the few private debt specialist funds that cater for retail investors. For example, for a minimum investment of $1000, you can have access to private debt



regulated banks moving out of lending to certain sectors – or where their pricing was uncompetitive and where corporate bond markets are not accessible to borrowers.

Private debt can offer attractive risk-adjusted returns as part of a diversified portfolio – so long as the underlying portfolio is well managed.

"The challenge is primarily in the management of the portfolio," says Lloyd.

"In the listed private debt space, we saw a dislocation of prices to net tangible assets during the crunch of Covid in early 2020 and again last month. This can be seen as both a challenge and an opportunity." *M*

This article first appeared in financial services newspaper Financial Standard, *a sister publication of* Money *magazine.*

through its **Metrics Direct Income Fund**. The fund aims to return 5.10% a year net of fees, which appeals to those who are searching for returns above the cash rate.

As with any other investment, it's best to speak with a professional financial adviser to gauge if investing in a private debt fund is right for your personal circumstances.

For investors who want the transparency of ASX-listed funds, Metrics also offers the **Metrics Income Opportunities Trust (MOT)** and the **Metrics Master Income Trust (MXT)**.

Private debt, by its nature, is not meant to be publicly listed so the trade-off here of investing in trust vehicles is that they are vulnerable to market sentiment, which has more to do with how investors feel about the stockmarket than about the real prospects of the underlying private debts.

A couple of interchangeable terms you'll come across in our article are **"marked to market"** and **"mark to market"**. People who work in the finance business, such as accountants, stockbrokers and fund managers, use this term to refer to how a certain investment is priced at the end of a trading day.

For example, you may have bought a certain unit trust at $5 per unit on a Monday, but the next day the government announces bad news about the economy and that unit price could be marked to market as worth $4.80. The circumstance of that investment didn't change in 24 hours, but markets did.

Conversely, the government might release good news about employment numbers three days later and the unit trust is priced at $5.10. Again, the situation of the underlying investments in the unit trust hasn't changed, but the price reflects market confidence.

"Investors turn to private debt funds for mainly higher returns, but it is important to remember there is no such thing as a free lunch," says Max Riaz, investment director at Banyantree Investment Group.

"Private debt could be a small exposure in your otherwise diversified investment portfolio. Manager selection is everything and their experience in managing loan defaults in slower economic times should be the number one selection criteria."

Next-gen's retirement guarantee

Millennials may be doing it tough today, but as the first generation to come of age in the era of bigger contributions they'll reap the rewards tomorrow

It's easy for millennials to feel hard done by. Unlike their parents, they're unlikely to have a job for life or be able to buy their first home easily.

But there is one area where they will be better off. Come retirement, they will have accumulated far more super than their parents.

Why is that? For starters, when super was introduced three decades ago, the compulsory employer super contribution, or super guarantee (SG), was just 3% and default super, where most of the money goes, didn't have the close regulatory oversight it has today.

Much has changed since then.

Millennials now enjoy a SG of 10.5% and strong MySuper investment performance. Super funds that fail to deliver are encouraged to merge with better funds by a watchful regulator.

Millennials, born between 1981 and 1996, are about to overtake boomers as Australia's largest demographic. They are the beneficiaries of the improvements that have been introduced since super's inception.

"One of the great benefits of our maturing superannuation system is that on average a millennial will retire with a great deal more super than their boomer parents," says Martin Fahy, CEO of the Association of Superannuation Funds of Australia (ASFA).

"Currently a boomer aged 60-64 has an average balance of $180,000 if male and $140,000 if female, whereas a millennial, aged 27 with a $30,000 super balance and earning $60,000 a year, is projected to have $555,000 at age 67."

He says there are a number of factors driving this.

"Unlike many of their parents, millennials will benefit from having access to compulsory super for their whole working lives. The contribution rate has also been much higher with the SG currently set at 10.5% of wages and legislated to increase to 12% by 2025.

"With decades of data now at hand, we know that investing at scale for the long term, and benefiting from the expertise of large, professional, highly regulated investment teams, is absolutely key to delivering the best retirement outcomes."

Ignore the fads

Fahy encourages millennials to engage actively with their super. This means to be well informed and avoid being sucked in by new technology and investment fads.

"We encourage people to focus on wider ESG [environmental, social and governance] issues, their risk appetite and key life events such as career breaks, carer responsibilities and so on, rather than succumbing to the allure of app-based real-time investing or other individual decisions, however tempting that might be.

"The benefits of professional investment of pooled funds into diverse asset classes cannot be underestimated."

He says ASFA's current super balance trajectory shows that by 2050, 50% of retirees will be living comfortably, double the current proportion of retirees.

Alex Dunnin, director of research at Rainmaker Information, which publishes *Money* magazine, says having super your entire working life for over four decades makes a dramatic difference.

"That alone means millennials have had compulsory super working for them year in, year out. Most young people joined the system when it was 9%, which makes a massive difference. They are going to be sitting pretty in retirement with large super balances. It might be that younger people finally get a financial break in this country!"

The average age of super members is currently 43. The economic momentum is still with older people, who have bigger portfolios, but this will inevitably change, says Dunnin.

The SG is set to rise, in annual increments of 0.5%, to 12% by July 1, 2025. Although an SG of 15% was initially suggested at the start of super, Dunnin says that's highly unlikely now.

"As time has gone on, super has grown much bigger and faster than anyone dared dream. Who would've thought that we'd now be sitting on $3.5 trillion? It's on its way to between $6 trillion and $10 trillion, depending on a few assumptions.

"15% going into super is pretty extreme and means people might have heaps in super but they can't afford a house along the way. Not owning a home when you retire is one of the biggest leading indicators of having a tough retirement."

SG at 12% is about right, he says.

Rise of the mega funds

Dunnin believes super will be the bedrock of the millennial retirement plan and their whole financial economic life, whereas boomers had to create it out of nothing. "To retire you need money in your account. You need people who can run the money and get decent returns year in and year out."

The industry is focused on lower fees, improved governance and stronger performance, with poorly performing funds required to inform their members and merge with stronger funds. He reckons the industry will come down to 10 to 20 mega funds.

He points out that superannuation is a long-term investment. "When there's a market crash it's awful, but markets recover, super funds recover. If they are well led, they will always get through the crisis. It doesn't mean you won't have one, but they will get through it. Super does its job."

TAKE CONTROL TO MAKE IT WORK HARDER

Rainmaker's Alex Dunnin gives the following pointers for staying on top of your super.

For starters, check which fund you are in, read its statement and take note of its performance.

"How does its performance compare with other super funds. If it's below average, that's not a good sign, particularly if five-year returns are lower," he says.

"What fees are you paying? If you're paying more than 1%, you're paying above the odds. The more you pay, the harder your investment returns have to work."

Dunnin says consumers mistakenly believe paying more gives them greater advantage. "Paying more doesn't give you a better product. It might give you more investment options, a better website, access to a financial planner, but maybe you are just being ripped off.

"It's all about investment returns. The average return over 10 years is 7%. Maybe you're getting 8% or 9%.

"It might sound almost the same, but it makes a massive difference over the long haul. It flips the other way, too. If you are getting a bit below average, it has massive impacts over the long haul.

"So, if it's not ticking all the right boxes, do something about it. Consider switching to a super fund that has consistently delivered good returns over the long term.

"The system is built to allow you to take control. That way you will reap the benefits. Super has got this uncanny knack of surprising us on the upside."

He says switching is easy. "You can go to any fund's website and say you want transfer into their fund. Or do it through the tax office's website."

To compare MySuper funds go to ato.gov.au/calculators-and-tools/yoursuper-comparison-tool.

Vita Palestrant was editor of the Money section of the Sydney Morning Herald *and the* Age. *She has worked on major newspapers overseas.*

If a cold war turns hot

China's plans for Taiwan are a known unknown. So, how should investors position for this risk?

In markets, as in life, there are risks we know and can price and plan for. Then there are risks we know that we don't know (known unknowns) – you can still plan for these but not necessarily price them accurately. And, finally, there are "black swan" risks that we don't know we don't know (unknown unknowns) – you can neither price them nor plan for them.

Russia's invasion of Ukraine was an unknown unknown risk – at least up to the point where Vladimir Putin started mobilising his army at Ukraine's border in 2021, when it became a known unknown. We are seeing the consequences of that risk now manifesting through war in Ukraine and inflation across the world.

The Covid-19 pandemic was another unknown unknown risk that quickly transitioned to a known unknown for a few weeks in early 2020, when we started hearing stories of an unknown virus spreading overseas but couldn't quite work out its economic impact – and then it inflicted itself with full force on the world.

So, by that definition of unknown unknown risks, I can't enlighten you on what could be around the corner for markets as a black swan event.

However, there is currently a significant known unknown systemic risk of China walking into Taiwan. This will not be without a war, and the magnitude and economic consequences of that are anyone's guess.

If I was to hazard a guess, we will most certainly be looking at military and economic consequences at multiples of what we have experienced from the Russia-Ukraine war.

Tactical allocations

I see the China-Taiwan dispute being a major known unknown risk for markets until it is resolved or neutralised politically. It is difficult to price this risk, but investors with a set-and-forget approach should set their portfolio construction with a "reasonable" probability (I don't have a number) that this risk manifests at some stage over the near to medium term.

For investors with a more dynamic approach to asset allocation, there is margin for flexibility in portfolio allocations and being tactical around this risk. Let me explain.

First, let's get some sense of the magnitude of the potential consequences for the global economy and markets should China go to war with Taiwan.

Such a war would likely involve some level of involvement by the US. President Joe Biden made an off-the-cuff statement to journalists in May that the US would get involved militarily to defend Taiwan against China. However, that was quickly followed by an official statement by the White House, which maintained its policy of strategic ambiguity.

The US acknowledges Taiwan as a province of China under the "one China policy". But it also endorses the *Taiwan Relations Act*, under which the US is committed to providing military means to Taiwan so it can defend itself.

I see this second aspect as similar to the way the US is providing military support to Ukraine through equipment and funding without committing its own troops on the ground.

Taiwan's key role

Why is the US even bothered about Taiwan defending itself when clearly it acknowledges Taiwan to be a province of China? It's not economics; it's security through a strategy of containment.

Taiwan is an island state midway along the south-eastern coastal border of China, at the midpoint of the East and South China seas. From the US perspective, Taiwan is an important location from where it can keep China's naval forces backstopped and prevent them from expanding their influence and reach into the western Pacific and directly pose a threat to US territories including Guam, Hawaii and the continental US itself.

Other than that, Taiwan is not a significant trade partner for the US to protect its economic interests so fiercely. Furthermore, the US alliance with South Korea, Japan, Taiwan and the Philippines forms a forward-leaning defence line against China, up and down its coastline. And the US will likely put up a solid resistance against China's attempts to invade Taiwan and break the integrity of this line of defence in the East and South China seas.

As China continues to grow its economy, technology and military, it is logical to assume that the US is likely to continue hardening its defences in the China seas. This will likely precipitate a long, drawn-out cold war (already under way) with risks of a hot war remaining volatile.

Destructive outcome

An all-out hot war, which would involve full engagement of US naval, air and land forces, is unlikely given China has built up a significant military capability of its own in recent decades. When you add its strong alliance with Russia, it is safe to assume the combined military power of Russia and China would almost guarantee a MAD (mutually assured destruction) outcome in a hot war between the US and China in the Pacific.

But a lesser form of hot war may involve a combination of the US providing military equipment to Taiwan with no US troops involved, other than in a limited strategic capacity. This would be similar to the play book of the Russia-Ukraine war.

In that scenario, economic sanctions will be where the mutually assured destruction is likely to be played out. China's current wealth is largely held in $US3.2 trillion of international reserves, which includes more than $US1 trillion in US treasuries, another $US217 billion in foreign asset-backed securities and $US273 billion in global equities.

Also, Chinese companies have hundreds of billions of dollars in direct investment in the US, Europe and Australia. Thus, US-led sanctions and seizure of these assets would wipe out decades of prosperity that China has worked hard to accrue. This would hurt China profoundly!

3 FUNDS TO WATCH

ETFS Physical Gold

The exchange traded (ASX: GOLD) offers investors a low-cost access to physical gold through the stock exchange and avoids the need for them to personally store their own bullion. GOLD is backed by physically allocated gold bullion held by JPMorgan Chase Bank (the custodian) in London. Each physical bar is segregated, individually identified and allocated, which means there is no credit risk. Investors can choose to redeem units for the physical holdings.

Perpetual Diversified Real Return Fund

The fund targets CPI plus 5%pa rolling five-year returns. As a guide, it aims to deliver an asymmetric outcome of two-thirds of the return of a typical balanced fund in strongly rising risk markets with one third of the drawdown in falling risk markets. The fund provides investors with attractive exposure to asset classes that are otherwise difficult to access, especially around hedging strategies.

Pendal Focus Australian Share Fund

The fund has an actively managed portfolio of Australian shares (15 to 30 stocks), which exhibits high-conviction ideas to deliver higher alpha. It aims to outperform the S&P/ASX 300 Accumulation Index over five years or more. In our view, the team can undertake in-depth research across the market capitalisation spectrum to uncover an informational advantage relative to other market participants.

More economic pain

Interestingly, advanced countries led by the US and Europe also have much to lose in case of mutually imposed economic sanctions with China during a lesser form of hot war limited to Taiwanese borders.

China could nationalise much of the stock of foreign direct investments in the country, worth $US1.9 trillion, and also freeze $US1.2 trillion of Chinese domestic stocks and bonds owned by foreign investors. Furthermore, Chinese entities have incurred $US2.7 trillion of external debt mostly in US dollars and euro, which they may stop servicing in retaliation.

So, in overall numbers, China has about $US3.4 trillion of identifiable international assets at risk of sanctions, and international investors have a $US5.8 trillion investment exposure to China. China, therefore, has more margin to inflict economic pain.

Moreover, these calculations don't count the economic disruption to the significant trade routes to and from China and Taiwan that service the world's markets. Inflation would be out of control in the advanced economies due to a shortage of goods everywhere.

Build portfolio resilience

These considerations will set the parameters for geopolitical rivalry based on economic MAD followed by more catastrophic nuclear MAD. So, it is improbable that a fully fledged hot war will be played out directly between the US and China.

A more plausible scenario is that Taiwan could well be invaded by China and the US responds with Ukraine-like indirect support for Taiwan's military without a direct involvement.

There will likely be economic sanctions on China, but within a framework agreed to by China's multilateral trading partners.

China will respond with its own set of sanctions on what assets it will seize in China and what goods it won't import and export. All this will equate to inflation for advanced economies and losses for foreign investors in China and in their home markets due to a huge sell-off.

So, what should a set-and-forget investor do about the known unknown China-Taiwan risk?

The short answer is build your portfolio's resilience to such a shock by having a greater tilt to the US and Australian equities and bonds. From a bottom-up approach, invest in companies that are less dependent on China from a supply and demand perspective.

And, as I mentioned in last month's column, have some allocation to gold as a hedge against the worst-case scenario of out-of-control inflation due to a potential hot war and supply disruptions.

Max Riaz is an investment manager and director at Banyantree Investment Group, with responsibilities across equity and multi-asset strategies. See banyantreeinvestmentgroup.com.

Need help?

Useful numbers and websites

Australian Communications and Media Authority
1300 850 115
acma.gov.au

Australian Competition and Consumer Commission
1300 302 502
accc.gov.au

Australian Financial Complaints Authority
1800 931 678
afca.org.au

Australian Securities and Investments Commission (ASIC)
1300 300 630
asic.gov.au

Australian Securities Exchange
131 279
asx.com.au

ASFA
1800 812 798 (outside Sydney)
9264 9300 (Sydney)
superannuation.asn.au

CPA Australia
1300 737 373 (within Australia)
+61 3 9606 9677 (outside Australia)
cpaaustralia.com.au

Do Not Call Register
If you want to reduce telemarketing calls
1300 792 958
donotcall.gov.au/contact-us/contact-details

Fair trading/consumer affairs
ACT: 132 281
NSW: 133 220
NT: 1800 019 319
QLD: 137 468
SA: 131 882
TAS: 1300 654 499
VIC: 1300 558 181
WA: 1300 304 054

Financial Counselling Australia
1800 007 007
financialcounsellingaustralia.org.au/contact

Financial Planning Association
Listing of financial advisers
1300 337 301
fpa.com.au/about/contact-us

Human Services (formerly Centrelink)
Families: 136 150
Older Australians: 132 300
humanservices.gov.au

illion
For a copy of your credit report
132 333
illion.com.au

Legal Aid advice (free)
ACT: 1300 654 314
NT: 1800 019 343
NSW: 1300 888 529
QLD: 1300 651 188
SA: 1300 366 424
TAS: 1300 366 611
VIC: 1300 792 387
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SECTOR UTILITIES

'Stable' takes on a new meaning

If the pandemic has taught investors anything, it's that complacency can be costly

Stability. It's a word some of us might have taken for granted a few years ago. We might not have even thought of 2019 as "stable" but, well, 2020 tended to recalibrate a lot of things.

The time since has been something of a roller-coaster ride in many parts of life, not least the sharemarket. A sudden 38% drop (in just a month and a few days), followed by recovery, exuberance (technology sector, I'm looking at you) and subsequent despair, pretty much tell the chronological story of the ASX in the past 2½ years.

Partly, it's a story of changing investor expectations. But it's also a story of changing and uncertain business circumstances, culminating – for now at least – in multi-decade highs for consumer and business price inflation.

Those of us who have grey (or less) hair might remember the early 1980s, but it was a long time ago, and investing memories tend to be short at the best of times. Plus, pain and uncertainty are pretty universal, and even the most experienced investor still feels the effects of both, even if they've learned to manage them.

But ... back to stability.

There was a time we considered toll roads to be stable cashflow businesses. Ditto airports. In the event, that was just another preconception that Covid helped shatter. And that's probably no bad thing: complacency can be bad news for investors.

And what of other businesses – reliable cash generators like, well, utilities. These were the dependable, so-called "widows and orphans" stocks that weren't likely to shoot the lights out but also weren't going to scare the horses, either. But now? In 2022?

The evidence would say that's another assumption best consigned to the "mistakes we didn't know we were making" pile. You only have to look at the results from AGL Energy and its listed and unlisted brethren to know that if "business as usual" was ever a thing, we're not in Kansas anymore, Toto.

Energy retailing is cut-throat, low-margin territory, with everyone selling the same thing with a different badge. Generation is a battle for the future, with the changing energy mix making investment returns uncertain on new projects, and low-cost renewables taking a larger and larger share of the energy mix, undermining ongoing profitability for the incumbents.

As I said, I'm not sure any of this is a bad thing for investors. Not because "stability" isn't desirable, but because you're better off knowing in advance that it's not possible to find it, rather than discovering that too late.

Which isn't to say it's not possible to at least prioritise that stability, as long as you've covered your investing bases.

Best in Breed's tips so far

SECTOR	STOCK	ASX CODE
Discretionary retail	Wesfarmers	WES
Consumer staples	Woolworths	WOW
Resources	Fortescue Metals	FMG
Financials	Pinnacle	PNI
Healthcare	Cochlear	COH
Technology	Technology One	TNE
Fintech	Netwealth	NWL
Utilities	APA Group	APA

Foolish takeaway

That leads us to a familiar name in these pages: the pipeline business APA Group (ASX: APA).

It is essentially a monopoly business for the most part, given it makes little sense (and exactly zero financial sense) setting up competing transmission infrastructure. The cost would be prohibitive and APA could simply lower its prices to maintain market share.

And while it's true that gas's place as an energy source is currently being hotly debated – and, as I have said, complacency is never a good thing – the business should have plenty of visibility of contracted volumes and changes in its future operations. (And with "vigilance" as our new watchword, that just means investors need to check in regularly enough to see that coming, if there are changes afoot).

So, with clear recognition that nothing is forever, and with a weather eye on the future, APA Group is again our utilities Best in Breed in 2022.

Scott Phillips is The Motley Fool's chief investment officer. You can reach him on Twitter @TMFScottP and by email ScottTheFool@gmail.com. This article contains general investment advice only (under AFSL 400691).

STORY ROGER KINSKY

Chart your way to success

Knowing how to interpret charts is important for successful investing, whether you're holding for the long term or going for a quick profit. Charts are readily available and often free.

Why use a chart? The beauty of charts is their immediate visual impact. It's the difference between looking at a photo of a scene or a person compared to trying to form an impression from a description. Charts allow you to see at a glance how the share price has been trending rather than trying to plough through rows and rows of figures.

Charts may be used for two main purposes:

- Monitoring. They allow you to easily keep tabs on the price action of the shares in your portfolio. The value of your portfolio is the sum of the values of each of your shares and the value of a shareholding is the price multiplied by the number of shares.
- Trading. When you're contemplating buying or selling, charts are an essential tool that helps you to decide if you really want to go ahead with the trade right now or whether it might be better to defer (or abort) your plan. That's to say charts allow you to better time a trading decision.

There are many types of charts, but the most useful is the daily price chart.

As you would expect, it shows the closing share price each day over some past period. The way the price is shown can vary considerably, but the most common ones are:

- **Line chart** – shows daily closing prices as a line.
- **OHLC chart** – so named because this chart

indicates opening, high, low and closing prices. A bar is drawn each day showing the price range for the day between the lowest and highest trade price. This line also has two small horizontal bars on it showing opening and closing prices. These could be the same as the high and low prices but often they are different.

- **Candle chart** – essentially the same as the OHLC but with a coloured bar rather than a line. The colour indicates whether the closing price was higher or lower than the opening price; that is, whether the price move that day was up or down. Up days are usually green and down days red, but other colour schemes may be used.

The line chart is the simplest and easiest for a beginner to charting. I prefer the candle chart because of the additional information it provides, but if the chart is over a period longer than about one year there are so many bars they tend to merge. In this case, the OHLC chart or line chart is better.

OBTAINING CHARTS

If you trade online, your online website should provide a charting facility, but anyone with access to the internet can obtain charts. All you need to do is search using "share price charts" and you'll discover many sites that provide free charts.

Once you've entered a site you can obtain the chart of the share you want by typing in the share code, such as BHP (BHP) or WOW (Woolworths).

You can also get a chart of a market index; for example, if you type in XAO you'll get a chart of the All Ords index. You can also get a chart of a sector index; for example, XFJ is the financial sector index.

CHART TYPES

Charts vary in a number of ways, such as:

- Format – size, colour scheme, type of chart, time period and so on.
- Amount of information provided – indicators and tools available.
- Time delay – how up-to-date is the chart?
- Extent to which you'll be able to customise the chart.

If you're a beginner to charting, any chart you can access will be useful, but down the track you'll probably want to customise the chart in various ways and you'll need a dedicated site.

In my opinion, the best free charting site is BigCharts, which is the one I use. The charts provided are up-to-date and you're able to customise them in many ways.

In addition, many indicators are available to you, and the charting page provides heaps of other useful info including price earnings and yield. If you download the site on your device, you can save your preferred format

Listen to our **Friends With Money** podcast #52 **Starting With Shares**

and it will appear automatically next time you access the site.

Another good site is IncredibleCharts.com, but its free charts are a month data-delayed and not much use. If you want an up-to-date chart you need to subscribe ($11.95 a month).

TIME PERIOD

Most charting sites allow you to vary the time period of the chart; that is, how far back in time the chart commences. Common time periods are: one day (intra-day), one week, three months, six months, one year or two or more years,

The common default time period is one year, but you should be able to select your preference. The time period you choose depends on the essential reason you're investing in shares.

If your aim is to make a quick dollar from a short-term trade, or if you're contemplating a trade in the near future, you'll want to focus on the most recent price action. Then a short-term chart, such as a three-month or six-month chart, will serve you best.

If you're considering a share as a long-term proposition or if you've bought a quality share you intend to keep for a long time, two or more years is more appropriate.

A really short-term one-day chart is very useful on the day you're considering a trade as it allows you to see how the price is moving on that day. For example, if the price has been falling, you may want to consider deferring a purchase or immediately initiating a sale. However, not all charting software provides this chart.

A good strategy I use when I'm considering a purchase for longer-term investment is to look at a two- or three-year chart and then one for the past six months. On the day of my proposed purchase, I use a one-day chart. For general, regular monitoring of my portfolio, I use six months as my default time period.

Note: On many sites the default presentation is a price chart and underneath there is another smaller bar chart showing volume of trades. The volume chart enables you to gauge the amount of trade interest, but I usually delete it and use the space for other indicators.

Sometimes you may notice one or more gaps on a chart. A gap is a sudden jump in price and can be either up or down.

Down gaps are very common with shares that pay a dividend as the price almost always gaps down by the amount of the dividend on the ex-dividend day.

Up gaps indicate some unexpected, favourable change has been announced or is imminent.

Small gaps aren't usually of great importance but if you notice a significant gap it's well worth investigating.

TRENDS

Whether or not you realise it, when you look at a chart you're really trying to identify a trend; that is, the general direction of price movement. Despite all the complexities of charting, there are only three basic share price trends:

- Uptrend – the price is rising.
- Downtrend – the price is falling.
- Sidetrend – the price is "in a rut" and going nowhere in particular.

The importance of trends is summarised in the well-known saying "the trend is your friend".

My golden rule is: buy when the price is in an uptrend and sell when the price is in a downtrend.

Another way of looking at this rule is: don't buy in a downtrend and don't sell in an uptrend.

If you follow my rule you won't always be right, but you'll more often make good decisions rather than poor ones. Sometimes it's a real temptation to go with a gut feeling rather than obeying the rules.

A common example of this is when you've bought a share and as you hold it the price rises so you're making a good paper profit. The natural tendency is to sell and cash in your profit lest the price fall and your profit erodes or even turns into a loss.

If you obey my rule, you'll ignore this temptation and continue to ride the uptrend and sell only if the price starts to trend down.

TREND SHAPES

Chartists usually identify trends as straight lines, but in reality prices don't often change this way. Rather, a trend line usually consists of a rather complex combination of directions and this makes overall trend identification more difficult. For example, as illustrated in **chart 1**, a long-term uptrend could include a number of shorter-term side trends or even downtrends within the main uptrend.

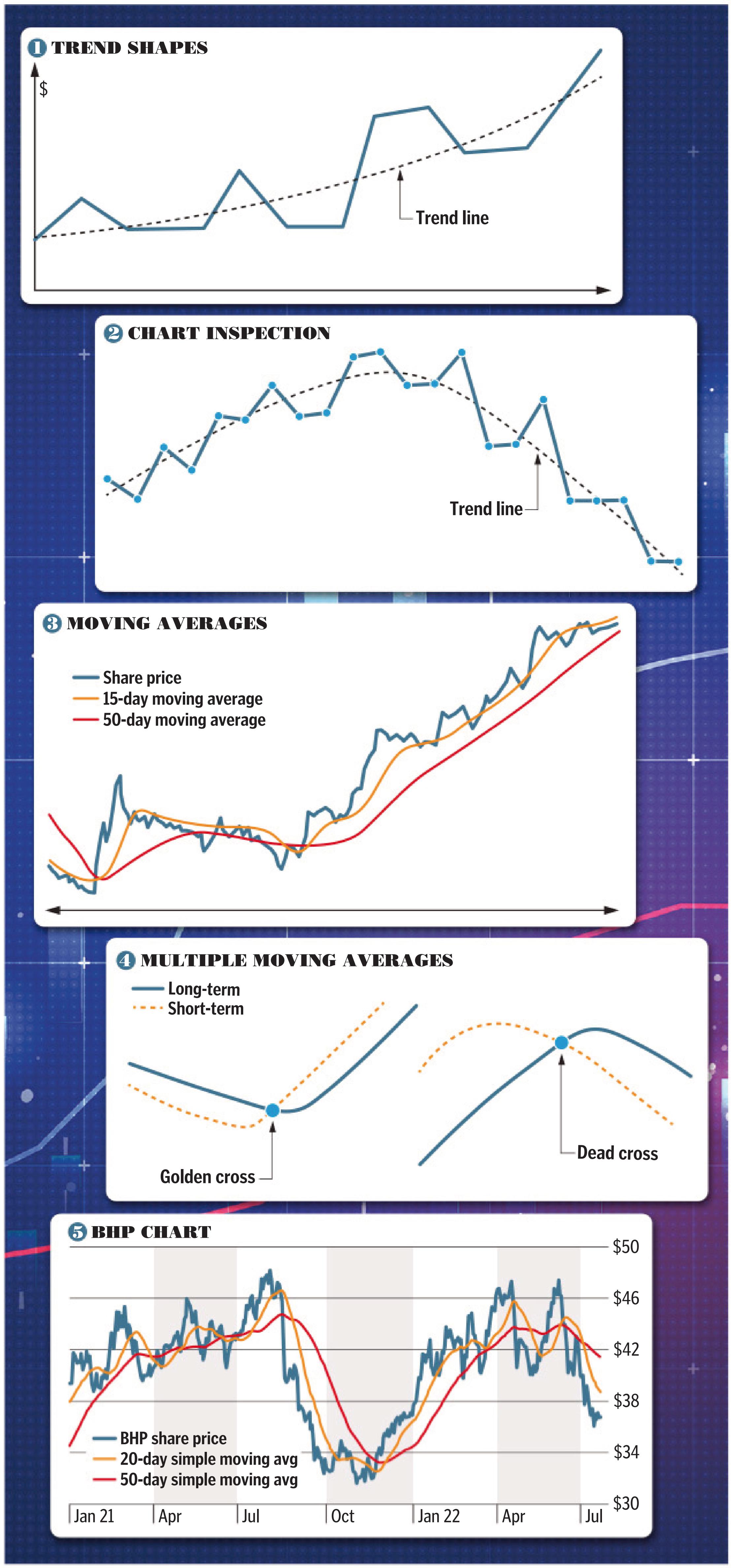
The following analogy is useful. Imagine a four-wheel-drive vehicle travelling up a rough terrain. There are many ups and downs as the vehicle follows the contours, even though the general direction is upward.

TREND CHANGES

As well as being able to identify a trend, it's very important to identify a trend change. For example, in the scenario I've already cited: you buy a share, the price rises and you're (wisely) riding your profit.

If you don't want to keep the share over the long term, the question now is: at what point should you sell? My rule says you should sell if and when the uptrend changes to a downtrend. To do that you need to be able to identify a trend change.

In our current sharemarket climate, the opposite scenario is applicable. Recently our market was hit



CHARTS SOURCED FROM *STARTING WITH SHARES*, PUBLISHED BY WILEY. USED WITH PERMISSION.

hard virtually across the board with portfolio falls of 20% or so being common.

The question now is when to buy back into the market. To know when to do this, you need to be able to identify the trend change from the downtrend to an uptrend.

There are two main ways you can identify a trend or change in trend. They are:

- Chart inspection (eye method).
- Moving averages.

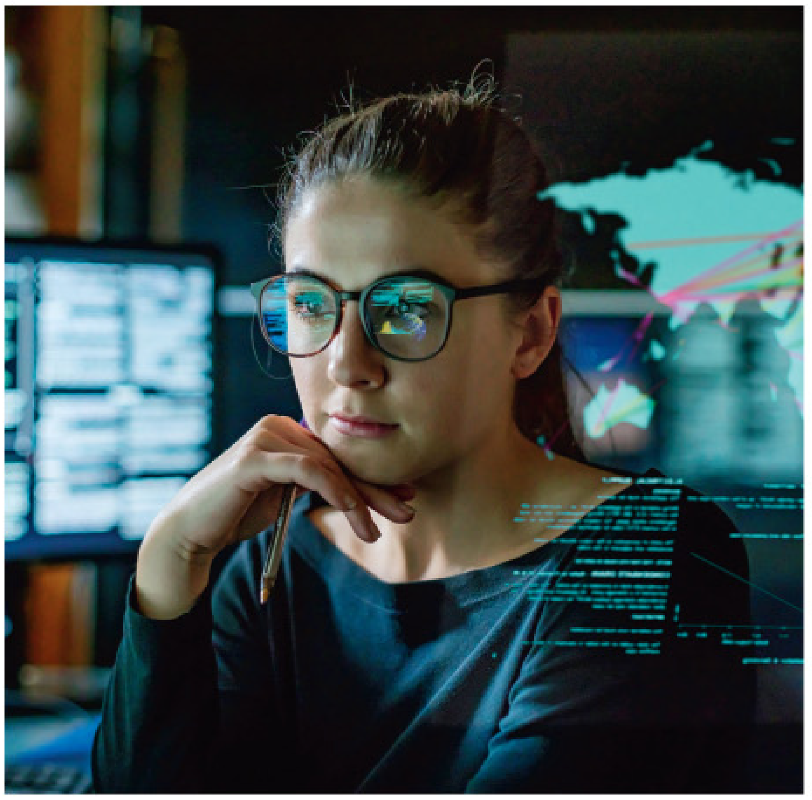


CHART INSPECTION

Your brain is a very powerful device for identification and recognition. You can use it in combination with your eyes to identify the trend. It's easiest to do this when you use a line chart.

In this case **(chart 2)**, I've drawn a curved line to indicate the overall trend, which is initially upward but then changes to a downtrend.

MOVING AVERAGES

Moving averages are a very powerful tool often available on a charting website. The concept of an average is well known; for example, the average time it takes you to travel to work provides a time measure even though there are day-to-day differences.

With a share price, it's the same idea. For example, the average share price over the last 20 days might be $2.16 even though each day the closing price may have been quite different. As time goes on, the average value changes; for example, today the average price over the last 20 days might be $2.20.

The beauty of a moving average is that it smooths out the bumps and makes the overall trend and changes in trend easier to identify. The disadvantage is that it's a lagging indicator. For example, a 20-day simple moving average (SMA) gives the average price 10 days ago – that is in the middle of the last 20-day period.

The time period of the moving average is important and the shorter the time period the more sensitive the average but the less the smoothing. The difference in sensitivity and smoothness is shown in **chart 3**.

Note: There are several types of moving average, such as the SMA, EMA (exponential moving average) and WMA (weighted moving average). If you have the choice, I suggest you use the EMA as it's a little more sensitive to recent price action, but it's not all that critical.

MULTIPLE MOVING AVERAGES

Many charting packages allow you to vary the time period of the moving average so you can experiment. You may also be able to show more than one moving average on the same chart and this is a very useful (and usually reliable) way of identifying a trend change.

The crossover point for the change from a downtrend to an uptrend is a "golden cross" whereas the change from an uptrend to a downtrend is a "dead cross" **(see chart 4)**. As the names suggest, a golden cross is a buy signal whereas a dead cross is a sell signal.

TEST YOUR SKILLS

See **chart 5** for a real life example of BHP share price trends. You should be able to identify the trends as well as the crossover buy and sell signals.

> The importance of trends is summarised by the well-known saying 'the trend is your friend'

INDICATORS

If you want to expand your charting skills you'll probably want to use so-called indicators in addition to moving averages. Indicators are calculated and charted using an algorithm designed to provide guidance on some specific aspect such as momentum.

There are a huge number of indicators that have been invented and may be available on the site. One I use is MACD (moving average convergence divergence) drawn as a small chart below the main one, as I've found it to be a very useful and usually reliable indicator.

Sometimes you may get different indications from different indicators and this is puzzling, so I suggest you don't worry about them at this stage and experiment when you build more experience with charting.

FIND OUT MORE

I trust you have found this introduction to charting useful. For further information I suggest you refer to one of my books – all published by Wiley, namely: *Starting with Shares*, *Charting Made Simple*, *Teach Yourself about Shares*, *Online Investing on the Australian Sharemarket* and *Shares Made Simple*. **M**

More than one way to skin this cat

Safe and boring or risky and stressful ... whatever your approach to investing, there might be a better alternative

We held an education day recently and one thing became clear: a lot of self-directed investors have become trapped by habit.

Sometimes you just need to stop and ask, “Am I doing the right thing?”. This article is for you.

There are a few ways to manage your own investments, depending on how much activity, passion and stress you are prepared to put in. Let me shed some light on your options.

There are many ways to skin this cat. Here they are, from safest to most risky.

OPTION ONE: The lowest risk – balanced investing. Just sit in “the market” all the time.

You can do that through a large industry fund or a retail fund. They can expose you to a very balanced (boring) investment mix that holds a number of asset classes and achieves the “average” return.

You do well in good years. You do badly in bad years.

The good news is that, thanks to their expensive websites developed over the past few years, you can now manipulate the mix of asset classes yourself, in some cases from your mobile phone.

The different mixtures of assets are called things like balanced, conservative, aggressive or cash, all of which are simply descriptions for different percentages in each asset class.

It’s not rocket science, it’s well administered, there’s not a lot of value add and there’s a low level of activity, risk and involvement. As a reasonably high-risk investor, if I was in an industry fund I’d sit almost all the time in its most aggressive option, which, to an equities investor, isn’t aggressive, and just occasionally, when the stockmarket made it to the front of the weekend tabloid newspaper for the wrong reasons, I’d hit whatever its most conservative option was.

The game is to catch the bull markets, which run for 80% of the time, and hit “cash” to avoid the worst moments (pandemic, GFC, taper tantrum). This is the easy way to invest. No paperwork, a website to log into, a mobile app that gives you the ability to change your asset mix over a coffee on Saturday (it takes a few days to actually happen). All with higher than normal fees, lower than normal stress and the lowest level of personal activity.

OPTION TWO: Investing in markets through market-exposed exchange traded funds.

This is another way to invest in an essentially passive exposure to the markets. I’d say managed funds or listed investment companies (LICs), but you can’t trade managed funds, and both managed funds and LICs are “active” and more expensive.

You want passive exposures, which means no one is buggering about being clever. That means identifying passive ETFs, the ones with an algorithm running things and no employees.

You can get a very hard-to-beat compounding exposure to the Australian sharemarket through a number of ETFs. You can also easily mix things up with exposure to international markets through passive ETFs.

It will bore you, but you do avoid the other very dull asset classes (property, cash, fixed interest) and you retain the ability to time the market a bit more acutely and you can do it yourself on the ASX through any dealing platform.

Most of the time you sit quietly in the market, but the main reason to do it like this would be to trade the market(s) occasionally, either to exploit the 5%-10% moves a few times a year, or to avoid the bigger 10%-25% drops or the once-in-a-lifetime 50% drops (which happen 10 times a lifetime).

They sound complicated, but really they're not. A lot of investors now use ETFs to manage their own investments. The other beauty of it is that it is low cost and it avoids all the individual stock risk that now plagues individual stock pickers.

OPTION THREE: Now we're a bit more risky and active.

This involves low-volatility investing in themes and sectors. The main issue here is, once again, avoiding individual stock risk. You do this by investing in themes and sector trends, again by using ETFs.

We recently bought a resources sector exposure through the SPDR S&P/ASX 200 Resources ETF (ASX: OZR).

There are a host of themed passive ETFs that allow you to time sectors and themes. Again, avoid the active ones. You want passive ones that use an algorithm to generate an exposure to an index without brains involved.

Investing in these ETFs allows you to be a bit more active by timing sectors and themes. It is still a bit boring but is a lot less risk and activity, and there is a lot less admin involved than you will experience trading a portfolio of individual stocks.

After those three options, your next step is to pick stocks. Up until now you have been swimming on the surface, taking advantage of the tides. Your costs, risk, volatility and level of activity have been low.

The next step is to duck-dive into deep water looking for gold. There are a few ways to do that. Here are the most obvious approaches.

HOLD A BIG 20 STOCK PORTFOLIO

A lot of you probably do this by default. This is where most of you get trapped: holding around 20, mostly big, mostly obvious stocks. You trust them by virtue of their size and brand but don't know them in detail.

This is often a more risky approach than it looks because of your lack of research and engagement. You can get trapped by capital gains ("I can't sell"), which is understandable but not ideal.

It may seem normal and sensible, but the truth is that if you're going to do this "moron portfolio" thing you'd be better saving yourself from a lot of admin, activity and lost evenings and weekends by just buying market ETFs and timing them.

But if you inherited the portfolio or have CBA shares from issue, you're trapped. Just don't pretend it's clever. It's lazy. Think about options one to three.

HOLD A BIG 20 INCOME PORTFOLIO

Unlike holding a portfolio of 20 big stocks just because they're big, picking 20 stocks for yield is a sensible use of your time. There's a bit of brain needed here picking out the low-volatility, high-yielding stocks that are reliable and dependable rather than cyclical.

There are income stocks and there are income stocks. Banks are income stocks, they are boring, safe, have high payout ratios and few ambitions. They understand the importance of their dividends to shareholders and will pay them come high water, although they cut them when it's hell (banking royal commission, GFC).

Resources, on the other hand, are cyclical, they offer high yields in the good times but, as we found out from Rio Tinto at the last results, not all the time.

PICK A FEW GOOD STOCKS

This is where I would be if I was out in the wilderness looking after my own super. Five to 10 stocks max. You know them well, get to understand how they trade, what they do, when to buy them and when to sell.

You get used to them. Then you quietly trade them. You want bottom left to top right stocks in the long term, but you develop an edge and are able to pick the eyes out of them by unaggressively trading them. One a year, maybe three or four times a year?

It's a pretty safe way to do stock picking that takes a combination of fundamentals (picking the right stock in the long term) and technical (trading the peaks and troughs). This is probably the most "fun" and intellectual yet least guesswork way to make money out of stocks.

The trick is to keep the list short so you know the stocks. Five would be a good number. Just trading one stock alone and doing it well (BHP?) would also be a fabulous, low-risk way to "invest" (make money in stocks) but, thanks to the mantra of diversification, I can't suggest that. The principle is that holding five stocks you know really well is less risky than holding 20 stocks you don't know well.

PICK EVERYTHING

Now we get to a place where a lot of beginners get trapped without knowing it's not normal: trading everything and anything. It involves tips and it invites a lot of volatility, risk and reward.

It is for people who don't have a heart condition. This is riding the stormy seas. It's about timing fads, finding diamonds in the rough, spotting change. It's for those of you with the time and energy and risk profile to attempt transformation.

It is also, in my humble opinion, a bull market activity. Stocks with no earnings die in the cold. Trading loses money when it goes cold. Trading is an activity to do when the sun comes out.

Hope that's useful. Reading this framework you might realise you have been trapped in an assumption about how the stockmarket is done when there are other alternatives. This might allow you to choose how active, stressed, open to risk you want to be. Maybe what you're doing (individual stock picking) is too risky and active. You have a choice not to do that. There is more than one way to skin this cat.

Marcus Padley is the author of the daily stockmarket newsletter Marcus Today. *For a free trial of the* Marcus Today *newsletter, go to marcustoday.com.au.*

Miner is now a

STORY GAURAV SODHI

Coal may be a dirty word, but thanks to limited supply and high prices, it's rewarding investors with strong capital gains and generous dividends

Coal is the most despised asset in the world. Investors don't want to touch it, banks won't lend to it, insurers won't cover it and everyone is sure miners are on the path to extinction. When the very thought of investing in the sector makes your stomach churn, you're probably onto a good thing.

Back in October 2020, we believed Whitehaven was one of the cheapest big stocks on the ASX. Trading at just 30% of book value, the company's Maules Creek mine – its largest asset – was worth $2 a share, twice its share price at the time.

Capable of producing 20 million tonnes of coal a year, Whitehaven, in 2019, generated operating cashflow of $800 million and a net profit of $500 million. It also paid $300 million in dividends. Back then, coal prices were slightly above long-term averages and Whitehaven looked scandalously cheap.

The company produces some of the best quality coals in the market and gets a premium to benchmark prices. As we said in 2019, when Whitehaven joined our buy list at a price of 98 cents, "If coal prices recover, it could move explosively as profits and production both rise."

So it has proved. Printing cash is a cliché that is often used and is often wrong. Yet no other term adequately describes what is happening in the coal sector as underinvestment joins soaring demand to drive sensational prices.

Whitehaven Coal's latest stunning quarterly result offered proof. Following a series of difficulties at the Narrabri mine, production was restored back to 5.5 million tonnes for the period. The result was aided by a 34% increase in production at Narrabri following Whitehaven's decision to step around a tricky block in the coal seam.

Total production was flat compared with the same period last year, but prices have rocketed. This time last year, Whitehaven received an average price of $122 a tonne; last quarter it got $514.

It's no surprise that profitability has soared. Whitehaven confirmed that it expects to report earnings before interest, tax, depreciation and amortisation (EBITDA) of $3 billion for the full year. Its market capitalisation, even after being the best performing stock of 2022, is just $6.3 billion, and it holds $1 billion in net cash.

As silly as it may sound, the result may understate profitability and likely future returns. Whitehaven receives prices that lag the spot price by about three months. Today's prices will only be recognised in future periods, which all but guarantees ongoing cashflows for the rest of this year, at least.

With operating cashflows of $1.4 billion this quarter, we think the business is generating about $1 billion in free cashflow per quarter. To repeat: Whitehaven could generate $4 billion in free cash flow over the next year alone.

Management has been clear that cash will be

cash machine

> **The opportunity to make outsized returns is rare and we don't want to waste it**

paid as dividends (when the franking balance refills) and used for buybacks.

Despite record high prices, there is little sign of new coal supply on the horizon. At least, no high-energy, high-quality coal.

The market appears broken and price signals are failing to work, keeping prices high. LNG, which is usually a ready substitute for coal, faces similar problems. The LNG price is similarly at record highs and offers no respite.

We know that the world has changed. Coal's days are numbered and environmental, social and governance (ESG) filters are real. Whitehaven's share price is unlikely to go to $15, but the company will pay out mega-dividends while prices remain high.

This is an unprecedented scenario. Traditional energy is too expensive but, short of demand destruction, it's hard to see that changing in the short term.

Whitehaven is up more than 600% since we recommended it as a speculative buy almost two years ago. Buying then, despite all the risks, was relatively easy. Knowing what to do now is harder.

A sensible investor would be taking profits. Coal is cyclical and prices will fall again. And yet brokers are only just getting to grips with the cash the miner is making. Many are upgrading the stock only now. Just as we bought when they sold, it's tempting to sell some now.

But the numbers remain staggering. Whitehaven is trading on a free cashflow yield (at spot prices) of about 80% and has pledged to return cash to shareholders. As well as the share price has done, further gains may come from dividends and buybacks. These are only now getting under way.

The opportunity to make outsized returns is rare and we don't want to waste it. It breaks several rules, but being greedy now may, quite literally, continue to pay dividends. Our sell price of $7, once outrageous, now appears conservative.

We'll leave that in place for now and revisit it at the next results when dividends and buyback plans are made clear. In the meantime, HOLD.

Gaurav Sodhi is a senior analyst at Intelligent Investor. Disclosure: The author owns shares in Whitehaven. The Intelligent Investor Equity Income and Equity Growth funds own shares in Whitehaven.

DATABANK

The tables on these pages contain data and information to help you compare managed funds, which are pooled funds managed professionally by investment experts.

Managed funds displayed in these tables are multi-sector or asset class specific. Multi-sector managed funds invest across a diversified mix of asset types spanning equities, property, bonds, cash, infrastructure, private equity and alternatives.

Managed funds are normally set up as unit trusts. You may be able to invest in them directly or through a platform.

Top 5 sector benchmarks

Sector	Benchmark	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Australian Equities	S&P ASX 200 Accum Index	4.8%	7.8%	8.8%	10.4%
International Equities	MSCI World ex AU Index	3.1%	12.0%	11.2%	15.2%
Property	S&P ASX 200 A-REIT Index	3.3%	2.2%	5.7%	10.8%
Australian Fixed Interest	Bloomberg Barclays Australia (5-7Y) Index	-9.2%	-1.7%	0.9%	2.4%
International Fixed interest	Bloomberg Barclays Global Aggregate Index	-7.4%	-0.7%	1.1%	3.3%

Top 5 Australian funds by size

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Vanguard International Shares Index Fund	VAN0003AU	0.18%	1997	$21,143m	2.7.%	11.5%	10.7%	14.7%
ISPT Core Fund	-	-	1994	$17,733m	12.6%	6.0%	7.9%	9.7%
Vanguard Australian Shares Index Fund	VAN0002AU	0.16%	1997	$17,367m	4.7%	8.0%	8.9%	10.2%
DEXUS Property Fund	-	0.55%	1995	$11,295m	12.4%	6.2%	8.6%	10.0%
Vanguard Australian Shares Index ETF	VAS	0.10%	2009	$11,046m	4.8%	8.1%	9.0%	10.2%
AVERAGE*		0.68%		$799m	-0.1%	5.6%	5.9%	8.5%

Top 5 funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return	5-year return (pa)	10-year return (pa)
Ausbil Global Resources Fund	AAP5928AU	1.35%	2018	$361m	32.3%	44.4%	-	-
Lazard Select Australian Equity Fund	LAZ0005AU	1.15%	2002	$57m	28.7%	7.3%	6.8%	11.3%
Clearbridge RARE Infrastructure Income Fund -Unhedged	SSB6649AU	0.97%	2021	$166m	25.0%	-	-	-
Lazard Defensive Australian Equity Fund	LAZ0022AU	0.75%	2012	$13m	22.3%	10.4%	7.8%	-
PM Capital Australian Companies Fund	PMC0101AU	1.09%	2000	$48m	20.7%	21.6%	12.4%	14.0%
AVERAGE*		0.82%	-	$771m	1.2%	7.9%	7.7%	10.5%

Top 5 diversified funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year rtn (pa)	5-year return (pa)	10-year return (pa)
Allan Gray Australia Balanced Fund	ETL4654AU	0.76%	2017	$125m	17.2%	6.9%	6.9%	10.4%
Perpetual Balanced Growth Fund	PER0063AU	1.04%	1997	$462m	17.0%	18.7%	15.2%	-
Martin Currie Diversified Income Fund	SSB0063AU	0.80%	2014	$26m	16.8%	7.5%	9.2%	12.4%
Allan Gray Australia Stable Fund	ETL0273AU	0.26%	2011	$345m	16.6%	9.0%	7.4%	11.0%
Maple-Brown Abbott Diversified	MPL0001AU	1.04%	1988	$235m	16.3%	7.3%	8.4%	11.4%
AVERAGE*		0.73%		$626m	-0.9%	4.9%	5.0%	7.4%

Source: Rainmaker Information. Data sourced as at May 31, 2022.

*Numbers stated here depict averages, other than the Rank column, which is the total number of funds in the category. For any queries on these tables, please contact info@rainmaker.com.au.

These products may be recommended to you by a financial adviser.

The performance results displayed are the annualised investment returns each managed fund has delivered after taking into account taxes paid by the unit trust and investment fees.

Research was prepared by Rainmaker Information. For more information, see **www.rainmaker.com.au**

RAINMAKER INFORMATION

INDUSTRY INTELLIGENCE

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Top 5 Australian equities funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Lazard Select Australian Equity Fund	LAZ0005AU	1.15%	2002	$57m	28.7%	7.3%	6.8%	11.3%
Lazard Defensive Australian Equity Fund	LAZ0022AU	0.75%	2012	$13m	22.3%	10.4%	7.48%	-
VanEck Australian Resources ETF	MVR	0.35%	2013	$224m	21.4%	12.0%	15.2%	-
PM Capital Australian Companies Fund	PMC0101AU	1.09%	2000	$48m	20.7%	21.6%	12.4%	14.0%
Lazard Australian Equity Fund	LAZ0006AU	0.75%	2000	$145m	17.2%	6.9%	6.9%	10.4%
AVERAGE*		0.69%		$822m	4.0%	8.3%	8.7%	10.7%

Top 5 international equities funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Ausbil Global Resources Fund	AAP5928AU	1.35%	2018	$361m	32.3%	44.4%	-	-
ClearBridge RARE Infrastructure Income Fund - Unhedged	SSB6649AU	0.97%	2021	$166m	25.0%	-	-	-
Maple-Brown Abbott Global Listed Infrastructure Fund	MPL0006AU	0.98%	2012	$1,056m	20.0%	7.7%	6.0%	-
Macquarie International Infrastructure Securities Fund	MAQ0825AU	1.00%	2014	$356m	18.5%	8.3%	7.9%	-
GQG Partners Global Equity Fund	ETL7377AU	0.75%	2017	$1,278m	17.8%	16.0%	15.7%	-
AVERAGE*		0.79%		$805m	-0.3%	10.0%	9.5%	13.4%

Top 5 income-focused equities funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Investors Mutual Equity Income Fund	IML0005AU	0.99%	2004	$527m	14.1%	4.1%	3.9%	8.3%
SPDR MSCI Australia Select High Dividend Yield Fund	SYI	0.35%	2010	$306m	13.4%	7.2%	7.0%	9.0%
Merlon Wholesale Aust. Share Income Fund	HBC0011AU	0.95%	1985	$375m	11.9%	5.5%	4.9%	8.9%
Martin Currie Real Income Fund	SSB0026AU	0.85%	2010	$897m	11.6%	3.2%	5.5%	12.0%
Antares Dividend Builder	PPL0002AU	0.60%	2005	$107m	11.3%	7.6%	6.0%	10.8%
AVERAGE*		0.78%		$406m	6.8%	5.9%	6.0%	9.3%

Top 5 ESG funds by 1-year performance

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Martin Currie Global Real Income Fund	SSB5847AU	0.95%	2020	$7m	16.0%	-	-	-
Robeco Global DM Conservative Equities Fund	ETL3856AU	0.65%	2017	$3m	10.4%	9.9%	9.2%	-
Robeco Global DM MF Equities Alpha Fund	ETL7610AU	0.65%	2018	$20m	9.9%	12.5%	-	-
Pendal Sustainable International Share Fund	BTA0568AU	0.70%	2016	$353m	8.2%	11.8%	9.0%	-
Schroder Global Sustainable Equity Fund	SHO040AU	0.75%	2009	$179m	5.8%	8.8%	7.4%	12.1%
AVERAGE*		0.79%		$243m	-2.0%	6.9%	7.3%	10.0%

WHAT THEY MEAN

Performance after investment fees. Investment returns after investment fees annualised to describe each fund's returns per annum. But if your managed fund achieves a high return and charges you an extra "performance fee", Rainmaker has not taken this into account. Past performance is not an indicator of future performance.

Rank. Funds are ranked against all managed funds in each segment, not just those included in each table.

Indices and averages. Arithmetic average investment returns or average fees for all fund investment options within each category, that is, not fund size weighted.

YOUR GUIDE TO SUPER DATA

The table contains information to help you compare super funds. It showcases publicly available MySuper investment options offered by some of Australia's biggest funds. Rainmaker categorises them into risk options based on percentage of growth assets in their portfolio. The high-growth risk option has more than 85% in growth assets (growth has between 75% and 85%), balanced has between 55% and 75%, and capital stable products have less than 55% growth assets.

The performance results are the annualised investment returns each option has delivered after taking account of all taxes and fees. Past performance is no indicator of future performance.

The table only lists funds designated AAA, Rainmaker's Super fund quality rating. Rainmaker Information prepared this research. **www.selectingsuper.com.au**

Best Super Funds: Top 20 MySuper – May 31, 2022

RANKED BY 3-YEAR RETURN

FUND & INVESTMENT OPTION NAME	Strategy	Growth assets	Risk category	1-year return	1-year rank	3-year return (pa)	3-year rank	5-year return (pa)	5-year rank
Aware Super Employer – High Growth	LC	84%	Growth	2.6%	12	8.6%	1	8.6%	1
Hostplus – Balanced	S	81%	Growth	6.6%	1	8.4%	2	8.3%	2
Active Super Accumulation Scheme - High Growth	LC	95%	High Growth	3.0%	9	8.2%	3	8.0%	3
Mine Super – High Growth	LC	89%	High Growth	1.8%	19	8.2%	4	7.7%	5
Telstra Super Corporate Plus - MySuper Growth	LC	89%	High Growth	2.9%	10	7.9%	5	7.6%	8
GuildSuper-MySuper Lifecycle Growing	LC	100%	Growth	0.7%	29	7.9%	6	7.3%	9
AustralianSuper – Balanced	S	66%	Balanced	2.3%	14	7.6%	7	7.8%	4
ART -Super Savings - Lifecycle Balanced Pool	LC	77%	Growth	4.4%	5	7.5%	8	7.6%	7
Australian Catholic Super Employer – LO LifetimeStart	LC	89%	High Growth	4.0%	6	7.4%	9	-	-
Virgin Money SED - Lifestage Tracker 1979-1983	LC	90%	High Growth	1.4%	21	7.4%	10	7.7%	6
Christian Super – My Ethical Super	S	73%	Balanced	5.6%	2	7.3%	11	6.6%	25
Lutheran Super - Balanced Growth - MySuper	S	75%	Balanced	3.1%	8	7.2%	12	7.0%	15
Vision Super Saver – Balanced Growth	S	70%	Balanced	1.6%	20	7.2%	13	7.3%	10
HESTA – Balanced Growth	S	69%	Balanced	3.6%	7	7.1%	14	7.2%	11
Mercer CS - Mercer SmartPath 1979-1983	LC	89%	High Growth	1.4%	22	7.1%	15	7.2%	13
legalsuper – MySuper Balanced	S	74%	Balanced	4.5%	4	6.9%	16	6.8%	19
VicSuper FutureSaver - Growth (MySuper)	S	68%	Balanced	1.8%	18	6.8%	17	6.8%	18
Cbus Industry Super - Growth (Cbus MySuper)	S	73%	Balanced	1.1%	24	6.8%	18	7.0%	18
CareSuper – Balanced	S	77%	Growth	2.7%	11	6.7%	19	6.7%	16
TWUSUPER - Balanced (MySuper) Optiom	S	72%	Balanced	2.5%	13	6.6%	20	6.7%	21
Rainmaker MySuper / Default Option Index				**1.7%**		**6.4%**		**6.5%**	

Rankings are made on returns to multiple decimal points.

SelectingSuper Benchmark Indices – Workplace Super

INDEX NAME	Performance to May 31, 2022		
	1-year	3-years (pa)	5-years (pa)
Rainmaker MySuper/Default Option	2%	6%	7%
Rainmaker Growth	1%	7%	7%
Rainmaker Balanced	1%	6%	6%
Rainmaker Capital Stable	-1%	3%	3%
Rainmaker Australian Equities	4%	8%	8%
Rainmaker International Equities	-3%	8%	8%

Source: Rainmaker Information. www.rainmakerlive.com.au

DATABANK

WHAT THEY MEAN

Performance after fees: When calculating fees, Rainmaker assumes a member has $50,000 in their account.

Strategy: Some MySuper products invest your superannuation based on age and are known as lifecycle funds (marked LC). The table includes the LC option for 40-year-old members. Non lifecycle funds are known as single strategy (S).

Rank: Funds are ranked against all MySuper investment options available in Australia.

Indices and averages: To produce these indices, Rainmaker analyses the results of more than 3300 investment options.

Why sharks are circling the RBA

Central bank independence is overrated in a democracy where it's the government's job to make the big economic decisions

Much is made about the independence of central banks and how important this is to the proper functioning of the financial system and the real economy.

The argument was put very clearly by the then governor of the Reserve Bank of Australia, Bernie Fraser, back in 1994: "To be able to do their job of keeping inflation under control, central banks have to be able to say 'no' to governments when that objective is threatened. This is why the notion of central bank independence is so important."

On the face of it, this appears to be a statement of practical sense. But looking a bit below the surface, it raises a few questions.

Foremost, and at the heart of this statement, is a distrust of democratically elected governments, a belief that they will feed the inflation bear by keeping interest rates low when they should be high. Few governments desire to see rates rise under their watch because so many perceived interests are negatively affected, at least in the short run.

When interest rates rise, asset prices generally fall. The future expected cashflows from those assets are now worth less. This has a greater effect on the population that owns assets, such as shares and property, than the portion of the population that holds a relatively smaller proportion of assets, such as renters, those working in the gig economy and migrants from poorer countries.

Low earners hit harder

Rising interest rates affect those with leveraged assets most of all, since they purchased those assets with the expectation that interest rates (and repayments) would remain low and asset prices would be stable or rising. We are now in the situation where official interest rates are on the rise (and mortgage rates are expected to move in lockstep).

It can also be argued that rising interest rates slow the real economy and this creates more precarious employment conditions for those citizens earning the least.

In other words, the decision to raise interest rates is more than about combating inflation. It is a decision that adversely affects one part of the population more than another. For renters, it can be a good thing (if rents remain stable) because it may lower the real cost of housing and present opportunities to purchase at a lower price at some stage in the future.

The point of democracy is that the government has the ability to make decisions where there are competing interests. These interests are not just those of the voting citizenry, but also those of social groups, industry groups and overseas interests. The job of the government is to take all these considerations into account and make a decision on what benefits the country, and the future citizens of that country, the most.

Is it just a tiny bit arrogant to think that the RBA (and central banks in general) do this better on the basis that it is independent and the government is not? Reinforcing this concern is the fact the RBA has a poor record of forecasting inflation, even though you'd think that should be a core competency for an organisation that calls itself an inflation fighter.

Don't forget that the present governor of the Reserve Bank, Philip Lowe, held a rare press conference in July 2021 where he said: "The central scenario remains that the condition for a lift in the cash rate will not be met until 2024."

This emboldened many investors and potential homeowners to go out into the property market, pin their ears back and borrow as much as they could, and buy high-priced homes.

Young adults treated poorly

Given what has happened since, namely that interest rates in Australia have risen at the fastest pace yet, it forces us to ask whether the RBA governor's statement was a proper thing for him to make?

Low interest rates have the effect of bringing forward future returns. Saying they will be lower for longer benefits existing asset owners, not future asset owners. It is not treating everyone equally and it is treating young adults in our society the worst of all.

It was certainly not a statement designed to help the country control inflation. It was almost as if – and I'm going out on a limb here – he wasn't thinking about inflation at all.

This might explain why it was 12 months from the first appearance of inflation before the RBA went looking for its inflation-fighting arrow, drew back its bow, slowly took aim and began to increase official cash rates. If it's not careful it will miss the moving inflation target and score a recession bulls-eye instead.

Little surprise the new government has announced an inquiry into Australia's central bank and the sharks are circling the RBA board and its governor looking for blood.

John Dyall is head of investment research at Rainmaker Information.

"It's not up to someone else to determine your value"

Cadance Bell

The ultimate "slashie", Cadance Bell is an accomplished director, producer, author and writer. She is openly transgender, and her work focuses on breaking down prejudice by sharing LGTBQIA+ stories. The newly published memoir, *The All of It: A Bogan Rhapsody*, traces her life growing up in rural Australia, and her sometimes heartbreaking, sometimes hilarious, journey to self-acceptance. Here, she shares some of the wisdom she gained around money along the way.

What was your first experience managing your finances?
I sold a Ninja Turtle toy at a family garage sale for about 25 cents and my dad said, "Look, you've done really well, go to the corner store and buy yourself some lollies." He gave me a $20 note, and to a five- or six-year-old, $20 was infinity. I always remember that [feeling of] grasping endless possibilities and knowing I could have any lolly that I wanted in that shop. I had no idea how much $20 was worth, so I went a little bit nuts and just bought everything that I could. It cost all of $3, but back then, in the '90s, that was a lot of loot.

Has growing up in regional Australia informed your relationship with money?
I live in Bathurst today and I grew up in Mudgee. I think that being in rural Australia makes you a lot more selective about how you spend money. With the exception of online shopping, there is a lot less selection. I've just spent three weeks on the road and I spent an absolute fortune because there are just so many tempting shops in the city.

How do you decide what you will and won't take on?
I'm in that zone right now. My memoir has just come out, my new documentary is locked, and I have 34 days to finish my next book. So, I'm selecting new projects and, honestly, it's very tough. I tend to weigh it up between passion projects, the stories that I just have to tell that are burning inside me, and the ones that I have to take on to keep a roof above my head. I try to do a little bit of both.

How do you stand fast on what you're worth?
Somebody once told me that if you do something for nothing, people assume that your time is worthless. And that really struck me, that you have to be the person to value your time. You stand fast on what you're worth by being proud of what you've accomplished and recognising the value in that. It's not up to somebody else to determine your value.

What's your hard-won lesson on successfully securing funding for a project?
Make the decision easy for the financier or the funding body. Even if that means that you have to go outside the box and ignore the terms of an application and do something wild and different and visual. You have to be the person that's willing to go above and beyond in the pitch, because if you don't, the next person will.

How do you budget effectively?
I have this great trick where I prepay for everything: my insurances, my rent. I'll try to pay bills as many months in advance as I can so that I don't allow myself the temptation to spend the money otherwise. That is the only thing that works with me.

When have you witnessed money making a big difference?
In tiny community grants in the arts sector, because it often ropes in people who might not otherwise have that creative purpose. I've seen so many projects where they've just gotten $2000 or $3000 grants and they have stretched that so far that soon you have a hundred people in a community that are working towards a play or something. This tends to happen in the bush, a lot.

Have you identified any unique financial challenges facing the LGBTQIA+ community?
For those in the trans community, it can be ridiculously expensive to transition. I have spent personally maybe $65,000-$70,000 in the past four years, and that is just me doing the bare minimum. If I did everything that I wanted to do to reverse the effects of a male puberty, I'd be looking at about $200,000. And my partner would be looking at the same. It's because Medicare in Australia, and health insurances, don't cover most of the surgeries related to transitioning … Many trans people have to make the choice between, will I get ahead financially in my life, or will I do the things that are necessary to feel whole within myself. I think in 2022 that's a bit shit.

What's the best investment you've ever made?
I would actually say my transition. Honestly, I have never been more powerful, capable and happier. There is no price that you can put on that sort of happiness.

What's the worst investment decision you've made?
A couple of years back I started up a company with somebody who didn't carry their end. I tried to keep that company going for too long. If I had just capped that when I had the gut instinct, instead of throwing good money after bad, I could have avoided a lot of hassles.

Please finish this sentence: Money has the power to...
Protect or destroy.