Consistently

in every economic cycle - with a track record of stability that you can *trust*

Australia's Best 10 years in a row*

Looking out for ***you***®

La Trobe
financial

Invest with Australia's Best

call 13 80 10 or visit www.latrobefinancial.com

La Trobe Financial Asset Management Limited ACN 007 332 363 Australian Financial Services Licence 222213 Australian Credit Licence 222213 is the issuer and manager of the La Trobe Australian Credit Fund ARSN 088 178 321. It is important for you to consider the Product Disclosure Statement for the Credit Fund in deciding whether to invest, or to continue to invest, in the Credit Fund. You can read the PDS on our website or ask for a copy by telephoning us. * La Trobe Financial's 12 Month Term Account was judged 2019 Best Mortgage Fund by *Money* magazine. Returns on our investments are variable and paid monthly. Past performance is not a reliable indicator of future performance. The rates of return from the Credit Fund are not guaranteed and are determined by the future revenue of the Credit Fund and may be lower than expected. Investors risk losing some or all of their principal investment. An investment in the Credit Fund is not a bank deposit. Withdrawal rights are subject to liquidity and may be delayed or suspended. Visit our website for further information.

RENTERS' RIGHTS
KEEPING UP WITH THE CHANGES

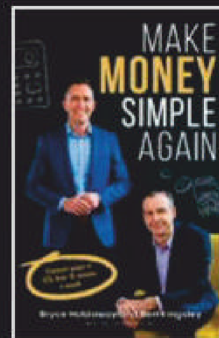
SUPER DRAWDOWN PLANS
BOOST YOUR LIFESTYLE BY 40%

ETFs
PICKING THE BEST

Money

FEBRUARY 2019 $7.95 ISSUE 219
www.moneymag.com.au @MoneyMagAUS

EXCLUSIVE



WEALTH EXPERTS SHARE THEIR SYSTEM TO MANAGE YOUR MONEY

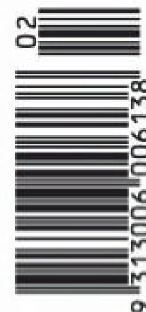
TOP 50 SHARE BUYS & PROPERTY HOTSPOTS

PAUL CLITHEROE
HOW TO SURVIVE A MARKET DOWNTURN

GREG HOFFMAN
MY INVESTMENT PLAN FOR THE YEAR AHEAD

SUSAN HELY
WHEN SUPER FUNDS CAN BE FROZEN

AGED CARE OPTIONS UP TO $2m TO SECURE A BED!



GET ON TOP OF BUSINESS

WITH VEHICLE AND EQUIPMENT FINANCE

New vehicles are essential to the growth of Michelle's thriving business in Launceston. With ANZ vehicle and equipment finance Michelle can purchase the vehicles she needs, and stay in control of her cash flow with structured repayments that suit the rhythm of her business.

Michelle Williams, @home Property Management

Any advice does not take into account your personal needs and financial circumstances and you should consider whether it is appropriate for you. All applications for credit are subject to ANZ's normal credit approval criteria. Terms and conditions available on application. Fees and charges apply. Australia and New Zealand Banking Group Limited (ANZ) 2019 ABN 11 005 357 522.

GET ON TOP OF BUSINESS

WITH VEHICLE AND EQUIPMENT FINANCE

ANZ

The Card that works
for business

Earn 100,000 bonus
Qantas Points* here

Turn business spend into Qantas Points with the American Express® Qantas Business Rewards Card

Earn up to 2 Qantas Points per $1 spent^

Earn Triple Qantas Points# for your business on eligible flights

Streamline your finances with statements downloadable to MYOB

amex.com.au/QBR

Apply before 28 February 2019, and spend $3,000*
in the first two months to earn 100,000 bonus Qantas Points.

*Offer only available to new American Express Card Members who apply by 28 February 2019, are approved and spend $3,000 on their new Card in the first 2 months from the Card approval date. An annual Card fee of $450 applies. The business must be a Qantas Business Rewards Member with a current ABN to receive bonus Qantas Points. Eligible purchases do not include annual fees, late payment fee, fees and charges for travellers cheques and foreign currencies. For the full list of exclusions, please refer to the American Express Qantas Business Rewards Card's Points Terms and Conditions at amex.com.au/QBR. ^ Membership and the earning of Qantas Points as a business are subject to the Qantas Business Rewards Terms and Conditions. #A Client must be a Qantas Business Rewards Program member to earn TRIPLE Qantas Points for business. The TRIPLE Qantas Points for business Benefit is available only for an American Express Qantas Business Rewards Card Member when the Card is used to make an eligible Qantas flight booking, as per the eligibility defined at qantasbusinessrewards.com/terms A one-off joining fee of $89.50 usually applies, however this will be waived for any business that has an existing American Express Qantas Business Rewards Card. A Member's ABN and traveller's Qantas Frequent Flyer number must be quoted at the time of booking to earn Qantas Points for both the business

Put family first here

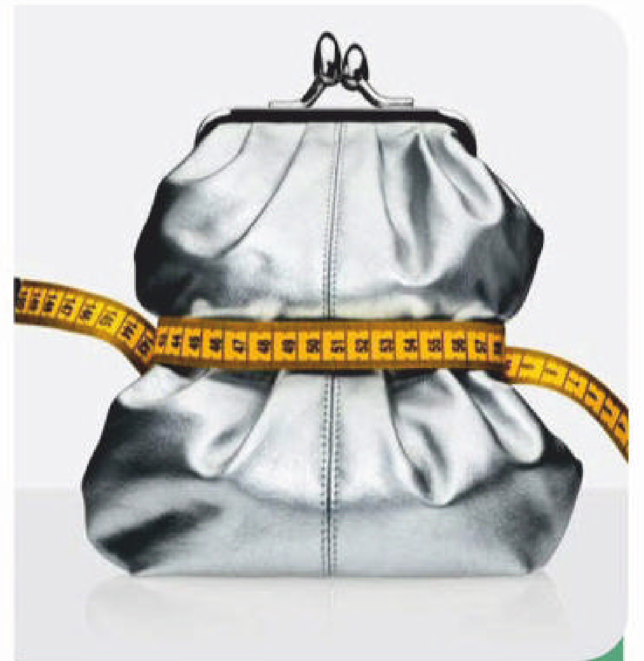
and the traveller. Qantas will allocate TRIPLE the number of Qantas Points which will be awarded to the business under the Qantas Business Rewards Airline Reward Scheme Terms and Conditions available at qantasbusinessrewards.com/terms#airlineterms Qantas Points earning thresholds apply as per the TRIPLE Qantas Points for business benefit Terms and Conditions at amex.com.au/qantaspa Membership of Qantas Business Rewards and the earning of Qantas Points as a business are subject to the Qantas Business Rewards Terms and Conditions available at qantasbusinessrewards.com/terms Terms and Conditions apply. You must be a member of the Qantas Frequent Flyer program to redeem Qantas Points. A joining fee may apply. Membership and Qantas Points are subject to the Qantas Frequent Flyer program Terms and Conditions, see qantas.com/terms. Credit approval criteria, interest, fees and charges apply. Cards are offered, issued and administered by American Express Australia Limited (ABN 92 108 952 085). ® Registered Trademark of American Express Company.

AMX0061 MM 01/19

CONTENTS

38
COVER STORY
Top 50 share buys and property hotspots

22
INTERVIEW
Founder of Hub Australia Brad Krauskopf



58
TIGHT BUDGET
Have a fun night out without breaking the bank

ON THE COVER

35 How to survive a market downturn
38 Top 50 share buys and hotspots
52 System to manage your money
54 Aged care options
68 Renters' rights
72 Super drawdown plans
76 When super funds can be frozen
78 Picking the best ETFs
82 Greg Hoffman's investment plan

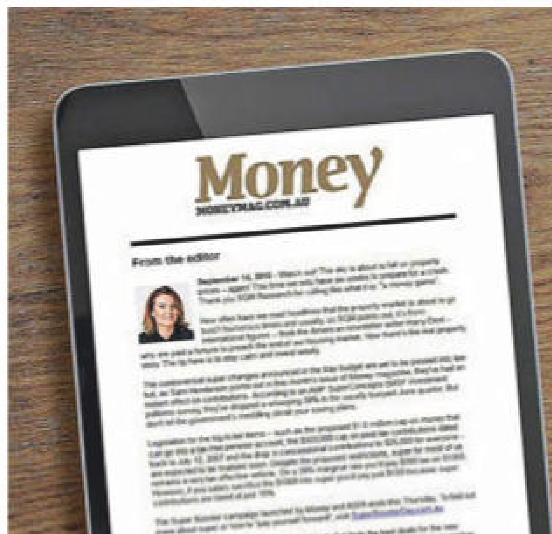
UPFRONT

8 **Editor's letter**
10 **Our experts**
12 **In your interest:** Paul Clitheroe
14 **News & views**
18 **In brief**
22 **Interview:** Alan Deans
26 **Ask the experts**
28 **Ask Paul**
32 **Smart spending**
35 **Paul's verdict**

MY MONEY

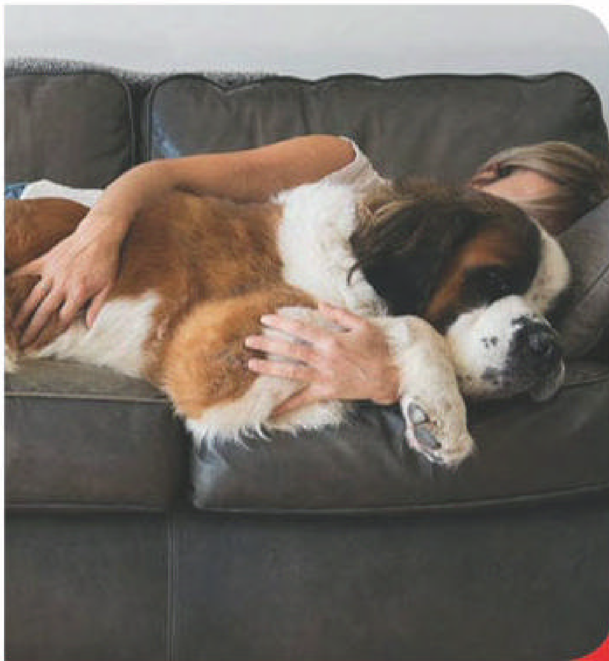
50 **Petrol prices:** Richard Scott
52 **Budgeting:** Bryce Holdaway & Ben Kingsley
54 **Aged living:** John Rawling
58 **Entertainment:** Serina Bird
60 **Best of the Best awards**
62 **Banking:** Effie Zahos
63 **Mind games:** Phil Slade
64 **Family money:** Susan Hely
65 **Small business:** Anthony O'Brien
66 **What if...:** Annette Sampson
66 **The challenge:** Maria Bekiaris

Disclaimer: The information featured in this magazine is general in nature and does not take into account your objectives, financial situation or needs. You should consider the appropriateness of the information having regard to your own circumstances. Before making an investment, insurance or financial planning decision you should consult a licensed professional who can advise you of whether your decision is appropriate. Bauer Media does not have an interest in the promotion of any company, investment or product featured in this magazine.



MONEY NEWS DELIVERED TO YOUR INBOX EVERY WEDNESDAY

SIGN UP FOR YOUR FREE NEWSLETTER AT WWW.MONEYMAG.COM.AU



68
RENTERS' GUIDE
Know your rights and understand key changes

72
RETIREMENT PLAN
You can live it up and still have money left over

84
INVESTORS ON EDGE
What markets are watching out for

PROPERTY

68 **Renting:** Pam Walkley
Understanding your rights

71 **Real estate:** Pam Walkley

IN EVERY MONTH

9 **Privacy notice**

88 **Databank**

90 **The hot seat**

INVESTING

72 **Retirement:** Mark Story
Enjoying a great lifestyle

76 **Superannuation:** Susan Hely
Beware of property in super

78 **ETFs:** Susan Hely
Five things you need to know

80 **At large:** Ross Greenwood

81 **Super:** Vita Palestrant

SHARES

82 **Strategy:** Greg Hoffman
Investment plan for 2019

84 **Outlook:** Craig James

85 **This month:** Marcus Padley

86 **Value.able:** Roger Montgomery

87 **Best in breed:** Scott Phillips

SAVINGS & GIVEAWAYS

8 *A* 12-month subscription to *Money* magazine for our Letter of the Month!

16 Five copies of our Book of the Month – *Supercharge your Property Portfolio.*

53 Five copies of *Make Money Simple Again* to be won.

59 Win one of five copies of *The Joyful Frugalista* by Serina Bird.

SUBSCRIBE AND GET SIX ISSUES FOR $30
SAVE 37%
PAGE 36

SIGN UP FOR OUR **FREE** WEEKLY NEWSLETTER
MONEYMAG.COM.AU

Where to invest in a tough year

Welcome back. Are you a glass-half-empty or glass-half-full investor? Research says that seeing the glass half full not only makes you happier but also healthier and wealthier. That makes sense given confidence (and capacity) are the main drivers of investing. Feel good about things and you will put plans in place to achieve positive results. Feel bad and you do nothing.

Unfortunately, investors will have plenty to worry about in 2019. As our guest economist, Craig James, points out in his column (page 84) the S&P/ASX 200 is a long way off its August high, and the rate at which the Fed has increased interest rates in the US, the relationship between China and the US and slowing global growth will all continue to play on investors' minds.

But the fundamental reasons for investing haven't changed and good companies are still good investments; property is still a great way to create long-term wealth. The challenge, of course, is buying right and buying at the right price.

Our Top 50 cover story this month, now eight years strong, goes some way to helping investors choose between property and shares. But as you will find, even our experts say it's not going to be easy. ShareAnalysis (formerly Skaffold), which put the Top 50

Contact us

To send a letter to the editor, write to
Money, GPO Box 4088,
Sydney NSW 2001 or email
money@bauer-media.com.au

For all inquiries and letters, please include name, address and phone details. Letters may be edited for clarity or space. Because of the high number of letters received, no personal replies are possible.

How to get *Money*

Subscribe to the print or digital edition
Call: 136 116
Online: magshop.com.au/money-magazine

Feedback

Letter of the month

Please hold the indignation: tougher bank lending standards are long overdue

I have been reading with interest the recent commentary on the changed lending behaviours by our banks. I find it intriguing how there is almost a sense of indignation about how the spending behaviour of loan applicants is now being scrutinised and pared back.

To be honest, if I were seeking to re-finance in this climate I would find it somewhat humiliating as well.

But the reality is that this indignation is merely based on a recent history of lax lending by banks. How quickly we have been normalised to the idea of easy credit! We now think we can just skip down to the bank whenever we want and waltz back with a few hundred thousand dollars to buy our dream home.

Think how much better off we would all be if banks had always had these kinds of lending standards. Think lower household debt across the nation, lower house prices, higher savings rates, less mortgage stress, more disposable income …

The last thing we should be doing now is complaining that banks are reverting to lending standards they should have been keeping from long ago.

Derek

Ed's note: Good point, although it will be interesting to see how long these tough lending restrictions last. When good credit risks are taken out of the market because of heightened lending restrictions, that's when we have a problem.

Take time out for a cuppa and a winning deal

I have been an avid subscriber to *Money* for seven years now. With a young family at hand, full-time work commitments, rental properties to manage, an SMSF to invest with, insurances to organise and so on, sometimes when my magazine arrives I have only opened the last month's edition the day before! However, even though the busyness of life is ever present, I ensure that every month I pull at least one project out of *Money* to improve my family's budget and finances.

In the December-January Best of the Best issue, after reading about the Best Value Mobile Plans – High Usage, I made a cuppa tea at work and simply changed my telco provider

share picks together, says the job proved difficult "as all our regular investment metrics point to a stockmarket that is currently representing full value". On the property front, Terry Ryder says we need to "think small for big growth".

Ross Greenwood (page 80) sums up the challenges well by saying, "If you have the money and the patience, all these things will eventually come good ... but you might have some below-par performance in the meantime."

My tip here is to get on with your investment goals. Ask yourself how you can half-fill your glass rather than worrying about it only being half filled.

Effie Zahos,
Editor, *Money* magazine

> "The more your money works for you, the less you have to work for money".

IDOWU KOYENIKAN, ORGANISATIONAL CONSULTANT AND AUTHOR

Follow *Money* on Facebook

facebook.com/MoneyMagAUS

Follow *Money* on Twitter

twitter.com/MoneyMagAUS

Visit *Money* online

Check out our website and while you're there sign up for our free weekly email newsletter. You'll get our top money stories plus exclusive finance tips.

moneymag.com.au

from last year's winner (Moose Mobile) to this year's winner (TPG). By the end of my cuppa I had saved $90, increased my data allowance by 5GB and received 100 minutes of international calls to anywhere in the world!

I enjoy this project of extracting at least one point from each month's magazine. I encourage everyone to do the same, to save money and have a little fun at the same time.

Rob

CORRECTION

The fee for the winning lowest-cost balanced super fund, Hostplus Balanced Indexed, is 0.07%, not 0.05%, as published in the Best of the Best edition.

PRIZE WORTH WINNING

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

Write to:

Letters, Money, GPO Box 4088, Sydney, NSW, 2001 or email money@bauer-media.com.au

Money is published by Bauer Media Pty Limited (ACN 053 273 546), part of the Bauer Media Group, 54-58 Park Street, Sydney NSW 2000.
The trade mark *Money* is the property of Bauer Consumer Media Limited and is used under licence. Printed by PMP Moorebank 31 Heathcote Rd, Moorebank NSW 2170

IMPORTANT DISCLAIMER The information provided in this magazine has been obtained or derived from sources believed by *Money* magazine to be reliable. However, *Money* does not make any representation or warranty, express or implied, as to its accuracy or completeness. We recommend persons making investment decisions contact their financial advisers. Bauer Media Limited, its related bodies corporate, and their directors and employees, do not accept any responsibility arising in any way (including negligence) for errors in, or omissions from, the information provided in *Money* magazine.

PRIVACY NOTICE This issue of *Money* is published by Bauer Media Pty Ltd (Bauer). Bauer may use and disclose your information in accordance with our Privacy Policy, including to provide you with your requested products or services and to keep you informed of other Bauer publications, products, services and events.

Our Privacy Policy is located at www.bauer-media.com.au/privacy/ It also sets out on how you can access or correct your personal information and lodge a complaint. Bauer may disclose your personal information offshore to its owners, joint venture partners, service providers and agents located throughout the world, including in New Zealand, USA, the Philippines and the European Union.

In addition, this issue may contain Reader Offers, being offers, competitions or surveys. Reader Offers may require you to provide personal information to enter or to take part. Personal information collected for Reader Offers may be disclosed by us to service providers assisting Bauer in the conduct of the Reader Offer and to other organisations providing special prizes or offers that are part of the Reader Offer. An opt-out choice is provided with a Reader Offer. Unless you exercise that opt-out choice, personal information collected for Reader Offers may also be disclosed by us to other organisations for use by them to inform you about other products, services or events or to give to other organisations that may use this information for this purpose.

If you require further information, please contact Bauer's Privacy Officer either by email at privacyofficer@bauer-media.com.au or mail at Privacy Officer Bauer Media Pty Ltd, 54 Park Street, Sydney NSW 2000.

What is something that you would like to have but can't justify buying?

PAUL CLITHEROE
Paul has been the chairman of *Money* magazine since its launch. Paul says: "It would be great to have one really nice, custom-tailored suit. I tend to buy the 'two suits on special' offers. But the bespoke suits are really expensive and I just can't bring myself to do it."

TERRY RYDER
Terry is the founder of hotspotting.com.au and author of four real estate books. Terry says: "I've spent a lot of money on overseas travel throughout my life and right now I have half a dozen bucket-list trips planned in my mind. But currently I'm prioritising investment and debt reduction so I'm forcing myself to delay gratification."

ANNETTE SAMPSON
Annette has written extensively on personal finance and she has written several books. Annette says: "There's a joke among cyclists that the number of bikes you need can be calculated by the formula x + 1 where x is the number you already own. Guilty as charged. I covet a new road bike though definitely I couldn't justify it."

PAM WALKLEY
Pam was founding editor of *Money* and is now a senior staff writer. Pam says: "I love travelling. After splurging on a trans-Siberian trip last year I planned a pricey Arctic Circle cruise this year but will wait until investment markets – my main source of income – improve and take some cheaper trips in 2019."

ANN LOVEDAY
Ann has been *Money's* art director for seven years. Ann says: "I'm driving an old Benz that I've had for years. I still love it, look after it and it's reliable, apart from the leaky air-conditioning. But I really, really need the new A250 AMG Mercedes-Benz. My ego says buy it but my budget says stay with the old girl. Sigh."

GREG HOFFMAN
Greg is the chairman of Forager Funds Management. Greg says: "I broke two ribs snowboarding in Japan last year and for the first time flew home business class to minimise discomfort. It was great. I can afford to do it more but I just can't justify the expense."

The Money team

EDITORIAL
Chairman & chief commentator Paul Clitheroe
Editor Effie Zahos
Deputy Editor Maria Bekiaris
Art Director Ann Loveday
Designer Andrew McLagan
Senior Sub-editors Bob Christensen, Janice Hogg
Senior Writers Susan Hely, Pam Walkley
Online Content Producer Sharyn McCowen

CONTRIBUTING WRITERS
Serina Bird, Alan Deans, Nicola Field, Ross Greenwood, Greg Hoffman, Bryce Holdaway, Craig James, Ben Kingsley, Roger Montgomery, Anthony O'Brien, Marcus Padley, Vita Palestrant, Scott Phillips, John Rawling, Terry Ryder, Annette Sampson, Richard Scott, Phil Slade, Mark Story

CONTRIBUTING ARTISTS
Reg Lynch, Rob Shaw, Jim Tsinganos, John Tiedemann

PHOTOGRAPHS
Getty Images

ADVERTISING
Brand Manager – Specialist Simon Park (02) 9282 8085

PRODUCTION
Controller Carly Zinga
Advertising Production Dominic Roy

MARKETING
Senior Marketing Manager Jillian Hogan
Brand Manager Sarah Webster
Subscriptions Ellie Xuereb

MANAGEMENT
CEO Paul Dykzeul
Chief Financial Officer Andrew Stedwell
Commercial Director Australia Paul Gardiner

Syndication inquiries: acpsyndication@bauer-media.com.au

Winner. Winner.

Whether you choose our top-selling **Unlimited nbn50** plan for **$59.99/mth** or our super-value **Unlimited ADSL2+** plan for just **$54.99/mth** - you can be sure you're on a winner.

13 39 38 | exetel.com.au

Total min $59.99 for nbn50 and $54.99 for ADSL2+. nbn50 Typical Evening Speed is 43Mbps. Available subject to address qualification. See website for details.

There has never been a better or safer time for most of us

Normally my Christmas Day is overshadowed by heading to my boat *Balance* early on Boxing Day to race to Hobart. Our route-planning software "expedition" and weather updates tend to leave me a bit preoccupied. Equally, as pretty much anything fatty and yummy consumed after about noon is likely to be regurgitated as we head to sea into the fast-running south currents, even eating is a little restricted.

But this year I took a break from bouncing around Bass Strait and headed to the beach with my family, now rapidly growing with my son and his wife announcing they are due to have a baby this year, my middle daughter's engagement and a couple of bouncing puppies owned by the kids.

Rather than focusing on yachting, I could decide on what books to read over the break. I decided to start with Tim Winton's new book *The Shepherd's Hut*. It is really hard to go wrong with a Winton and I loved that one. Then I went for a relatively old Richard Flanagan book, *Death of a River Guide*. I'm not too sure why I missed this one in previous years but it was another enjoyable read.

Watching Yacht Tracker occupied a fair bit of my time as I followed the fleet racing to Hobart but most of the other live news was pretty disheartening: falling share and property markets, the Brexit mess and, of course, the latest Donald Trump tweets. So as we moved into January, I thought I had better move from fiction to non-fiction reading and I picked up a copy of Hans Rosling's *Factfulness: 10 Reasons We're Wrong About the World – and Why Things are Better Than You Think*.

Bill Gates had recommended this in an article as a must-read, so that was more than enough of an endorsement for me and I hope you will look at it as well. This is well known but the truth is we are absolutely hopeless at answering really fundamental questions, such as: "What percentage of the world lives in poverty?"; "What percentage of children die in the first five years"; "Is the percentage of children being immunised globally rising or falling?" We are obsessed with negativity.

Rosling, a Swedish professor of international health who died in 2017, outlines the 10 instincts that he argues cause us to believe the world is a worse and more dangerous place than it used to be. As I have pointed out in this column in the past, the truth is that there has never been a safer or better time for the vast majority of us to live than right now but Rosling makes this case in a far more articulate and detailed fashion than I could manage.

> "Factfulness" is something that most of us, especially politicians, would benefit from

I had to laugh at his description of "factfulness", which is something that most of us, and certainly our politicians, would benefit from. Factfulness: the stress-reducing habit of only carrying opinions for which you have strong supporting facts.

So what are the facts behind the questions above. Well, when I was born in 1955, over half of the world's population lived in extreme poverty. Today it is under 10%. We don't have accurate facts going far back in history about the survival rates of children under five. But, again in 1955, globally the death rate was 20%. Today it is 4%.

In a recent poll Americans felt that 35% of children had been vaccinated. In fact, it is close to 86% vaccinated by the age of one against all sorts of nasty things such as diphtheria and tetanus. Incidentally, in the same poll 90% of Americans felt that global poverty was getting worse.

So while in the short term my property and shares are worth less, Rosling gave my year a very nice start by reminding me about the value of facts and that the world, while far from perfect, has never been better for so many of us.

Paul Clitheroe is Money's *chairman and chief commentator. He is also chairman of the Australian government's Financial Literacy Board and a best-selling author.*

MOBILE

NO LOCK-IN CONTRACT

10GB data

$15 /mth
for the 1st 6 months
$29.99 /mth thereafter

UNLIMITED NATIONAL TALK & TEXT
100 INTERNATIONAL MINUTES

tpg.com.au 1300 242 011

6 month offer available for new registrations only. Standard plan & pricing available for existing mobile customers. Standard rates apply for excluded usage. Calls and SMS to Premium services are not supported. Data usage is charged per KB or part thereof. Excess Data $10 for extra 1GB blocks. Excluded or excess usage is only possible with sufficient Prepaid Balance. This offer may be withdrawn at any time. Plan is for residential customers only and not for commercial use. Visit website for T&Cs.

NEWS & VIEWS

THE BUZZ

Right royal question hangs over housing

As APRA loosens property loan limits, banks need to lighten up too

Last year, the Australian Prudential Regulation Authority (APRA) removed two of the restrictions it had imposed on banks which had made it harder for investors to buy property.

In the first half of the year, APRA ended the cap on investor loan growth. A 10% benchmark was introduced in 2014 but APRA felt that this measure had achieved its desired outcome.

Later in the year it also removed its restriction on interest-only residential mortgages which was originally set at a benchmark of 30% of all new loans. This measure well and truly achieved its goal as new interest-only loans are currently about 16% of all new loans.

The big question is whether this loosening of the reins by APRA will revive property prices. The answer is probably not.

The scrapping of the 10% benchmark on investor loan growth did not improve demand from investors, nor did it improve property prices. In fact, prices continued to drop, especially in Sydney and Melbourne.

Likewise, the scrapping of the interest-only benchmark will also have a minimal effect, if any, on property prices. The main reason for this is that banks are still assessing all new loans on a principal and interest (P&I) basis, even if you take out an interest-only loan.

If that is not enough to kill lending, banks are also assessing all your existing loans on a P&I basis. So both new and existing are assessed at a benchmark interest rate of about 7.25%, even though a typical interest rate on a residential mortgage is about 4%.

Property prices will not improve unless the banks become more realistic in their assessment practices.

So it raises the question of why the banks are still so restrictive on lending money even though the regulator has eased off. The answer is the royal commission into misconduct in the banking, superannuation and financial services industry.

We eagerly await the banks' response to the findings, which are due out this month.

Peter Koulizos is the author of *Top Australian Suburbs* and *Property vs Shares*. See thepropertyprofessor.com.au.

ON MY MIND

Kids can learn how to save

Many schools are ditching the Dollarmites banking scheme without having a replacement program. If this will affect your family, don't worry because there's a do-it-yourself model you can put in place.

It works with all banks and relies on the simple concept of having two bank accounts for your kids: one for spending and one for savings.

You can ask your bank to link a debit card to your child's spending account (the card is in your name) and you can pay their pocket money directly into this account. They can then spend their own money using their debit card – under your supervision, of course. It teaches them about earning money and also about spending money in a modern tap-and-go society.

Their second account is for their savings – this is where you can put money they get for birthdays and Christmas gifts. Don't link a debit card to this account – this one is to be used for what they are saving up for, such as a bike, game or cool shoes.

Either way, ask your bank or credit union about its best spending/savings accounts for kids that offer fee-free options and a high interest rate.

Steve Crawford, CEO, Experience Wealth

CALENDAR OF EVENTS

Tuesday, February 5
RBA interest rate decision

Wed., February 13
NAB business confidence

Thursday, February 14
Westpac consumer confidence

Thursday, February 21
Unemployment rate

NEWS BITES

Kogan has made its foray into the financial services space, introducing a range of home loans. There are fixed and variable options available to both owner-occupiers and investors and they are funded by Adelaide Bank and Pepper Group. Variable rates start at 3.69%pa for owner-occupiers and 3.89%pa for investors. Customers have the option of adding a 100% offset account for a monthly fee.

Commonwealth Bank and its subsidiary Bankwest now offer customers access to Apple Pay. Until now ANZ has been the only one of the big banks to offer the service but it was available to customers of smaller institutions such as Bendigo Bank, HSBC, ING and Suncorp, to name a few.

Want to rent out a room in your house to make some extra cash but having lodgers on the weekend is a deterrent? There's a new service platform that now lets you offer a room for rent during the working week – ideal for commuters. It is currently only available in NSW, Queensland and Victoria. See weekdayspace.com.au for details and fees.

SMSFs face extra challenges

Investments and investment strategies are what superannuation is all about. After all, isn't the aim to maximise the amount you are saving for retirement?

This year will present some challenges with the federal election in the wings, a budget in April and potential changes in the investment climate both locally and internationally. So, what do you need to think of when it comes to your self-managed fund and super?

- If you're making contributions, use them as tax effectively as possible and stay within the caps.
- Review the fund's investment strategy to take in any changes in investment risk, returns on investment and liquidity, and whether insurance has been considered.
- If you plan to retire this year, make sure the fund's cash flow is available for any lump sums or pensions that need to be paid.
- Continue to take the longer-term view of investing, as your super may need to last you the rest of your life.

While the changes to super seem to be never-ending, let's hope this year stays relatively stable.

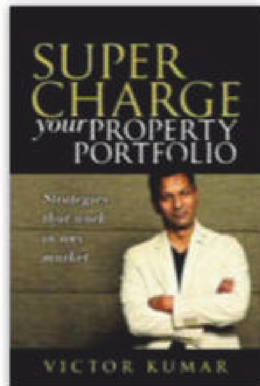
Natasha Fenech, CEO, SuperConcepts

83m

McDonald's Chicken McNuggets were ordered on Uber Eats in 2018, according to figures released by Uber. Sydney leads the pack gobbling up more than 25 million nuggets last year. Someone in Australia ordered Uber Eats 658 times throughout the year and Australia's most adventurous eater ordered from 178 different restaurants!

NEWS&VIEWS

BOOK OF THE MONTH



SUPERCHARGE YOUR PROPERTY PORTFOLIO
Victor Kumar
Wilkinson Publishing
RRP$29.99

Author Victor Kumar is the founder of Right Property Group, a leading specialist property strategist and buyers agency, and has a multimillion-dollar property portfolio of his own.

The book looks at a number of essential topics for property investors including the importance of goal setting before you begin, how to pick the right area, negotiating, using buyers agents, the biggest property investment mistakes you should avoid and the key steps to renovation and property development.

Five readers can win a copy.
In 25 words or less, tell us your tip for supercharging your property portfolio. Enter online at moneymag.com.au/win or send entries to Money, GPO Box 4088, Sydney, NSW 2001. Entries open January 28, 2019 and close February 27, 2019.

APP OF THE MONTH

SPRIGGY POCKET MONEY
COST: FREE TO DOWNLOAD
OS: REQUIRES IOS 9.3 OR LATER, OR ANDROID 4.4 AND UP

Almost all teenagers and two-thirds of primary school-aged children own a tablet or smartphone. So why not use these devices to teach them how to manage money?

The Spriggy app goes hand-in-hand with a digital piggy bank. Pocket money can be paid direct to a Spriggy Visa debit card, with the flexibility to set chores in return for an allowance.

Parents can choose to be notified when their child uses the card, paving the way for discussions about spending versus saving. According to Spriggy, 77% of families using the app saw a positive change in how their kids handle money.

The app costs nothing to download; however, membership, which is essential to have the digital piggy bank, costs $30 per child annually. A 30-day free trial is available.

NICOLA FIELD

TAX TIP

Beware the granny flat CGT shock

As parents grow older, they may require additional care and can find it hard to continue to maintain their own home. To deal with that, increasing numbers are moving into "granny flats" within the homes of their children. That way, the parent maintains a degree of independent living while having family carers on hand if required.

Unfortunately, this arrangement can have unforeseen and substantial tax consequences for the child. In a typical scenario, the parent might sell her own home. She will then pay a substantial sum of money to a son or daughter for the right to live in a granny flat within the child's property for the rest of her life. Often both parties will put in place a legal agreement to formalise the arrangement and to provide protection to the parent in the event that the child divorces or passes away.

Unfortunately, the cash sum paid creates a CGT liability falling on the son or daughter. The 50% CGT discount is not available and there is no base cost to offset the proceeds, so the entire amount is subject to tax. Very often the son or daughter will only become aware of the tax issue long after the arrangement has been put in place.

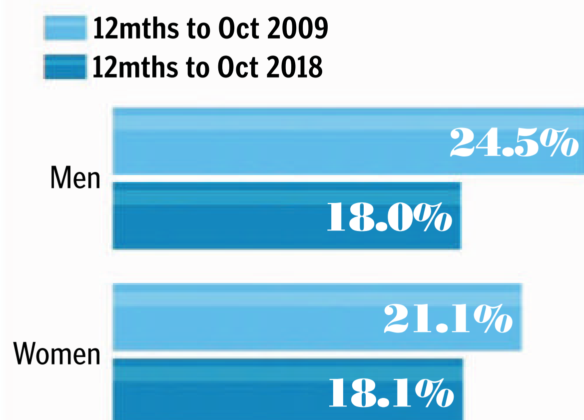
While such an arrangement can suit all involved, it is essential to take tax and legal advice before doing anything so that all parties are fully aware of their liabilities and can plan around them.

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

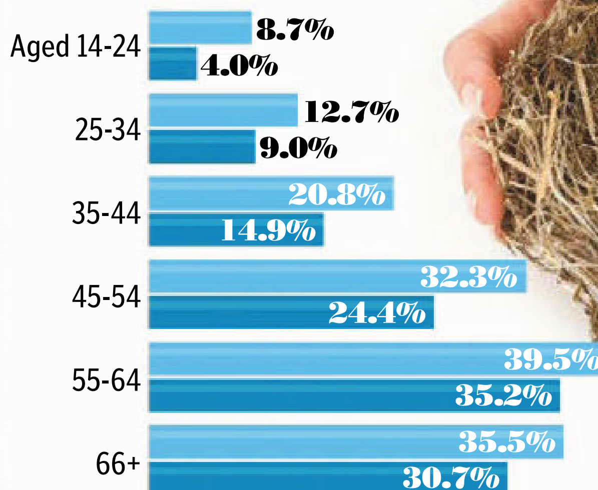
SNAPSHOT Workers cut back on extra super

Superannuation contributions beyond the compulsory level...

BY GENDER



BY AGE



Only 18% of workers with superannuation are currently contributing beyond the compulsory level – down from 23% in 2009

Source: Roy Morgan Single Source (Australia).
12 months to October 2009, n=51,706; 12 months to October 2018, n=50,359. Base: Australians 14+, working full or part time, with superannuation. 12 months to October 2009, n=25,328; 12 months to October 2018, n=23,276.

bcu

Faster. Simpler. Convenient Banking.

- A team of home and commercial lending specialists
- Local stores from Sunshine Coast to Port Macquarie
- Award-winning kids savings account
- Digital banking – website, i*Bank*, mobile Connect App
- Direct banking team available on **1300 228 228**

Home loans | Personal loans | Business banking | Access + savings accounts | Insurance

Member-owned banking with a focus on you.

Visit **bcu.com.au** to find out more.

Bananacoast Community Credit Union Ltd (bcu) ABN 50 087 649 750 AFSL 241077 Australian Credit Licence Number 241077

MY MONEY

▶ MORE MONEY STORIES ON P50-67

TOP UNSECURED PERSONAL LOANS FOR $10,000

Beyond Bank 7.99%pa advertised rate, $175 establishment fee, $60 annual fee; **Endeavour Mutual Bank** 7.99%pa advertised rate, $150 establishment fee; **People's Choice Credit Union** 7.99%pa advertised rate, $250 establishment fee. Source: Canstar as at 11-Jan-19, ranked by maximum interest, then establishment fee. Excludes peer-to-peer loans.

INSURANCE

Big health changes are on the way

Private health insurance premiums are set to rise by an average of 3.25% from April 1. The comparison service iSelect estimates the average family will pay around $135 a year more for private cover, while couples will pay $151 more and singles policies will cost another $62.

What's more, there will be a number of important policy changes kicking in on the same date.

Laura Crowden, spokesperson for iSelect, says the combination of rising premiums and significant changes means all policyholders need to carefully check their cover before April 1 to make sure they won't be paying more for less.

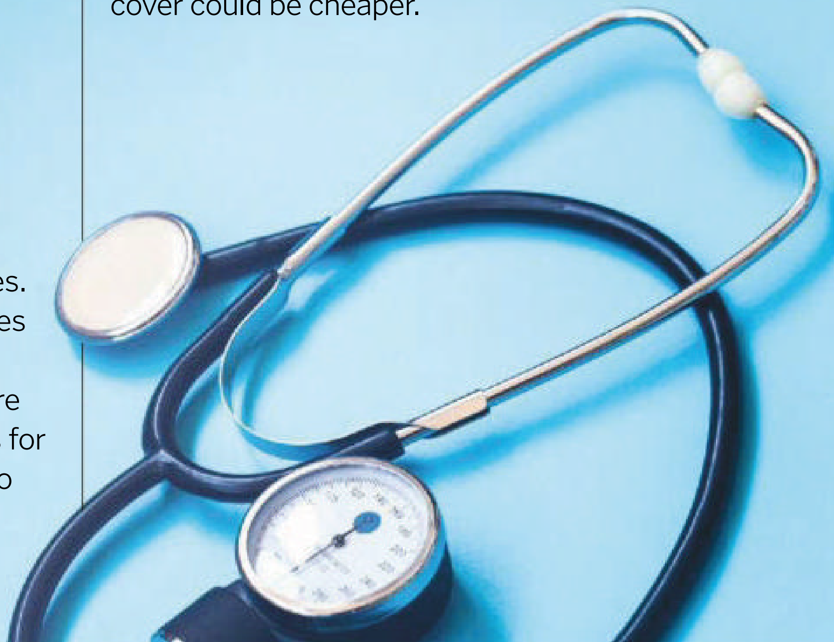
The biggest change is the introduction of gold/silver/bronze/basic product tiers for hospital policies. This will set minimum standards for hospital services and treatments to be covered under each tier. Ultimately this change will make it easier to compare policies but iSelect warns that the transition means for some customers there will be significant changes to what their policy does and does not cover.

Other changes include discounted premiums for under-30s, the removal of 16 natural therapies and the ability for customers to increase their excess in exchange for lower premiums.

Crowden says it's important that all private health insurance customers take the time to understand exactly how their hospital policy will change and compare their options to make sure they are still getting the best value.

Think about what you absolutely need covered and what you could do without and make sure you have the right policy for your needs at the best price. You can use the government site privatehealth.gov.au or a comparison site such as iselect.com.au or canstar.com.au.

You may be able to save by using one provider for hospital cover and a different one for extras, or if you're a couple separate singles cover rather than couples cover could be cheaper.



Cool savings

Origin Energy has compared a range of options showing how you can stay cool and save.

Portable air-conditioning units can cost **$68-$201** pa more to run than a good split system or ducted unit.

Save **$470** pa by cooling down a single room rather than the whole house.

Set your air-conditioner to 24°C in summer – every degree below that adds **5%** to your energy use.

By using your air-conditioner for an hour less on hot days, you could save **$31-$93**pa

PROPERTY

INVESTING

Buy for the right reasons

If you're thinking about buying an investment property this year, then make sure you're doing it for the right reasons. "While property investment is an excellent vehicle for growing lasting wealth, occasionally it's the wrong fit for particular people," warns Michael Yardney, director of Metropole property strategists. "In fact, sometimes there are some very legitimate reasons why you just shouldn't do it."

Here are reasons you shouldn't buy an investment property:

1. You're buying it to pay less tax

"Negative gearing is not an investment strategy – it's a short-term funding strategy that makes sense only when used to purchase high-capital-growth investment-grade properties," says Yardney.

2. You're buying because you're disappointed you've missed the recent property boom

FOMO (fear of missing out) is a powerful emotion but can lead to bad judgement. Yardney says this is the time in the property cycle when you need to be more cautious in your investing decisions rather than over-optimistic.

3. You want to get rich quick

"I've found it takes average property investors 30 years to become financially free," says Yardney. "Often it takes 10 years to learn what not to do. Then it takes three to five years to undo the mistakes of the first decade, often selling off underperforming properties. Then it takes two good property cycles to build a substantial asset base of investment-grade properties."

4. Your finances are not in order

"To get into property you should have a stable job, profession or business with a steady income and need to be attractive to the banks so they lend you money, plus you should have sufficient stashed away in a financial buffer to see you through the inevitable rainy days ahead," says Yardney. It's also important that you know how to budget, spend less than you earn, and save and are good at handling debt.

5. You don't have enough money

"If you can't afford an investment-grade property, either because you haven't saved a sufficient deposit or you can't service the loan repayments, then rather than buying a secondary property, in my mind it's better that you wait and buy an investment-grade property," says Yardney.

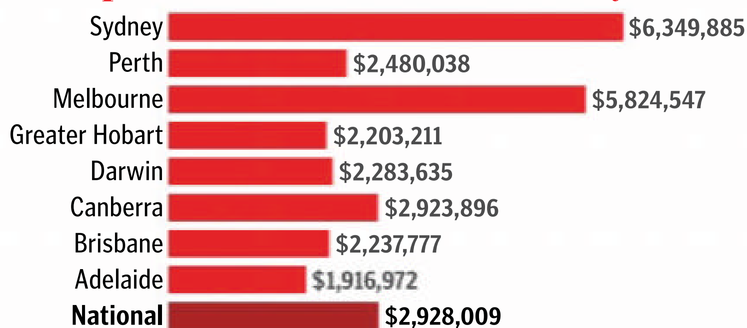
▶ MORE PROPERTY STORIES ON P68-71

Glimpse of a pricey future

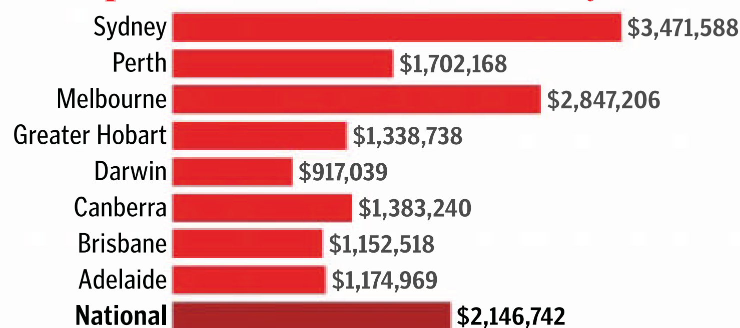
It comes as no surprise that property prices have experienced phenomenal growth. Over 25 years the median house value nationally has risen by 412% and unit values have increased by 316%, according to a report from Aussie and CoreLogic on 25 years of housing trends.

The report found that if property prices were to rise at the same rate as in the past 25 years, Australia's median house value would reach $2.9 million by 2043 - it's about $570,000 today. The report does point out that simple extrapolations don't take into account how economic and demographic conditions might play out over that time or how housing demand and supply may evolve, so there is a real possibility that housing trends and growth rates could look remarkably different from what we've seen over the past 25 years. But it's an interesting image nonetheless.

Extrapolated median house values by 2043



Extrapolated median unit values by 2043



Source: CoreLogic. Median values have been extrapolated based on applying the annual compounding growth in median values over the past 25 years to current median house and unit values.

TOP LOW-RATE LOANS

Reduce Home Loans (Rate Lovers) 3.44%pa, 3.44%pa AAPR[1]; **Reduce Home Loans (Rate Slasher)** 3.44%pa, 3.45%pa AAPR[1]; **Reduce Home Loans (Rate Buster)** 3.49%pa, 3.50%pa AAPR[1]; **Freedom Lend** 3.44%pa, 3.50%pa AAPR; **Easy Street Fin Serv** 3.49%pa, 3.51%pa AAPR.

Source: Canstar as at 11-Jan-19, ranked by AAPR.

[1]AAPR on $250,000 loan for 25 years.

COMPILED BY MARIA BEKIARIS

INVESTING

▶MORE INVESTING STORIES ON P72-81

BOTTOM FUNDS BY 1-YEAR PERFORMANCE

Nikko AM Australian Share (TYN0026AU), -15.55%; **BT WE Tyndall Australian Share (WFS0411AU)**, -15.33%; **PM Capital Australian Companies (PMC0101AU)**, -15.17%. Source: Morningstar as at 31-Dec-18.

RETIREMENT

Dud super funds destroy wealth

While superannuation has worked fairly well for many Australians, there are more than 5 million who have had their retirement wealth eroded by high fees, poor performance of the underlying assets, premiums for unsuitable insurance policies or the cost of holding multiple accounts.

What financial harm do these factors cause balances over their lifetime? Plenty, according to the latest report into superannuation by the Productivity Commission:

- Being a member of a high-fee fund costs $100,000, or 12% less at retirement.
- Ending up in an under-performing MySuper product costs a new member $502,000, or 45% less. Even a 55-year-old will be $79,000 worse off.
- Paying for unsuitable insurance adds up to $85,000, or 14% less.
- Unintentionally holding multiple accounts (10 million Australians) costs $51,000 or 6% less.

The Productivity Commission's report found that over the 13 years to 2017, 26 funds with over 7 million members and over $400 billion in assets performed above their benchmark. But 29 funds with 5 million members and $270 billion in assets performed below their own benchmark portfolio by more than 0.25%. About half are industry or not-for-profit funds and almost a third are retail funds. The retail funds are larger on average, collectively accounting for 77% of the underperforming funds, with 3.8 million member accounts.

On the whole, not-for-profit super funds delivered 2% more than retail funds over the 13 years to the end of 2017. The commission examined the performance of different asset classes of all types of superannuation funds and found that the not-for-profit ones outperformed retail funds in most asset classes, including the largest asset classes such as listed equities and fixed income.

The Productivity Commission's recommendation for a top 10 super fund list for employees to choose from has been slammed by numerous experts, particularly about how to select the panel to decide who goes on the list.

"There are dangers in giving huge power to a select group of people, who presumably will have experience gained from previous careers in the industry. This panel will be subject to extensive lobbying from funds and former colleagues who will want their product to be selected as well as political pressure," says Chris Brycki, CEO of the investment platform Stockspot.
SUSAN HELY

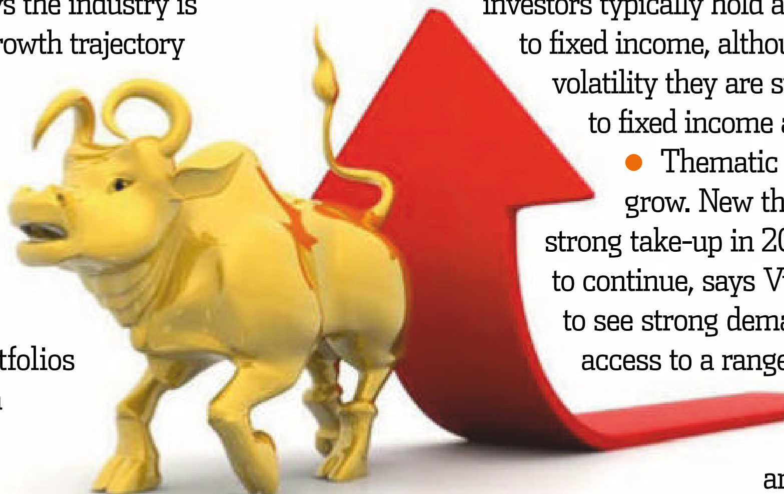
ETPs set for bumper year

The Australian exchange traded product market, which includes exchange traded funds, experienced its second highest year of net inflows on record, growing 13.2% to $40.4 billion in the 12 months to December 31 last year, according to VanEck.

ETF provider BetaShares says the industry is expected to continue its rapid growth trajectory this year, with CEO Alex Vynokur predicting it will hit $55 billion-$60 billion.

Vynokur has made three key predictions for the trends we're likely to see this year:

- Adoption of ETF model portfolios will increase. "We're seeing an increase in demand for model portfolios and asset allocation services, particularly from advisers and dealer groups who can use such services to offer efficient and cost-effective access to diversified investment portfolios, at much lower costs for clients than had been previously available."
- Fixed-income ETFs will grow in popularity. "Australian investors typically hold an underweight exposure to fixed income, although with growing market volatility they are starting to increase allocations to fixed income as a defensive shield."
- Thematic investing will continue to grow. New thematic ETFs experienced strong take-up in 2018 and this trend is predicted to continue, says Vynokur. BetaShares continues to see strong demand for its funds offering access to a range of global growth themes, including cybersecurity, healthcare and robotics and artificial intelligence.



COMPILED BY MARIA BEKIARIS

DIVIDENDS

Income lovers take a pay cut

Australian dividends were the weakest in the developed world in the September quarter last year, with payouts falling 2.2% to $34.4 billion, according to the latest global dividend index report from Janus Henderson. Globally dividends increased by 5.1%. Historically, the third quarter is the most significant in Australia.

Dividends were down because of Telstra, which paid $982 million less year on year. Also the big banks, which pay almost half the domestic dividends each year, didn't increase their payout. Since the banks already hand out a large share of profits, Janus Henderson says there is little room for growth, especially given profits are under pressure and the royal commission has hit lending.

Dividend payouts from insurance companies were also flat but the oil and mining sectors boosted overall domestic performance. BHP Billiton raised its payout by $US1.4 billion ($2 billion), an increase of two-thirds, while Rio Tinto increased its amount by a fifth. Woodside Petroleum also increased its dividend by a fifth, enjoying the higher oil prices.

"The Australian market remains attractive to income investors given it is one of the highest yielding markets globally," says Jane Shoemake, client portfolio manager, global equity income, at Janus Henderson. "However, the income generated by the market is highly concentrated in the financial and basic materials sectors, so domestically focused investors are over-dependent on the banks and major resources companies for dividends.

"Australian bank yields are attractive but there is no dividend growth forecast given their already high payout ratios. In addition, the banks are not particularly attractively valued when compared to their global peers."

She says resource companies offer attractive yields but payments will be volatile given the reliance on underlying commodity prices and the companies' largely fixed payout ratios.

HOLD Magellan Financial Group

The Intelligent Investor Micky Mordech

RECOMMENDATION

BUY	HOLD	SELL
below $20.00	up to $30.00	above $30.00

HOLD at $23.17

Source: Intelligent Investor; price as at 21 Dec-18 close of business

HOLD Platinum Asset Management

RECOMMENDATION

BUY	HOLD	SELL
below $4.50	up to $7.50	above $7.50

HOLD at $4.69

Source: Intelligent Investor; price as at 21 Dec-18 close of business

With recent weakness in global stockmarkets reducing Platinum's and Magellan's funds under management, we're lowering our price guides a little.

International sharemarkets have been savaged of late and fund managers have appeared particularly vulnerable. All else being equal, falling markets lower the value of fund managers because they reduce fee-earning assets under management, and reduce performance fees.

That's why it can be very dangerous anchoring to price guides, and we need to be willing to change them in line with flows and market movements. With that in mind, we're lowering our price guides for both Platinum and Magellan to reflect the recent sell-off.

Since we previously upgraded Platinum to "buy", funds under management (FUM) have fallen by 7.3% to the end of November. That's likely to have deteriorated further, as the bulk of Platinum's FUM are invested in its international and Asian strategies, which are down 1.1% and flat respectively.

Magellan has performed relatively well over this period, with FUM falling 3% between September and November. This is likely to have gotten worse, however, as its flagship global fund has a higher weighting to poorly performing US equities.

It's worth noting, though, that both managers have a significant weighting to cash, so current market conditions should benefit them over the long run. But that benefit will now be coming off a lower base, so we're adjusting our price guides.

We're therefore lowering our buy price for Platinum and Magellan to $4.50 and $20 respectively. We're also lowering our sell price for Magellan to $30. In the meantime, we recommend in both cases that you continue to HOLD.

Mickey Mordech is an analyst at InvestSMART.

COMPILED BY SUSAN HELY

SHARES

▶MORE SHARES STORIES ON P82-87

TOP ETPs BY ONE-YEAR RETURN

ETFS Physical Palladium (ETPMPD) 30.26%; **BetaShares Strong US Dollar Hedge Fund (YANK)** 26.59%; **iShares S&P Global Healthcare ETF (IXJ)** 13.65%; **BetaShares Australian Strong Bear Hedge Fund (BBOZ)** 13.28%; **ETFS Morningstar Global Technology ETF (TECH)** 13.20%. Source: ASX as at 31-Dec-18.

STORY ALAN DEANS

Hot-desking meets hospitality

Brad Krauskopf measures his success by bumping into people. Not physically walking into them but rather how many he sees and speaks to as he walks around his rapidly growing business empire. In order to be big in his chosen field, Krauskopf needs to meet more members of his Hub Australia co-working community, and the members need to see more of each other too. Simple.

It's no longer enough for today's office owners to lease floor space and provide basic services such as lighting and cleaning – at least not if their tenants are millennials. The younger generation simply don't like being pigeonholed as tenants, or shoved into a sterile room for eight hours a day talking only to their workmates.

"People have their own space," Krauskopf explains of how Hub, with premises now in Melbourne, Sydney, Adelaide and Brisbane, goes about doing things. "[But]they want to be part of something bigger. Our focus is on creating the connections between those businesses. That's the key differentiator. The question is, what can I do for our business community, not whether I can simply answer the phones. I have come to think of co-working like a hospitality type of business. We sell desks, they sell beds. Ultimately, you are judged by the experience that you provide."

The co-working phenomenon boils down to knowing your neighbours. Unlike renting traditional office space, success as an owner is gauged by how extensive and interactive this network becomes. In Krauskopf's view, when Jenna the designer gets to know Emilio the social media guru or Flick the hair-care products seller, she becomes part of a tightly knit community that helps each other. Individual offices are still popular in co-working buildings but so too is hot-desking and the provision of spaces like coffee shops, kitchens, communal terraces and relaxation rooms. Whatever the space, the design is intended to maximise interaction.

The US giant WeWork has in recent years turned co-working into a global phenomenon that includes Australia. But local providers like Hub are pretty good at it too. William McGregor, senior industry analyst with IBISWorld, says co-working spaces have expanded "dramatically" in Australia in the past five years. That is largely because of the growth in business enterprises, and partly because owners are looking for cheaper options. In turn, the rapid growth in places like Hub is sparking more businesses into such premises. It's a circular process that is showing no sign of slowing down.

"These days so many businesses are small and they are credible," Krauskopf says. "So much of what they do is in the cloud or is done automatically. They can effectively operate as a small global business. If they have great talent and focus on that, and not the technology and the real estate, then they can be part of something bigger."

Krauskopf hires people at Hub to tune into their members' needs. Success for his team at Hub is helping members to expand, not "reply to 100 emails in five seconds while answering the phone". There are business, social and wellness programs to give members the chance to learn from each other and develop so-called connection points. The offering centres around a kind of internal LinkedIn, enabling members to better connect. Some 60% do business with other members. And there are links with similar businesses offshore, so when members travel they have a business home away from home.

Co-working kicked off in the aftermath of the 2008 GFC when corporations slashed staff levels and major cities were hit by extensive property vacancies. Jobs became scarce for young people. Online innovation spurred rapid demand for freelance work, and that attracted

Fact file

Brad Krauskopf

Founder and part-owner of Hub Australia. Age 41; lives in Fitzroy, Melbourne, with his wife Kerry and child.

Wanted to be an entrepreneur when he grew up. First job was publishing a school newsletter. First investing experience was buying a one-bedroom unit in Richmond; dabbled in shares but lost money in the dotcom crash of 2000. Chills by watching "trashy" TV with his wife Kerry and taking long walks. His business Hub competes against global co-working giant WeWork.

PHILLIP CASTLETON

people who wanted co-working spaces on flexible terms. WeWork set up eight years ago with a single New York office. It now has 540 locations in 96 cities, employs 5000-plus staff and is backed by giant Japanese financier SoftBank, among others.

Krauskopf was in Spain studying for an MBA when he spotted the trend. He previously had a business providing IT infrastructure for small businesses but that was dying. "I now pay Google $1000 a month for what I used to charge people $20,000 to $30,000." He came back to Australia with the intent of getting into co-working, and by 2011 opened the first Hub in Melbourne.

"When we started, we were one of the first. We took a lease on 200 square metres of space. The building we are in now – Hub Sydney – has 5000 square metres. We boot-strapped for years. We moved out of our first space two years ago because it was no longer suitable for what our customers needed. Around 2016, in Australia and globally, something interesting evolved. More members of Hub were employees of a business than they were freelancers and entrepreneurs. As soon as that happened, co-working became about staff attraction and retention.

"Businesses will always spend more money on their teams than freelancers will spend if they are simply looking for a single desk. It's a global trend. Co-working now is more about flexibility and growing than it is about a cheap desk and trying to get things going. We still have freelancers but they're a smaller part of the community."

A typical Hub member these days will have one to four staff, and the ambition to grow. There are clients with up to 20 people and, until recently, the entire ground floor of Hub Sydney was rented to a tech start-up with several times that number. National Australia Bank and Australia Post locate smaller teams at Hub when they lack suitable space of their own. The members tend to be profitable and Krauskopf says they typically stay for longer because of the work environment. The single biggest reason why people join and stay is the ability to attract and retain staff because of the work environment.

Hub leases all of its premises. Locations are very important. They have to be close to a transport hub and accessible to many different people. Preference is given to iconic or heritage buildings, not plain vanilla, A-grade commercial office space. Part of why people want to connect to the Hub is because of the brand and the offering.

A unique or iconic building allows members to differentiate. Hub Sydney is on lower Oxford Street in a renovated department store. Similarly, Hub converted the iconic Georges department store building in Melbourne, and this year will open another opposite Southern Cross Station in a building that was once the city's tallest skyscraper.

Open spaces ... Krauskopf says Hub is designed to maximise interaction.

PHILLIP CASTLETON

> **"I now pay Google $1000 a month for what I used to charge people $20,000 to $30,000"**

Krauskopf credits a significant part of Hub's success to the adoption of a millennial mindset, just like its members. Critical to that has been its accreditation as a certified B Corporation, a global group that requires its members to verify their social and environmental performance, transparency and accountability. B Corporation's credo is to use business as a force for good.

"B Corp holds us to account," Krauskopf says. "We have been a member for four years, and we were the fourth B Corp in Australia. We have helped dozens of other businesses in the Hub community become B Corps. They are for-profit businesses but they commit to being about more than just profit. It's a very rigorous audit process to go through. You really have to think: how am I going to tick all the different boxes that will get me accredited? It took us months to work through.

"As our organisation grows, we have to adapt and evolve. How you created an impact when you were a four-person company is different to when you are a 60-person company. B Corp puts a stamp showing that we really care about more than the bottom line. There is the ability to attract and retain staff. They get a couple of volunteer days, and they select who we give our complementary memberships to and donate money to. It is through participation that we get our team involved on how Hub makes an impact. The customer is in the same position. They also need to attract and retain staff, so they know Hub is a community that cares."

Krauskopf started Hub with his family, and last year they tied up with boutique private equity firm Wingate to help finance their development. Since then, they have tripled their floor space to 18,000 square metres and also their staff numbers to 60. They are committed to opening another three Hubs in the next year. It took six months to negotiate the Wingate deal but Krauskopf says he has "never looked back. It was one of the best decisions I ever made."

Trust is Game On | Distrust is Game Over

How trusted are Australian BRANDS?

Get your free copy of the BRANDS TRUST REPORT

Visit **www.roymorgan.com** follow the link to the report and type MMTRUST in the discount code, click update and proceed to download your report or call **1800 633 813**.

ROY MORGAN

Budget for a secure future

A daughter's education costs and increased savings are top of the list

NAME: William York.
STATUS: Father of Martha, 18 months.
QUESTIONS: What is the best way to set up a budget, increase my mortgage payments, establish financial goals and save? What are the savings options to fund my daughter's future education? Am I on track for retirement? Is income protection insurance the most appropriate?
ANSWERS: Pay off your mortgage as fast as you can. Rather than setting up a plan to pay for Martha's education, draw down on your mortgage. Budget by using different bank accounts for your goals. You need to increase your income protection cover either with AustralianSuper or a retail product that provides cover until you are 70 if you want to work that long.

William (right) and Angelo with Olive and Bentley.

YIANNI ASPRADAKIS

Reviewing your financial products and services is a smart plan at any age. Are they still a good deal or have they been superseded by ones that have better features such as lower interest rates? Often they have. William York recently saved some serious money by shaking up his finances. He changed his credit card to one that includes free travel insurance; re-mortgaged his house, cutting his home loan interest rate from 4.2% to 3.88%; moved energy providers, slashing his electricity bill by 26% and gas by 16%; and switched super funds from MLC to AustralianSuper to reduce fees. He shops at Aldi instead of higher-priced supermarkets.

William wants to save more of his income and pay down his mortgage faster. He says his lifestyle isn't lavish but he and his partner, Angelo, are feeling cost-of-living pressures and he isn't saving as much as he would like. William wants to set aside funds for his young daughter's education.

He has never had a budget but believes now is the time. What is the best way to set one up, increase his mortgage payments, establish financial goals and save?

William owned a successful professional photographic agency for 12 years, closing it in 2012 because of increasing competition. In 2015, the sad news that his mother had cancer prompted him to take time out of work and move into the family home to care for her.

As a result he had to reorganise his finances and sell his office. He changed careers and now has a good job with a reasonable wage. He owns a home in the inner city with a mortgage of around $190,000. What is the best strategy for paying down his debt?

In a clever decision, William contributed substantially to a super fund when he was self-employed and now contributes at the standard rate. Is he on track to fund his retirement or should he contribute more? He has income protection insurance but is it the best type of cover for his needs?

COMPILED BY SUSAN HELY

Income needs to be secure

ROY AGRANAT

Roy has 36 years' experience assisting people with their insurance needs and is director of Fairbridge Financial Services, which specialises in personal and business insurance and corporate super.

In taking stock of his financial wellbeing, William needs to protect one of his biggest assets – and that is his ability to earn an income. If this income comes to an abrupt halt due to a disability caused by sickness or an accident, how would he then be able to cover his living expenses and, importantly, assist with funds to raise and educate Martha?

William's income is expected to be in excess of $2 million over the next 15 to 20 years of his working life. His current income protection cover with AustralianSuper pays $6000 over the next two years. This wouldn't come close to meeting his needs. Irrespective of whether the decision is to insure through AustralianSuper or another provider, the benefit amount needs to be increased in line with his needs.

It is important to ensure the income protection cover is "fit for purpose". In other words, if William was to be disabled he wants to be confident he can fund his income needs for the next 15 to 20 years and not be forced to sell assets or draw on his super fund and savings to fund income needs.

To simply rely on the income protection via AustralianSuper will, in all likelihood, not perform as expected and once something unfortunate has happened it is too late after the fact to put the correct covers in place. William should look beyond the cover provided by his super fund.

There are hundreds of income protection products available to William, so which one would be most suitable? When choosing income protection, the approach cannot be the same as choosing a utilities or mortgage provider. A cheap price will long be forgotten after a bad experience. There are a range of products and options that could be considered within William's budget, and they are a vast improvement on the AustralianSuper cover and will meet his expectations.

If William does decide to fund his income protection via AustralianSuper for a monthly benefit of $8000 (more in line with needs) on a 30-day wait benefit period to age 65, the premium would be $270 per month. If this is too costly he could extend the waiting period out to 60 days and reduce the premium to $211.

There are other more qualitative product options available to William that are rate competitive with the AustralianSuper income protection and also offer superior definitions, as well as the option to be insured to the age of 70. It may pay to extend the waiting period to 90 days, reduce the cost and have the comfort of a more effective cover in the long term.

The terms under AustralianSuper are not unusual and can be found, in one form or another, under most super fund insurance offerings. Superannuation is designed to fund for retirement and not to provide insurance benefits, so there shouldn't be an assumption that the cover will perform the same as a personal insurance policy.

William should seek advice from a risk insurance specialist to ensure that his insurance needs will be met and he will be able to rely on the product to perform its intended function in the event that he ever needs to claim.

Pay down the mortgage ASAP

CLAIRE MACKAY

Claire is an independent financial planner as well as a chartered accountant, lawyer and self-managed super expert. She is a business owner and director of Quantum Financial.

William, your experience with your mum sounds difficult and sad. It's a reminder that our life and financial circumstances can be overturned in an instant where we re-evaluate what is important to us.

I think you've already identified many of your primary financial goals. Like many of my clients, you want to financially support your lifestyle and plan for retirement.

It's good to see that you have already reduced your expenses. Shopping around for better deals can be a difficult and daunting process initially but is worth the effort. Put a note in your diary to do it again in 18 to 24 months to keep your providers on their toes.

How you budget depends on your personality. Engineers and accountants tend to use spreadsheets. Most people would rather visit the dentist for root canal surgery. Start with the big picture: what you earn after tax assuming no tax deductions.

Next, calculate how much you've spent. The quickest way is to review 12 months of bank statements, take the opening balance, add your after-tax income and subtract your closing balance.

Within that amount may be one-off expenses and repayment of the principal of your mortgage which may not truly reflect your ongoing expenses. The self-employed also need to identify work and personal expenses as this affects after-tax income. Once you know how much you have spent, you need to know what you spent it on. If spreadsheets are not your thing, there are apps to help you identify and quantify expenses into categories.

A budgeting process gives you information and a sense of control. You can then make informed decisions on how much you want to save next year, which will tell you how much you can spend and on what. Creating separate bank accounts with regular deposits to build cash for big plans (like holidays) is helpful.

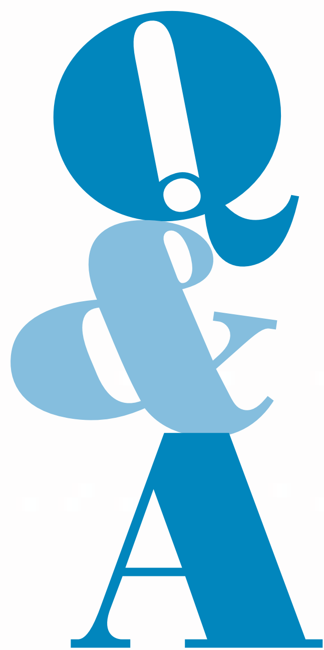
I've never been a fan of investments for education costs. It's like buying flowers – once you mention "wedding" the price goes up. With investments, if there is an emotional element involved (eg, your kids) the embedded fees can be higher and rules for access can be tricky.

Paying down your mortgage faster and using free cash flow later to fund education can be the simplest and most efficient approach.

You've given yourself peace of mind around your income via insurance. You've taken some proactive steps around funding for your retirement with your AustralianSuper account. I've long been a fan of low-cost industry funds. Check that your investment option meets your attitude to risk and return and investment time frame. If you can't access super for 20 to 30 years, consider growth-oriented options.

I'm a fan of reducing your mortgage as fast possible with an almost religious-like zeal. By average Australian standards, a $190,000 mortgage is manageable, so well done.

Ignore the minimum payments set by your bank and pay off as much as you can as fast as you can. My most successful clients reduce their mortgage to near zero (it can be handy to keep it open with a small balance so you can use it to redraw). A debt-free home in retirement is a big advantage, so prioritise this in the short term, then ramp up super contributions when your mortgage is repaid.



NEED PAUL'S HELP?

Send your questions to: Ask Paul, *Money* magazine, GPO Box 4088, Sydney NSW 2001 or money@bauer-media.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*.

Emma wants to buy a third property but ...

Diversification will spread the risk

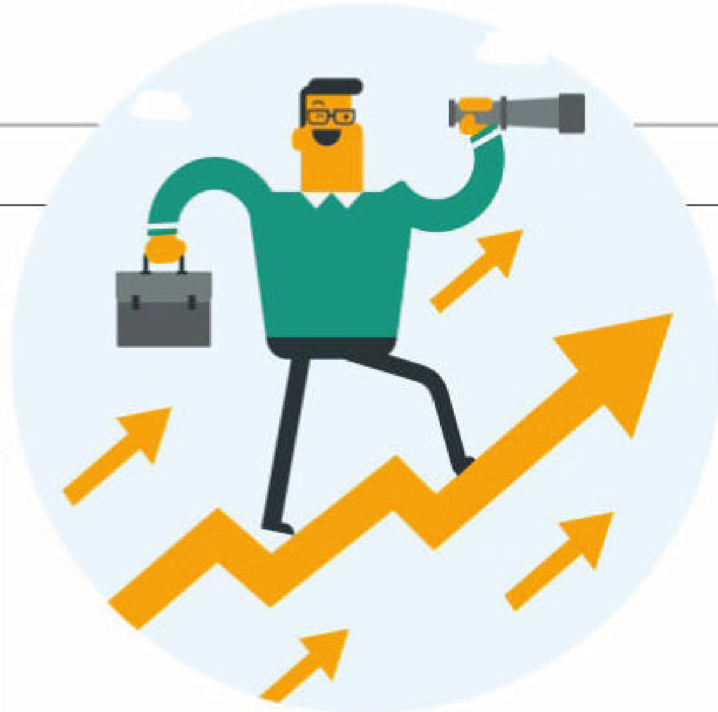
Q I'm 26 years old with a great job. I have two properties (an apartment and a house) and $15,000 in exchange traded funds (ETFs). I recently received an inheritance of $300,000, part of which I used to buy the house. I have $50,000 in a growth superannuation account making great returns.

I've estimated repayments should I buy a third property and if interest rates rise another 4%, and I can meet repayments of principal and interest on the three properties within my current salary. Should I purchase another investment property, keep the funds in my offset account and wait, or add to my share portfolio?

I would like to have children in the next several years but it's not on the immediate horizon.

Emma, call me old-fashioned but diversification is one of the fundamental laws when it comes to our money. Despite the current really solid downturn in property values, with a strong economy and a growing population it is hard not to predict that over the long term property will do well.

But there are few guarantees in life, so if I was in your shoes I'd spread my risk by adding to my ETFs. In particular I'd make sure I had exposure to international shares. Our economy is heavily resource-based and very small in global terms. Adding to super via salary sacrifice is always a great idea but at 26 it does lock away your money for many decades, so I suggest that your employer's contributions are enough here.



For Andrew's $60,000, an online saver is …

Dull and boring but safe

Q I am 32 and finally in a decent job earning six figures with a good career and wage growth in front of me. I have saved $60,000 but currently still have it just sitting in a bank account earning low interest. I want to hold off purchasing an investment property for another year until the housing market stabilises on the downward trend. What could I invest a portion of my money into that will provide more growth than my bank account?

A six-figure salary is indeed a decent salary, Andrew, and I would love to see you investing in growth assets. But here we hit yet another rule of money. Growth assets are risky and the way to manage that risk is time in the market. By this I mean investing for seven years or more.

So as dull and low-return as it may be, with the prospects of buying a property in the next year or so, I do think you need to stick with boring but secure interest in an online bank account

Incidentally, I agree with your timing. Property prices should continue to fall and this presents young people like you with a wonderful opportunity to get into the market.

While he plans his future, Jackson can …

Invest savings in shares

Q I'm a 22-year-old student with one year left of my engineering degree. I have not incurred any HECS debt for my studies and have a full-time income.

I earn about $55,000 at the moment and will be on roughly $75,000 next year. I have $41,000 saved and have put $5000 into blue-chip shares for mainly dividend purposes.

I don't have much interest in getting into property and just want to continue growing my capital until I have some sort of long-term plan.

What would be a sound decision to make with my money for the next five to seven years?

First up, Jackson, congratulations on reaching the last year of your engineering degree – it will set you up for an interesting career and good financial rewards.

I also love your honesty about not yet having a long-term plan. In my last year at university, I also had no idea! To be honest, I didn't have any real long-term plans until I was in my mid 20s but that is not a big deal as long as you are building on your education.

So I am perfectly happy for you to continue doing exactly what you are doing now: saving and investing into a share portfolio. Blue chips are fine but I would encourage you to add international shares to your portfolio. An international exchange traded fund may be helpful here.

Claire wants to invest for the long term, so …

Use spare funds to pay down the mortgage

Q I'm 31 and my partner is 46. I earn about $82,000. After caring for our daughter for the past couple of years as a full-time dad, my partner has just started picking up some freelance work, earning about $200 a week. With another baby on the way, we don't expect this to increase much in the next few years.

We have about $200 a month to spare after bills, savings and the extra $600-700 going into our mortgage each month, and I'd like to start investing this rather than just sticking it in a savings account. Would it be wiser to buy shares in an indexed fund, or make a regular contribution into my partner's super, which is virtually zero at the moment?

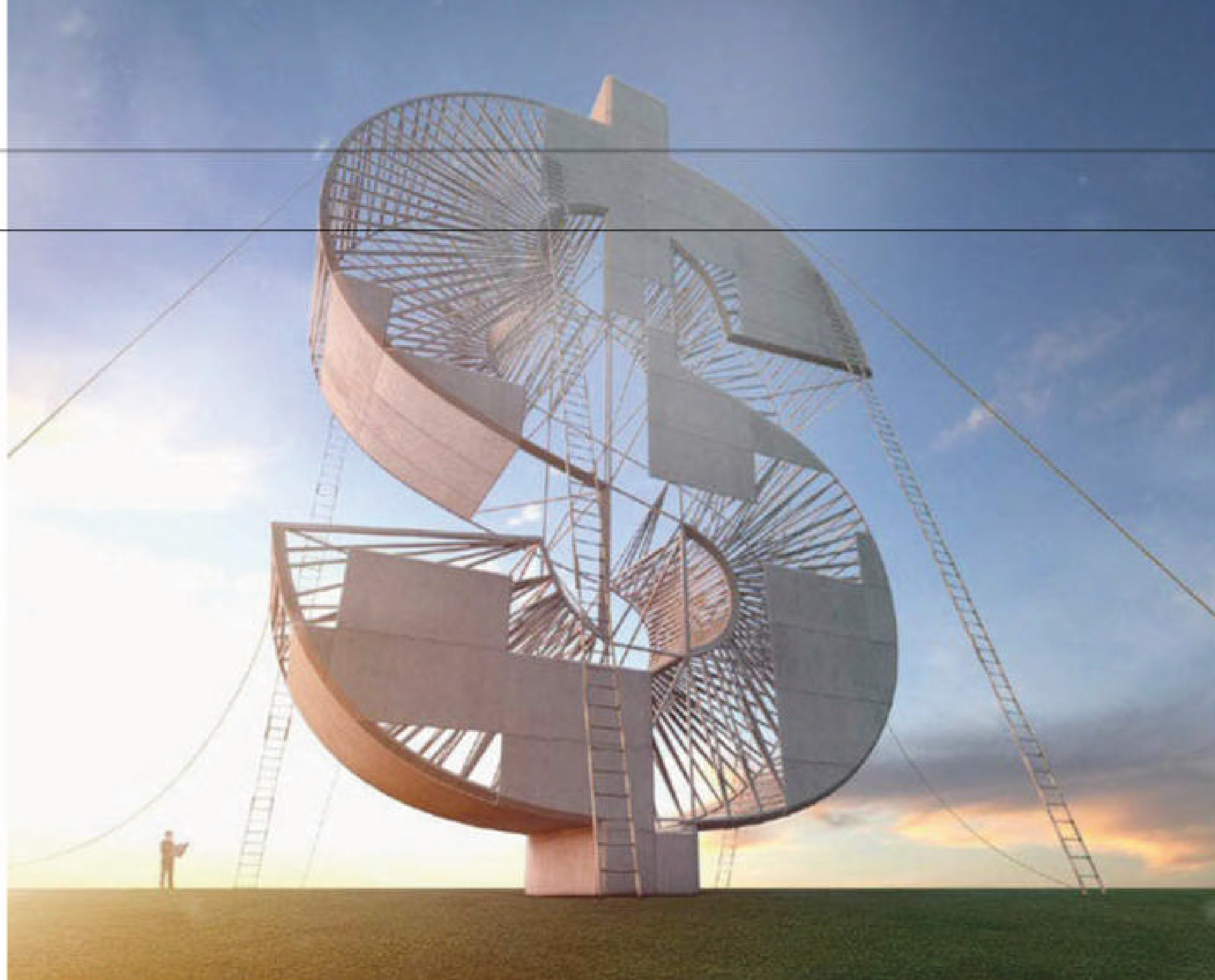
I already put some extra into my super each month but considering our age difference my partner would be 80 before I reach retirement, and we'd like to be able to access the money before then. Our mortgage is $326,000 and we have no other debt.

Hi, Claire, I enjoyed reading your commonsense views on being in a relationship with an age difference and the need to plan to enjoy life together. And congratulations on news of another baby. Exciting times!

I am delighted you are paying an extra $600-$700 into the mortgage each month. Children grow up very quickly (our youngest just turned 24) and I would really like you to have the mortgage out of the way once your new baby is 18 and your partner around 64. As I am 63, I have to say I am delighted to be one of the many people of my age full of vim and vigour and enjoying life and our adult kids.

As you will not be able to access your super in 18 years, I agree that building wealth inside your partner's super, or via a low-cost investment such as an indexed fund, makes a lot of sense. I'd have a chat to your super fund about the benefits of contributions into your partner's fund.

A combination of getting rid of the mortgage and adding to your partner's super and your share portfolio looks like a pretty good plan to me.



Q&A

Adrian faces a dilemma over ...

Where to invest extra money

Q I'm 38 and earn $140,000 a year. My partner and I own our home in Sydney. I have two investment properties in Brisbane with a combined loan of $560,000 at 4.4%; both are negatively geared and rented. I switched both loans to principal and interest about six months ago in an effort to pay off some of the loan and get the properties positively geared.

I have $180,000 in super. Since I have a little money left over each month, should I salary sacrifice extra into super? Or would I be better investing in shares outside super given that I can't access it until I'm 65? Should I focus on putting extra money into my investment properties through an offset account? I have $40,000 in savings sitting in an offset account against one of my investment properties; this is also my emergency fund.

I'm impressed, Adrian. At age 38, which makes you a young bloke in my eyes, you have done really well to create such as solid asset base. I can see why. You are clearly in control of your cash flow.

With the three properties, I share your view that you should build super or shares outside super. Which of these choices is better is very personal. Pretty obviously, you can own shares inside or outside super. On the top part of your salary, you pay a lot of tax. Salary sacrificing into super is a powerful strategy for you but, as you say, it means no access for many years.

So here is your conundrum. Building share investments inside super has to give you more wealth at retirement but no access to your money. Sometimes a good old fence sit is not a bad plan. Maybe you could add to super via some salary sacrifice while adding to your shares outside super as well.

With four properties already, Sharon has ...

Too many eggs in one basket

Q I am a single mum of three teenagers, aged 14, 16 and 18, who live with me. I own my own home, valued at $730,000. I have three investment properties valued at $435,000, $365,000 and $335,000 with loans of $230,000, $330,000 and $310,000.

I also have started a small share portfolio. I put away $50 a week and usually use $2000 from my tax return and buy shares when I can afford to do so. All the rentals are cash-flow positive now, by $148 in total (this is after all outgoings). I earn $76,000 gross.

My question is, what do I do next: continue to save and buy more shares or try for another property?

I have $35,000 in a high-interest online savings account in case of emergencies and have about the same in my day-to-day account. I also have a holiday account with $10,000. I am a good saver but feel I save too much and should be doing more for my future. I have a contract for my job for the next three years and after that I will need to find another one or hopefully be able to work part time.

No more property – enough already, Sharon! You have no doubt done plenty of hard yards raising your three kids and, to your credit, you have put yourself into a solid position with your money. But right now, with four properties and a pretty fair amount of debt, I just don't think it is a good idea to keep investing with a single focus.

Yes, I get it that your properties are positively geared but you have most of your eggs in one basket. Bad things can happen to good people, and if your contract renewal period coincided with a recession, and a couple of vacant properties, things could get very uncomfortable for you.

So I favour a plan to diversify by building your share portfolio, or you could look at topping up your super.

Maggie is worried about the state of the sharemarket but ...

Correction is a chance to buy more

Q I am a long-term subscriber. Love your work: it's very informative and provides timely information. We know the golden rules of wealth creation are: don't spend more than you earn; invest in shares; salary sacrifice; make non-concessional contributions to superannuation; park your savings in a mortgage offset account, etc.

My husband and I are in our 40s. My question is in terms of shares and superannuation: how do we best protect our assets to prepare for the market downturn? The majority of our super is invested in the balanced option.

Thanks, Maggie. All of us here at *Money* appreciate your long-term support. I also loved your quick snapshot of all my favourite money rules in one sentence. Fantastic!

We could have a bit of a debate about preparing for a market downturn. It has been a bumpy few months for shares, and property is clearly in a much-needed downturn. Prices were getting ridiculous. But I am not sure this will be a major downturn. The global economy is in pretty good shape, with low unemployment and interest rates. In Australia, employment and the economy are in good shape.

It is hard buying value when prices are high, so corrections like this are in my view all about holding onto what you have while continuing to invest. An example is a company I really like, CSL. It was pretty expensive at $230 a share but in mid-October it fell back to around $175. I saw this as a good chance to buy a quality stock at a decent price.

Sue's inherited share portfolio is ...

Heavily exposed to the big four banks

Q I have a question about balancing diversification versus paying capital gains tax. I'm 48 and a homeowner. My salary is $90,000 a year plus share dividends of about $35,000. I have an investment property, owing $250,000 but with $90,000 in an offset account. I have about $230,000 in superannuation (40% is cash/fixed interest) and salary sacrifice the maximum.

I inherited ASX-listed blue-chip stocks but the portfolio badly lacks diversification. For a value of $630,000, 60% is in the big four banks. Because my parents made savvy purchases many years ago, the value of the stocks has risen greatly (eg, CBA was bought for $9 a share).

While I'm working, selling shares to diversify would result in paying a lot in capital gains tax, plus they are good dividend earners. How worried should I be about lack of diversification? Should I sell some shares to rebalance the portfolio? If so, how should I approach this?

This is a really good question, Sue. Your parents did well to build what I call the "last-century family portfolio", mainly banks and I would guess BHP. And it has done a fantastic job for them and you. While 60% in the big four banks is far from ideal, with the pullback in share prices you do hold reasonable value at current prices. And as you say, the dividends are good.

But asset allocation is an investment fundamental, so I would prefer you to have more like 25% to 30% in bank shares, not 60%. I would think your bank shares would have a new cost base for CGT, namely the value of them at the date you received them. This is your first port of call. Talk to your tax adviser about the cost base. There may not be a big CGT issue.

If so, a re-balance of the portfolio would be in order. This would include international investments. An ETF or a very low-cost indexed fund may help you here but if in doubt do seek professional advice.

SMART SPENDING

Destination Portugal

High life ... clockwise, from above, view from Castle of the Moors in Sintra; Porto, with the Douro River and Clérigos tower in background; custard tart and coffee; surf's really up at Praia do Norte; the beach at Nazaré.

Five things to do

1. Hire a car: Starting in Madrid with a trusty sat nav as guide, we motored up through Salamanca in western Spain and into Portugal's north-west, through its spectacular rocky mountain ranges and gorges. Many of the homes in this northern region are beautifully crafted from stone. The cultivated fields are full of grapevines and olive, chestnut and cork trees. From here it's a cruise down to Braga and onto the Atlantic coast. (Hire: Audi A3 cost $520 for two weeks.)

2. Walk: Porto's historic centre is perfect for strolling and admiring the many architectural beauties. If you're feeling fit, climb the stairs of the 17th-century belltower at Clérigos church and enjoy the spectacular views of the city and Douro River. Wander down to the Douro for lunch or cross it and take a tour at Taylor's vineyard and sample its delicious fortified wines.

3. Museum: The Portuguese Centre of Photography in Porto is a stately former prison and now home to a world-class collection, including curious espionage cameras discreetly hidden in cigarette cases and cola cans.

3. Indulge: Porta 4 tapas bar in Porto offers a cosy, authentic dining experience with local produce and wines. The octopus and celeriac mash was wonderful.

4. Surf: Swim at Nazaré and indulge in coffee and custard tarts at one of the beachside cafes. If you're there between October and March you may encounter whopping 30-metre waves at Praia do Norte – they attract the world's elite surfing community.

5. Admire: On Sintra's horizon is the imposing 8th-century military fort Castle of the Moors. Walk up the hill to the castle past stately homes and gardens and take in the panoramic views. No wonder Lord Byron loved Sintra, resided here for a bit and wrote prose. Divine. ANN LOVEDAY

GETTY/ ANN LOVEDAY

DRIVING PASSION

Charge of the electric brigade

About 60% of Aussies will be driving electric cars within the next 10 years, according to Jaguar, which isn't the only maker convinced that the electric revolution is nigh.

A diverse range of new all-electric vehicles (EVs) due in Australia in 2019, from brands such as Kia, Nissan, Audi, Mercedes-Benz and others, look set to catapult EVs from expensive niche products into true mainstream models.

These include the Kia e-Niro and Hyundai Kona Electric SUVs, which will join Hyundai's Ioniq at the more affordable end of the market for about $55,000, which is also what you'll pay for the new second-generation Nissan Leaf.

This year will also see the big premium German brands enter the market, with the Audi e-tron ($140,000) and Mercedes-Benz EQC ($125,000) SUVs and the Porsche Taycan ($240,000) sports sedan all primed to take on Tesla. Tesla's "affordable" Model 3 sedan ($60,000) is finally set to make an appearance down under in the middle part of the year.

DAVID BONNICI, WHICHCAR.COM.AU

$55,000*
Kia e-Niro

About the same size as a Kia Sportage, the e-Niro will arrive towards the end of 2019, boasting a 615km range between charges that will leave more expensive European models, such as the Jaguar I-Pace and Mercedes-Benz EQC, in its wake. The e-Niro will also feature independent rear suspension, advanced regenerative braking technology, battery heating for cold climates, a 451-litre cargo area and a seven-year warranty.

kia.com.au

*estimated

$55,000*
Hyundai Kona Electric

The battery-operated version of Hyundai's popular Kona small SUV will have a range of up to 500km. It can be charged to 80% in about an hour, using a fast charger, or fully charged in 10 hours by plugging it into a standard electrical socket overnight. Like the Kia e-Niro it has been extensively tested in Australia to ensure its chassis and suspension are best tuned for local roads. Expect a mid-year arrival.

hyundai.com.au

*estimated

$125,000*
Mercedes-Benz EQC

Due in September, the Tesla Model X rival kicks off Mercedes-Benz's electric future with an emphasis on performance as well as environmental sustainability. It packs a 80kWh lithium-ion battery capable of producing enough power to propel it from 0-100km/h in 5.1 seconds via two electric motors turning each axle. The EQC is very similar to the current GLC mid-sized SUV in terms of size and equipment levels.

mercedes-benz .com.au

*estimated

EXTRAVAGANCE

Flower power

Originally designed in 1929, the Lalique Languedoc vase, which is entirely hand-crafted, is a work of art.

How much: $1492 for small vase, $24,403 for large one
Where to buy: amara.com/au

WINE SPOTLIGHT

2018 Wickhams Road Yarra Valley Pinot Noir $19

Franco D'Anna and his team consistently source some of Australia's best budget-priced pinots. This is from the chilly Upper Yarra and is silky smooth, fine and succulent, medium-bodied yet with impressive concentration of mulberry and black cherry flavours, finishing crisp and savoury.

SPLURGE

2016 AT Richardson 'Hard Hill Road' Shiraz $45

Adam Richardson's biography might read a bit like a boys' own yarn but his 20 years of winemaking have equipped him for his latest challenge – family vineyards in the Grampians. This single-vineyard red is delicately perfumed, elegantly medium to full-bodied with intense blackberry, dark cherry and bramble flavours, and a gentle grip to finish. Impressively different. Age-worthy.

PETER FORRESTAL

SMART SPENDING

SMART TECH

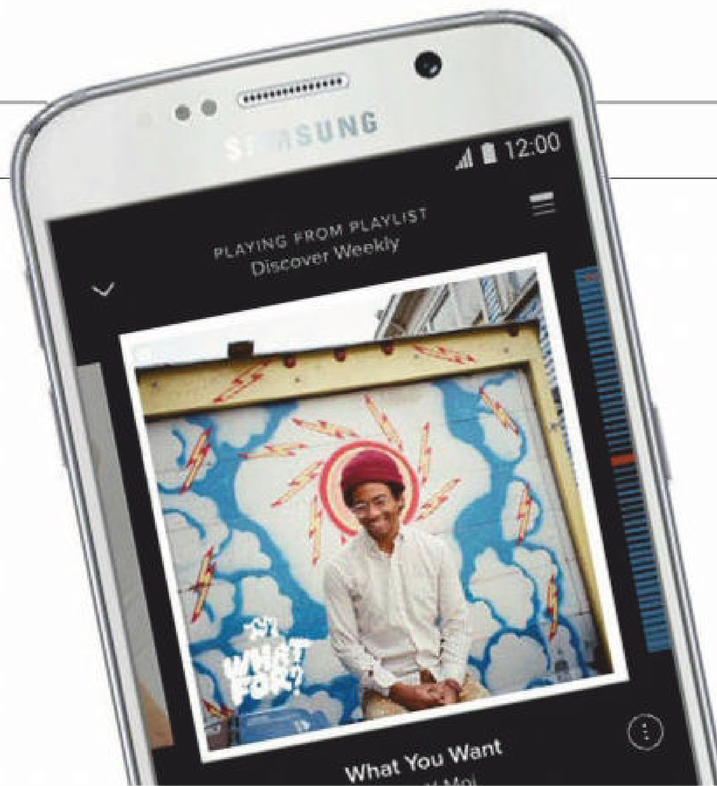
Never-ending stream of entertainment

Once upon a time we owned things. We bought books and CDs and amassed home libraries of videos, DVDs and Blu-rays. We can still do these things, of course, but it's hard to deny a massive shift has occurred in the way many Australians consume entertainment.

Thanks to the rise of all-you-can-stream subscription services, it's easier than ever to log into a world of digital content that never runs out – provided you keep paying for access, that is. These services – offering movies, TV shows, music, books and more – are still growing but they're a huge disruptor to the traditional concept of owning personal copies of stuff.

It's a shame to lose tangible, physical possessions but the loss is often outweighed by the limitless breadth of content these new platforms let us enjoy. The perks become even more extensive with multi-pronged deals like Amazon Prime, which bundles all kinds of compelling value-adds. Back in the old days, it was sometimes hard to find something to watch. These days we have the opposite problem.

PETER DOCKRILL



What is it? Netflix
How much? From $9.99 monthly
Pros: Perhaps nothing killed off home media quite like Netflix, the TV and movie streaming giant that's taken over the world. It boasts such a huge range of things to watch, including a growing library of original content like the new hit movie *Bird Box*, that you'll never want to leave the couch again.
Cons: Increasing competition from other services, including an imminent Disney streaming platform, are putting a strain on Netflix's own catalogue but it's still the leader.
netflix.com/au

What is it? Spotify
How much? Free (with ads) or from $11.99 monthly
Pros: It was really Spotify that paved the way for all the streaming services to come with its innovative take on tunes that play live over the internet, offering basically whatever you want, whenever you want it. These days, it's got numerous imitators – notably Apple Music, which is integrated into Apple products – but Spotify remains the most popular service and is the one to beat.
Cons: None but check out the free ad-supported version first.
spotify.com/au

What is it? Amazon Prime
How much? $6.99 monthly or $59 annually
Pros: Wait, isn't Amazon Prime a shipping service? Well, yes, but with streaming perks to boot. In addition to free shipping on Amazon items domestically (and on eligible international items), membership gives you access to Prime Video (a Netflix-style service), Prime Music (a rather curtailed Spotify clone), plus access to over 1000 e-books, and more.
Cons: Amazon's streaming services have some limitations but they're a total bargain for the price, especially as a side perk.
amazon.com.au

GIVE IT UP

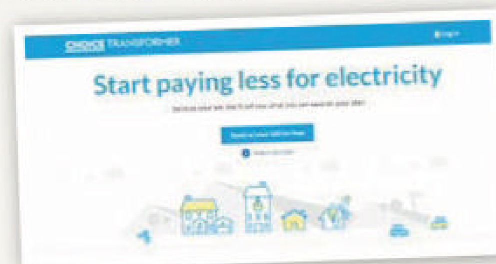
Memory Walk & Jog

What is it? A leading fundraiser for Dementia Australia.
Where your money goes: Dementia is the second leading cause of death among Australians, and there is no cure. While it covers a large group of brain-function disorders including Alzheimer's disease, dementia is not restricted to the elderly and it is not a normal part of ageing. At present, 436,000 Australians live with dementia, with a further 250 diagnosed each day. Without a medical breakthrough, 1.1 million people could have dementia by 2058.

How to donate: Throughout 2019, Memory Walk & Jog events will be held across Australia, raising funds to support people with dementia. The first event kicks off in Canberra on February 24. Asking friends, family and workmates to sponsor you across a 2km, 5km or 10km course is an easy way to raise donations while staying active (the family pooch is welcome to join in). For details of a Memory Walk & Jog event near you, head to memorywalk.com.au or contact Dementia Australia on (02) 8875 4683.

NICOLA FIELD

WEBFIND



TRANSFORMER.CHOICE.COM.AU

It's easy to save on power. Just email your latest bill to Choice Transformer, and it will analyse it to see if you could save with a new provider. Or, pay $99 a year to be automatically switched to a cheaper provider whenever the consumer group finds a better deal. NICOLA FIELD

How to survive a sharemarket downturn

I am 42 and have been salary sacrificing into super now for around five years, with a balance of around $250,000.

After watching numerous co-workers lose a lot of super during the GFC, I'm worried about the outlook for the future with the way the sharemarket is going.

Currently I invest my super 60/40 growth and high risk. I can change those investments into cash easily online at any time. Would this be a good strategy for preservation come a bigger downturn in the market?

Ben

If only I had a better crystal ball, Ben! Both you and I would have so much more money if we could get our market timing right. For me, anyway, the trouble is that I can only do this in hindsight.

I have been working in, and commenting on, the money management industry for some four decades. During this time I've also been looking after my own money. Most of my investment money has been placed in shares, both within my super and money outside super. I find shares a source of decent growth and a good income stream, without any day-to-day hassle.

Paul's verdict: If market timing was simple, we'd all be billionaires

I buy more shares when prices are low and fewer when they are high

I was in the market during the monster downturn of 1987, when shares fell 42% in October alone. By mid-November 1987 it had fallen 50.5%. The year 2001 was also pretty ugly and I certainly agree that the GFC of 2009 was pretty scary. Seeing even blue-chip stocks collapsing in price is always unnerving but having watched it quite a few times and also having read in some detail the history of market collapses, it still remains a surprise to me when it happens though I am well used to it.

During the GFC, I made use of this experience and spoke and wrote a lot about not selling quality shares during a market collapse. Back then I used the example of Commonwealth Bank (CBA) a lot. It fell to under $24, a drop of well over 50%. My advice was to hold on and not join the panicked selling. I had no idea how long a price recovery would take but the bank was still highly profitable and at around $24 and the dividend yield was over 13%!

So I think we would all agree that we should not panic and sell during a downturn. But your point is different. You are asking whether you should sell in advance of a downturn.

The answer, of course, is "yes!" My problem is working out how you or I can get our timing right.

Pretty obviously if we sell at a peak and buy back in at the lows, we must greatly magnify our returns. But reality shows that this does not happen. I have had people go to cash before a downturn but you need to get your timing really spot on.

Even if we get lucky with our timing, the next problem is buying back in. It is not easy selling at a time of optimism in a boom. It is then actually harder to buy again in a bust, which by definition is a time of pessimism. So to use my CBA example, let's say we sell for around the very peak price of $60 before the GFC downturn. As it heads to under $24 we are feeling pretty clever. But if we do not buy back in within 18 months, we are going backwards as the price is back above $60 and then heads to above $80. And we miss out on those big dividends!

So my view is to relax and rely on the historic average return, including dividends, of close to 10% a year on average. I do tinker with my portfolio a bit but only by rebalancing. I keep an eye on my asset allocation and I do sell a few shares if that part of my portfolio gets too high. I also buy a few if it gets too low. This just forces me to sell when prices are high and buy when they are low. Like you, I also have money going into the sharemarket on a regular basis via my monthly super contributions. This is a simple strategy to take advantage of dollar cost averaging. I buy more shares when prices are low and fewer when they are high.

I appreciate that this does not sound very clever but if market timing was simple we would all be billionaires. My goal is to generate above-inflation returns and a solid income stream. I think that rebalancing and dollar cost averaging do this pretty well.

ASK YOUR QUESTION

If you have a question, email money@bauer-media.com.au or write to GPO Box 4088, Sydney NSW 2001. 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.

iPad, iPhone,
Android, Google,
Samsung, Laptops,
Desktop computers,
Windows Phones
& tablets

READ YOUR FAVOURITE MAGAZINES ON ANY DEVICE!

More than forty titles available!

Read ANYWHERE, ANYTIME on ANYTHING!

Search for your favourite magazines on these Apps and websites.

Apple, the Apple logo and iPad are trademarks of Apple Inc., registered in the U.S. and other countries. App Store is a service mark of Apple Inc.

TOP 50 SHARE BUYS & PROPERTY HOTSPOTS

With property prices falling in Sydney and Melbourne but growing strongly in other parts of the country, and a sharemarket that has dropped sharply, this will be a tough year for investors. But there are still pockets of value, and for the eighth year property guru Terry Ryder and the experts at ShareAnalysis reveal where they are. Property winners in 2018 included Newcastle and its neighbours (up to 20%) in NSW and Ballarat (up to 15%) in Victoria. The Top 5 share portfolio endured a volatile year, with returns ranging from 4.3% for Adairs to -26.4% for Mineral Resources.

- **5 standout locations, p42**
- **5 standout shares, p46**
- **Portfolio review, p50**

STORY TERRY RYDER

Top property

The losers in 2019 will be those for whom research consists of absorbing headlines and sound bites. They will believe that the entity known as "the Australian property market" is in decline and that prices are falling across the nation. They will be spooked by references to a "credit squeeze", the imminent price crash and the negative influences of a looming federal election.

Better-informed investors will be getting on with business.

The past year has reaffirmed the lesson that Australia does not have a single market and the norm is to have different scenarios playing out in different areas.

While Sydney and Melbourne markets declined, as we predicted 12 months ago, other markets delivered strong growth. Hobart and Canberra were the leaders among the capitals and many regional centres recorded double-digit growth in their median prices, with some topping 20%.

We can expect similar diversity in 2019. The catchphrase to keep in mind is: "Think small for big growth." The coming year will belong to the smaller capital cities and to key regional centres.

Attention-seekers who know that negative forecasts ease the path to free publicity have gained prominence with predictions of nationwide price crashes. But most analysts and commentators – including Domain, BIS, SQM Research, Propertyology and most of the major lending institutions – are more optimistic.

Most have predicted solid price growth in the smaller capital cities, outperformance by specific regional markets and an easing of the Sydney/Melbourne downturns towards the middle of the year.

There's an expectation that the tougher lending environment will be relaxed this year, nudged by the federal government and some of the major regulators, including the Reserve Bank.

The elephant in the room is the federal election. Consumers tend to delay major decisions when a national election looms, particularly one where the potential winner has policies likely to impact real estate.

The Sydney and Melbourne booms were led by the top-end suburbs, with prices, typically well above $1 million, rising first in the premium areas. The growth rippled out later to middle-ring suburbs and latterly to the outer-ring areas.

So it may be significant for Perth, Adelaide and Canberra that many of their million-dollar suburbs recorded double-digit growth in 2018, well above the average rates for those cities.

Canberra currently has seven suburbs with median prices above $1 million and all but one has recorded significant growth in the past 12 months.

The median price for O'Connor has risen 12% to $1.17 million, Ainslie is up 25% to $1.175 million, Narrabundah 16% to $1.045 million, Red Hill 7% to $1.475 million, Deakin 7% to $1.25 million and Griffith 11% to $1.55 million. In addition, two suburbs with median prices in the $900,000s, Lyneham (14%) and Garran (8%), have recorded good growth.

In Perth, where most suburbs have growth numbers still in the negative,

The now-fading Sydney property boom was driven by premium areas such as Middle Harbour.

many of the prestige suburbs recorded double-digit increases in their median prices, pointing to the beginning of an up-cycle.

The Western Australian economy has improved and higher-income earners are the first to feel the benefits, translating into demand for prestige property.

Adelaide overall has delivered only minor growth but the millionaire suburbs outperformed in 2018, including Henley Beach and Henley Beach South (both up 19%), North Adelaide (14%), Glenunga (19%) and Glenelg South (31% but based on a small sales sample).

Rentals and vacancies

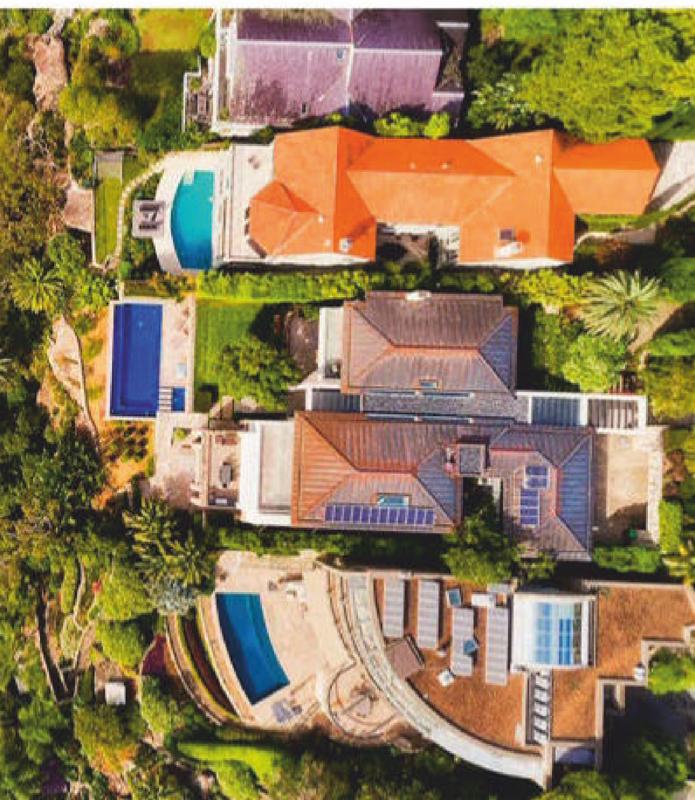
One source of regular misinformation is the tendency to treat movements in median prices as the only worthy barometer of markets. Problems with this arise when you compare price data from multiple sources and find wildly contrasting results.

Another important barometer that seldom gets media attention is provided by the numbers on vacancy rates and rentals. Long-term research suggests that a market up-cycle measured by strong price growth is often preceded by low vacancies and high rental growth – this happened in Sydney in the years before the 2013-17 price boom.

For several years Hobart has had vacancy rates well below 1% and high rental growth, and then more recently moved into a period of prices rising by more than 10%pa.

Canberra also has vacancies well under 1% and had rents rising by around 10% in 2018. At the same time, sales activity has been busy and the city appears poised for a period of noteworthy price growth.

Vacancy rates have been trending steadily down in Perth and Brisbane, and this is one of several indicators that suggest better market performance in these cities in 2019.



Big spending on infrastructure and strong local economies have been major factors in driving the booms in Sydney and Melbourne.

Hobart's mini-boom also coincided with vastly improved performance by the Tasmania economy and increased infrastructure spending. This suggests the Adelaide, Brisbane and Perth markets are worth watching. The economies of South Australia, Queensland and Western Australia are all showing marked improvements, with jobs being created and unemployment generally improving.

Infrastructure spending is strengthening in these three cities. The 2018 Queensland budget included spending totalling around $40 billion and major projects like Queens Wharf, Cross River Rail and Brisbane Live will increasingly impact Brisbane markets.

The South Australian economy is strengthening and Adelaide has the nation's most confident business community, according to some measures. It is the national capital for high-tech innovation and alternative energy, and this is creating economic activity and jobs.

The $90 billion in contracts to build navy vessels is a massive boost for a city the size of Adelaide. Meanwhile, there's plenty being spent on roads, rail and medical infrastructure.

Rise of the regions

Now, more than ever, it's important to be aware that it's not all about the big cities. Last year the strongest markets were in the regions and that will continue in 2019.

Victoria provides an example of what's happening: the Melbourne boom is over and prices and yields there are unattractive; home buyers out of Melbourne are targeting regional centres within commuting distance; investors are targeting major regional cities where prices are affordable and yields are more attractive; and the key regional centres have growth economies, with population, jobs, investment and infrastructure all expanding.

This has already caused mini-booms in property markets in Geelong and towns east of Melbourne, such as Pakenham, Officer and Warragul. Now Ballarat and Bendigo are being targeted. Expect significant growth in these strong regional cities in 2019.

There are comparable stories coming out of NSW, Queensland and Tasmania. There are also signs of improvement in regional Western Australia.

Terry Ryder is the owner and creator of hotspotting.com.au, which helps identify emerging markets. He has three decades of experience as a researcher and commentator.

HOW 2018 TURNED OUT

This time last year I wrote: "The secret to profiting from real estate will lie in understanding that Australia has many different property markets – and some of them will be rising strongly in 2018, even as the most high-profiles ones are fading."

As we expected, Sydney and Melbourne markets went into decline but other capital cities, including Hobart and Canberra, showed good growth. Moderate increases were recorded in Adelaide and Brisbane, while Perth showed the first signs of recovery.

This time last year I wrote: "Key regional cities will be among the strongest of the nation's growth markets … regional markets in the eastern states, in particular, will do well in 2018, headed by the Hunter region in NSW, regional centres close to Melbourne like Ballarat in the north and Pakenham in the south-east, and Townsville and the Sunshine Coast in Queensland."

The highest growth in 2018 was recorded in regional centres, led by Victoria and Tasmania, where some median prices rose more than 20%. Some key regional cities of NSW and Queensland also grew strongly.

This time last year I wrote: "Melbourne will show increasing signs of slow-down, with most of the standout growth markets being the affordable outer-ring suburbs or regional towns not far from the city."

While the overall median house price for Melbourne decreased in 2018, some market sectors continued to deliver solid growth, notably the outer-ring local government areas such as Hume and Whittlesea in the north, Casey in the far south-east and both Melton and Wyndham in the west. Some suburbs grew 20%-plus in 2018.

This time last year I wrote: "Perth is the recovery market and after four years of decline will show the first price growth since 2013."

Perth's vacancy rate steadily declined and reiwa.com recorded a return to growth in the city's median house price in October and November. SQM Research data also indicated that recovery was under way in Perth but CoreLogic figures differed.

NEW SOUTH WALES

STANDOUT LOCATION:

1 Queanbeyan:

The city benefits from being in NSW (first-home buyers can access NSW incentives) and from also being part of the Canberra metropolitan area – in fact, it's closer to central Canberra than many ACT suburbs. It's also cheaper than most Canberra suburbs so first-timers can buy affordably and make the most of the incentives.

2018 reviewed

Newcastle: The suburbs of Newcastle, together with neighbouring precincts like Lake Macquarie, Port Stephens and the Hunter Valley, presented the strongest market in NSW in 2018, as predicted. Many locations had double-digit price growth and some topped 20%.

If mainstream media and economists could stop obsessing over Sydney prices and clearance rates for a moment, they might notice the vibrant life beyond the big city.

Journalists writing their daily beat-ups about the collapse of Sydney prices have ignored the strong performance in regional centres.

Newcastle, Wollongong, the Central Coast and the South Coast all had rising markets in 2017 and 2018, at the same time as Sydney was subsiding.

Regional centres that recorded price growth above 10% in 2018 included Alstonville, Anna Bay, Ballina, Bega, Bermagui, Boambee East, Braidwood, Branxton, Bungendore, Casino, Cessnock, Cobar, Cooma, Corowa, Cowra, Evans Heads, Goonellabah, Inverell, Kiama, Kincumber, Lake Haven, Lennox Head, Lithgow, Lismore, Maitland, Merimbula, Moree, Moss Vale, Nelson Bay, Nowra, Raymond Terrace, Salamander Bay, San Remo, Terranora, Tuross Head, Tweed Heads West, Ulladulla and Woolgoolga, as well as multiple suburbs of Newcastle and Lake Macquarie.

Although the Newcastle market is probably past its peak, many of the growth locations mentioned above are early in their growth cycles. They're a mix of coastal lifestyle locations and inland rural centres.

Expect good growth in 2019 in the towns of the Hunter Valley and key regional centres such as Orange, Tamworth, Dubbo and Wagga Wagga.

Queanbeyan, which has the best of two worlds (technically in NSW but in effect part of Canberra), will show good growth, while Albury-Wodonga at the Victorian border will be solid as always.

In Sydney, prices are holding up quite well in the outer-ring areas, where first-time buyers are active.

Those with a longer-term view might target locations close to the new airport at Badgerys Creek, which promises to be a hub of infrastructure spending.

VICTORIA

STANDOUT LOCATION:

2 Bendigo:

Last year's pick, Ballarat, led the surge in regional centres north of Melbourne and now Bendigo is joining the party, driven by a strong and diverse local economy and good transport links to Melbourne. Affordable prices and above-average yields add to the appeal of Bendigo, where a number of significant national businesses have their headquarters.

2018 reviewed

Ballarat: Melbourne buyers of all kinds descended on Ballarat in 2018, pushing prices skywards. Most suburbs grew at least 7% and several were up 10%-15%. Prices remain attractive and the local economy is creating jobs – or you can commute to Melbourne.

Generalised reporting of price data – which proclaimed a decline across Melbourne – disguised the reality that some sub-markets had big growth in 2018. Many suburbs in Melton in the far west of the metro area recorded median price growth above 20%.

First home buyers are particularly active at present so we can expect the outer-ring areas to be busy again in 2019, though the price growth is likely to be much less than in the past year.

Meanwhile, many regional markets went ballistic last year. Some – including Pakenham, Officer, Warragul and some suburbs of Greater Geelong – had growth above 20%. The pattern has been – and remains – that regional centres within commuting distance of Melbourne are attracting buyers of all sorts.

Ballarat and Bendigo are being targeted by home buyers and investors looking for affordability, better rental yields and/or a more relaxed lifestyle. You can buy affordably in these busy regional cities and commute to Melbourne but many people will find jobs locally thanks to the buoyant, growing economies.

Greater Geelong is still busy but sales activity has passed its peak and we can expect the level of price growth to be lower in the coming year.

Further afield, things are heating up in Shepparton, Warrnambool, Portland and Albury-Wodonga at the NSW border.

An unlikely market that's poised to rise is the Latrobe Valley. Measures to revitalise the economy are being successful and towns like Traralgon, Moe and Morwell are picking up, helped by very low prices.

Joining the party ... adding to Bendigo's appeal are affordable prices and above-average yields.

QUEENSLAND

STANDOUT LOCATION:

3 Townsville: The Sunshine Coast has led Queensland markets, thanks to projects totalling $20 billion. Townsville is poised to do similar things, with over $25 billion in infrastructure and other projects under way or planned, generating thousands of jobs and driving recovery in the previously depressed property market.

2018 reviewed

Moreton Bay LGA: The Brisbane market remains stuck in second gear but the cheap suburbs in the far north have moved faster. Many suburbs had 300 to 500 house sales in 2018 and some had price growth in the 8%-12% range, well above Brisbane averages.

Brisbane hasn't joined the Sydney/Melbourne boom because it has lacked the growth drivers evident in the biggest cities. But many of the ducks are falling into line for Brisbane, with the underlying economy stronger, population data favouring south-east Queensland and infrastructure spending picking up. Big-city investors are looking for alternatives to the Sydney and Melbourne markets and Brisbane presents favourably on pricing and yields.

The cheaper local government areas such as Moreton Bay in the north, Logan in the south and Ipswich in the southwest should be busy this year.

The inner-city apartment market still needs to be approached with caution. Early in 2019 vacancy rates (according to SQM Research) were 9% in the Brisbane CBD, 6% in Fortitude Valley, 5% in Kangaroo Point and Woolloongabba and 6.5% in South Brisbane/West End.

The best prospects will be in regional markets. The Sunshine Coast is currently the strongest market, with many suburbs recording price growth above 10% last year, led by top-end locations such as Minyama, Sunshine Beach and Noosa. Expect the more affordable areas to grow well in 2019, as the impact of the big infrastructure spend ripples through.

Townsville is the other regional city impacted by massive investment. After several years of decline, prices are expected to rise this year.

In 2018 we saw the first tangible signs of recovery in centres impacted by the resources sector, led by Mackay. Others showing promise include Emerald, Rockhampton, Moranbah and Dalby, although these areas can be volatile.

Bigger and more diverse cities such as Toowoomba and Cairns should put in a solid performance.

A bigger splash ... heavy investment in Townsville sees house prices tipped to rise in 2019.

WESTERN AUSTRALIA

STANDOUT LOCATION:

4 Stirling: This LGA is at the forefront of the Perth recovery. It maintained a steadier performance than most in the recent downturn and now many suburbs have rising markets. It offers a leisurely seaside lifestyle and includes upmarket Wembley and Mt Lawley, middle-market areas such as Karrinyup and Doubleview, and affordable Balga and Westminster.

2018 reviewed

Joondalup: With Perth showing the first signs of price recovery late in 2018, some Joondalup LGA suburbs were among the improvers, with Connolly, Currambine and Sorrento rising 3%-4%. Several suburbs lifted sales activity, pointing to better outcomes in 2019.

Multiple factors point to rising prices in Perth in 2019. The underlying Western Australian economy has lifted noticeably, helped by a revival in the resources sector, with jobs being created in significant numbers and incomes rising. Vacancies have fallen, sales activity has risen and many of the top-end suburbs recorded good price growth last year.

In the final months of 2018, reiwa.com recorded month-to-month growth in the Perth median house price, the first uptick for several years.

The recovery is being led by a number of key LGAs, including Stirling and Joondalup in the north and Melville and Cockburn in the south.

The strong price performance at the top end is being headed by City Beach (up 13% in 2018), Claremont (11%), Dalkeith (16%), Mt Pleasant (11%), North Fremantle (10%), South Perth (17%) and West Leederville (13%) – all suburbs with median prices above $1 million and all performing strongly at a time when Perth overall is not showing big growth.

However, investors should be aware that rental yields won't be strong initially – vacancies have been high in recent years and rents have fallen, although there are now signs of an improvement.

Better things are emerging for the resources-impacted regional centres, including Port Hedland and Karratha, where prices plunged from the heady highs of the investment boom. In the past 12 months, sales activity has picked up steadily, with prices rising again, although they have a long way to go to reach the former peaks.

Other centres where activity has picked up, suggesting better price outcomes this year, include Albany, Mandurah, Busselton and Geraldton.

SOUTH AUSTRALIA

STANDOUT LOCATION:

5 Port Adelaide: The Port Adelaide-Enfield LGA is one of Australia's leading municipalities in terms of the number of suburbs with rising sales activity. It offers value for money in a precinct close to the evolving port, which promises both lifestyle and jobs, given that $90 billion in naval construction contracts are focused here, as well as a new government office precinct.

2018 reviewed

City of Marion: Suburbs such as O'Halloran Hill (up 10%) and Edwardstown (up 8%) delivered above-average growth in a market driven by proximity to major infrastructure, including university, medical and innovation precincts.

Adelaide is underrated and deserves greater consideration. The South Australian economy continues to strengthen, with unemployment falling and strong business sentiment. The state leads the country in high-tech innovation and alternative energy and this, alongside $90 billion in contracts to build naval vessels, is starting to boost the economy.

Adelaide is the quiet achiever, delivering moderate price growth each year for the past five years. But it hasn't boomed, so has attracted little attention. This will change in 2019 as the bullish economy delivers outcomes in the real estate market. Investors eventually will notice the value for money, the above-average rental yields and the below-average vacancy rates.

An indicator that Adelaide is poised for a growth cycle comes from the top end of the residential market. Many of its million-dollar suburbs have recorded double-digit median price growth.

The quiet achiever ... Adelaide set to soar with $90 billion in naval construction projects.

The relatively small number of population centres in regional SA seldom deliver big growth. The seaside towns in the Victor Harbor area are steady markets that offer value for money within striking distance of the state capital. The same is true of the Barossa Valley towns.

Whyalla, the largest regional city, has a volatile market because of its close ties to the resources sector. But the Arrium steel business, the city's biggest employer, has been bought by UK billionaire Sanjeev Gupta, whose investment plans have revitalised the town. Nearby Port Augusta is a strategically located town with low prices and the potential for growth based on multiple energy projects. Both Whyalla and Port Augusta are high-risk investments, however.

OTHER STATES AND TERRITORIES

Hobart was the leading capital city for price growth and time on market in 2018 (according to most research sources), while regional Tasmania also ranked nationally on price performance. This has sprung out of a marked improvement in the Tasmanian economy – traditionally it has ranked eighth and last among the states and territories (CommSec's State of the States report) but in the past two years it has risen to No. 4.

Hotspotting analysis of sales activity indicates that Hobart has passed its peak and price growth is likely to be lower in 2019. But regional areas, headed by Launceston, will continue to deliver good growth, with investors attracted by the potential to buy houses below $300,000 at good rental yields.

A feature of Hobart's market is the very low vacancy rates and high rental growth. The only capital city challenging Hobart in this regard is Canberra, with vacancies consistently below 1% and rental growth strong.

Canberra has been a solid performer on prices also. Depending on whose figures you believe, it has been the No. 1 or No. 2 among the capital cities on price growth recently.

Some forecasters expect Canberra to be among the growth leaders in the next few years. The ACT economy ranks No. 3 in the nation, vacancies are low, rentals are high, unemployment is low – it all points to a period of solid performance by Canberra.

Past its peak ... but low vacancy rates and strong rental growth still attract investors to Hobart.

The Northern Territory has been the basket-case economy in recent years and Darwin has been the weakest capital city property market.

There's nothing in any of the economic or property numbers to suggest any dramatic change will occur in 2019. Twice in the past 30 years Darwin has led the nation on price growth (during the five-year periods from 1993-97 and from 2008-12) and it will eventually recover but it won't happen until there is vast improvement in the territory's economy.

The situation there is so dire that the territory government is offering cash incentives to families who are willing to move to Darwin.

The big exception is Alice Springs, which is a steady market with good demand and the only meaningful price growth to be found in the territory.

HOTSPOTTING'S TOP 50 LOCATIONS FOR 2019

SUBURB	MUNICIPALITY	STATE	MEDIAN HOUSE PRICE	GROWTH			MEDIAN WEEKLY RENT	MEDIAN YIELD
				HISTORICAL		FORECAST		
				1 YEAR	3 YEAR	3 YEAR		
Queanbeyan	Queanbeyan	NSW	$530,000	3%	12%	20%	$450	4.5%
Rutherford	Maitland	NSW	$400,000	4%	18%	15%	$370	4.9%
Casino	Richmond Vy	NSW	$285,000	12%	29%	15%	$320	5.8%
Muswellbrook	Muswellbrook	NSW	$305,000	9%	15%	20%	$310	5.3%
Nth Tamworth	Tamworth	NSW	$420,000	9%	17%	15%	$370	4.6%
Raymond Tce	Port Stephens	NSW	$390,000	10%	31%	20%	$360	4.7%
Orange	Orange	NSW	$395,000	9%	18%	20%	$350	4.6%
Cardiff	Lake Macquarie	NSW	$495,000	8%	30%	15%	$395	4.1%
Golden Square	Bendigo	VIC	$325,000	3%	6%	25%	$319	4.9%
California Gully	Bendigo	VIC	$275,000	6%	6%	25%	$270	5.2%
Sebastopol	Ballarat	VIC	$275,000	9%	15%	25%	$270	5.2%
Wendouree	Ballarat	VIC	$280,000	15%	19%	25%	$275	5.0%
Wangaratta	Wangaratta	VIC	$295,000	10%	9%	15%	$295	5.2%
Drouin	Baw Baw	VIC	$430,000	15%	38%	20%	$340	4.1%
Moe	Latrobe	VIC	$190,000	3%	12%	20%	$240	6.7%
Shepparton	Shepparton	VIC	$270,000	4%	9%	15%	$290	5.6%
Wavell Heights	Brisbane-north	QLD	$680,000	1%	9%	20%	$450	3.5%
Kippa Ring	Moreton Bay	QLD	$430,000	4%	16%	20%	$390	4.7%
Graceville	Brisbane-west	QLD	$950,000	13%	27%	20%	$550	3.0%
Marsden	Logan	QLD	$370,000	0%	11%	15%	$360	5.1%
Sippy Downs	Sunshine Coast	QLD	$505,000	3%	13%	20%	$490	5.0%
Buderim	Sunshine Coast	QLD	$665,000	6%	18%	20%	$520	4.1%
Kirwan	Townsville	QLD	$300,000	-6%	-12%	20%	$320	5.5%
South Mackay	Mackay	QLD	$295,000	6%	-2%	25%	$330	6.0%
Cottesloe	Cottesloe	WA	$2,085,000	3%	16%	30%	$825	2.1%
Bicton	Melville	WA	$995,000	8%	2%	30%	$465	2.3%
Gwelup	Stirling	WA	$820,000	-4%	-5%	25%	$580	3.7%
Joondalup	Joondalup	WA	$510,000	-2%	-5%	20%	$370	3.8%
Spearwood	Cockburn	WA	$470,000	0%	-10%	20%	$340	3.8%
Leeming	Melville	WA	$690,000	1%	-7%	20%	$440	3.3%
Karrinyup	Stirling	WA	$800,000	0%	-5%	20%	$470	3.1%
Lightsview	Port Adelaide	SA	$480,000	1%	3%	20%	$400	4.3%
Mitchell Park	Marion	SA	$460,000	0%	5%	25%	$400	4.5%
Andrews Farm	Playford	SA	$275,000	5%	0%	25%	$295	5.6%
Ascot Park	Marion	SA	$475,000	7%	16%	25%	$410	4.5%
Enfield	Port Adelaide	SA	$450,000	9%	16%	25%	$350	4.1%
Para Hills	Salisbury	SA	$335,000	4%	10%	20%	$330	5.2%
Port Augusta	Port Augusta	SA	$140,000	-10%	-14%	30%	$250	8.9%
Ngunnawal	Gungahlin	ACT	$525,000	8%	26%	25%	$470	4.6%
Kambah	Tuggeranong	ACT	$550,000	2%	12%	20%	$500	4.6%
Macgregor	Belconnen	ACT	$515,000	11%	13%	25%	$460	4.6%
Franklin	Gungahlin	ACT	$705,000	0%	19%	25%	$550	4.1%
Lenah Valley	Hobart	TAS	$550,000	14%	38%	15%	$450	4.2%
Latrobe	Latrobe	TAS	$300,000	22%	23%	20%	$280	4.8%
Newnham	Launceston	TAS	$260,000	10%	13%	20%	$310	6.0%
St Helens	Break O'Day	TAS	$270,000	4%	13%	15%	$250	4.6%
Trevallyn	West Tamar	TAS	$350,000	5%	10%	20%	$340	5.1%
Brighton	Brighton	TAS	$340,000	7%	19%	20%	$365	5.6%
East Side	Alice Springs	NT	$540,000	8.5%	6.0%	15%	$550	5.3%
Gillen	Alice Springs	NT	$450,000	5.8%	1.1%	15%	$535	6.2%

SOURCE: CORELOGIC AS AT NOVEMBER 2018.

Top shares

We have recently re-branded as ShareAnalysis but we continue to utilise the same successful methodology that has delivered strong results for us in the past. This year, just as in 2018, we struggled to find value in the Australian market, so we are expanding our investment universe into international markets. As our clients are aware, we cover eight international markets and have been growing our coverage from over 4000 stocks to more than 8000 over the past 12 months. These markets include the US, the UK, Europe, Switzerland, Hong Kong, Canada and Singapore.

For seven successive years ShareAnalysis (formerly Skaffold) has identified 50 of the best stocks for the year ahead for *Money* magazine and then filtered that down to a Top 5 stock portfolio. ShareAnalysis is an objective, quantitative research tool. By applying a process methodically, it can remove the emotion that often clouds investing and stick to fact-based decisions.

Our search for five standout shares for 2019 has proven difficult, as all our regular investment metrics point to a stockmarket that is currently representing full value. Despite this, we remain committed to our investment process and continue to follow a disciplined selection process towards a methodical portfolio implantation. We use our traditional criteria to select the stocks that we know represent high-quality businesses.

Consistency is key

Reading about a track record is interesting but history is only useful to the extent it provides lessons for the future. The question we all want answered

STANDOUT SHARES:

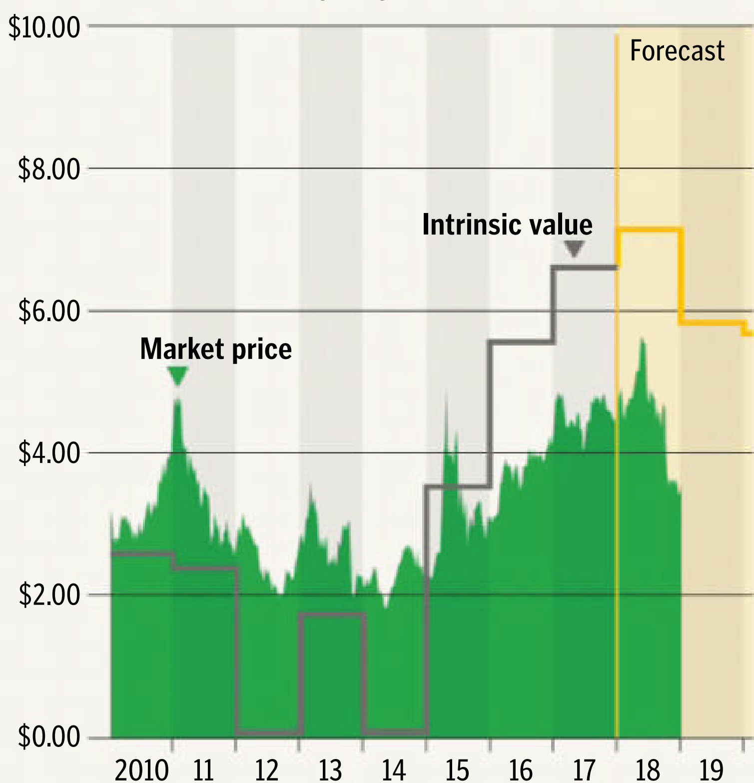
1 Sinopec Shanghai Petrochemical Co Ltd Class H (Hong Kong)

Sinopec Shanghai Petrochemical (SSP) is an industrial company based in China. A subsidiary of Sinopec Corporation, it is one of the largest petrochemical companies in the country. SSP processes crude oil into petroleum and other chemical products through operating in synthetic fibres, resins and plastics, intermediate petrochemicals and petroleum products. It is also involved in the trading of petrochemical and other products, which include but are not limited to investment property leasing, service provision and commercial activities.

During the past three years SSP has been constantly been between A1 to A2 in the Share Analysis Score, suggesting a high-quality business that has been generating sustainable profits. The company has had a constant positive operating cash flow from 2013 to 2018. (Due to a pipeline failure in 2014, for which it was responsible, it had a statutory loss for the year.) SSP has been a beneficiary of China's economic boom, which has created demand for the industrial goods that it provides. This has had a flow-on effect as China continues to expand its infrastructure.

Key risks come from the current trade war between China and the US and China's expected economic slowdown. Despite market analysts forecasting earnings per share to decline 9.1%, the company holds a relatively large amount of cash ($2.33 billion), which can be reinvested to grow the business or be paid out as dividends.

MARKET PRICE (Hong Kong dollars)



is: "Is this performance repeatable?" The future by its very nature is uncertain. We cannot predict with any accuracy whether the 2019 portfolio will outperform the market, or even provide a positive return.

The first thing to understand is that we are investing, not trading and certainly not gambling. When you invest in a share you are buying partial ownership of a business. That business is engaged in activities to try to generate a profit. At least at a high level, you should try to understand what it does to make those profits. It could be digging up dirt to sell, or taking a bunch of commodities and turning them into a physical product, or providing a service such as education, banking or health care. And, of course, there are many other things that companies do to create something of value for their customers.

Traders and speculators are not so concerned with what the business does. They are hoping that the shares will go up in price today because they did yesterday, or are betting that next month the company will strike gold. Warren Buffett reads annual reports for fun and can process the financials for thousands of companies in his head. If that doesn't sound like you, then you will need a tool to help you sift through the ASX's 2000 stocks as well as thousands more listed around the world. We use the ShareAnalysis research tool to analyse 10 years of financial statements for each company as well as distil three years of forecasts.

Using a consistent process helps us to make objective decisions rather than emotional ones. This enables us to arrive at a portfolio of stocks that

STANDOUT SHARES:

2 Intel Corporation (US)

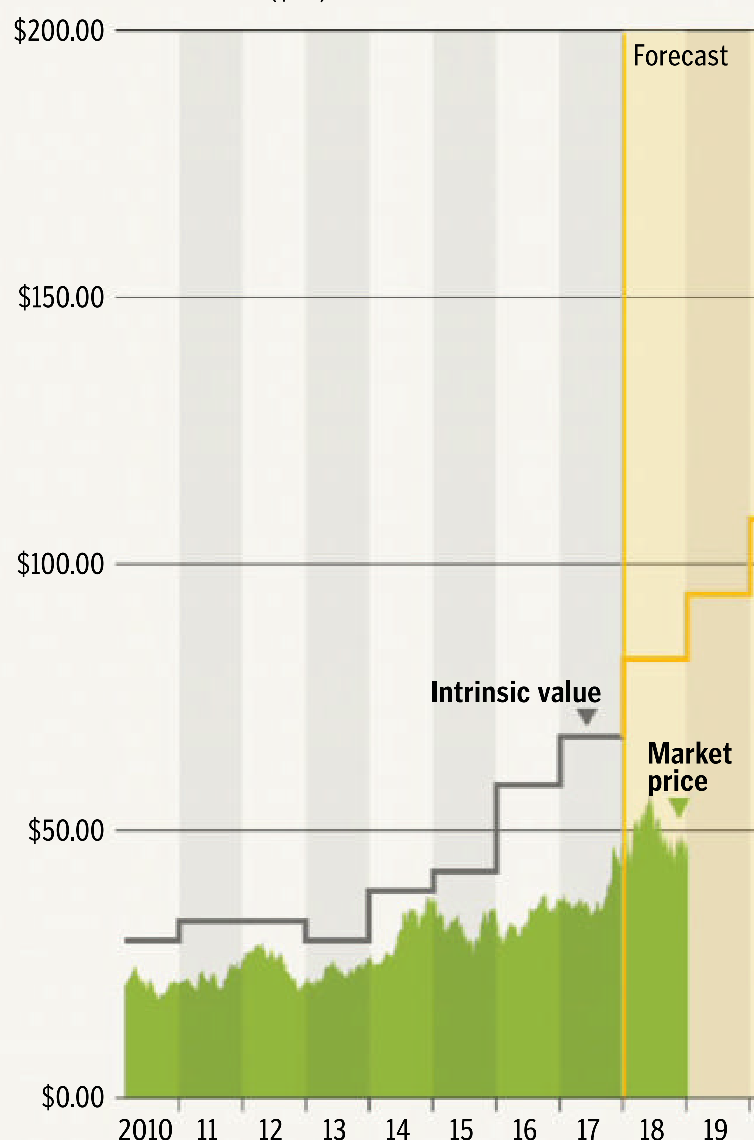
Intel, based in California, is one of the world's leading semiconductor companies. Its share price has been relatively stable and growing at a constant rate. At the start of 2009 it was $US14.91 compared with $US44.49 today, which is a 198% gain over 10 years. On average, the company's capital appreciates 11.6%pa which, together with a 3% dividend gain, demonstrates the success of the business.

The stock continues to look attractive as its Share Analysis Score is consistently between A1 and B2, which are our preferred ratings. This suggests it is a very well-run business with a strong management.

Intel has benefited from technological innovation as electronics continue to integrate into everyone's lives and this will continue to drive further success.

Market analysts forecast earnings per share to continue to grow at 3.1%pa with an average dividend of 2.9% for the next three years. With the share price trading at a 42.8% discount to its estimated intrinsic value, there is potential upside even if the forecast proves to be too optimistic.

MARKET PRICE ($US)



STANDOUT SHARES:

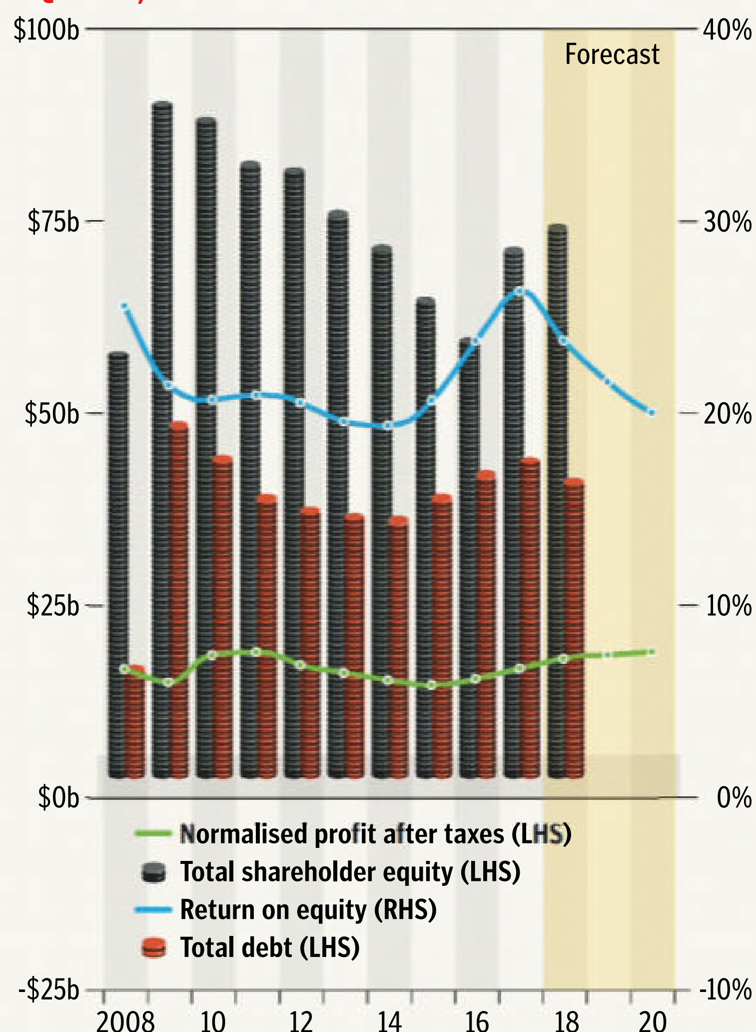
3 Pfizer Inc (US)

Pfizer, with headquarters in New York City, is one of the world's largest research-based pharmaceutical corporations. Its operations are separated into innovative health (IH) and essential health (EH): IH develops and commercialises medicines and vaccines for internal medicine, oncology, etc, while EH focuses on the development and supply of branded generics, generic sterile injectable products and biosimilars, to name a few.

The company has generated consistent profits in past years and provided a constant stream of dividends, even through the GFC, paying out 7.2% in 2008 and an average of 3.6%pa since then, along with consistent growth in share price. Pfizer is led by an exceptional management team that continues to seek ways to grow its business through mergers and acquisitions with start-ups and even established companies utilising its strong balance sheet.

Analysts forecast weaker earnings per share growth, which is expected to be 3.1%pa over the next three years. Despite this, the management's aim is to prioritise capital policy, including continuing to grow the dividend, conducting share buybacks and focusing on areas of expertise.

EQUITY, DEBT AND PERFORMANCE



meet stringent quality criteria and also ensures that we only buy them at an appropriate price.

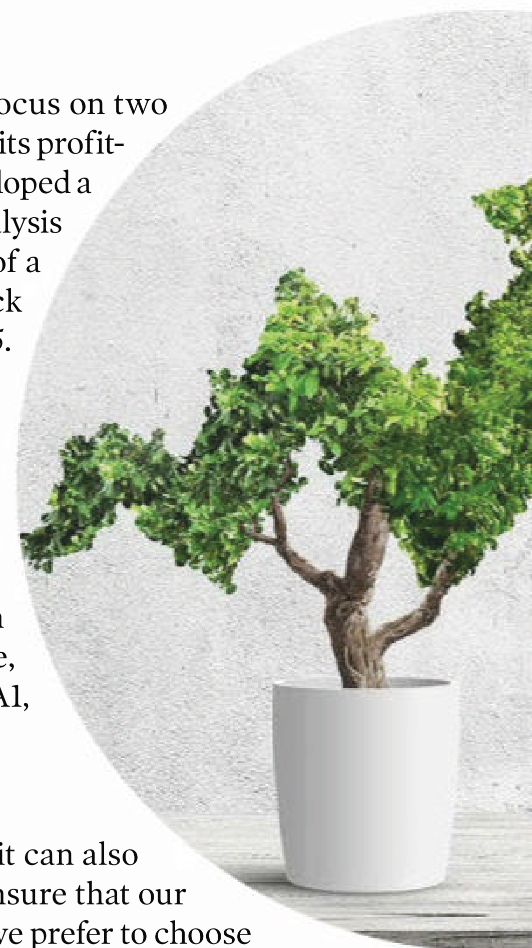
When constructing a portfolio, you also need to ensure you have a good mix of stocks. Risk is reduced by choosing stocks from different industries, different-sized businesses, different risk profiles and stocks exposed to different factors. That way an adverse event is unlikely to impact all your stocks in the same way. Spreading your investments reduces your downside risk but also increases your chances of catching the standouts.

Filter out companies that don't make profits

Most companies listed on the ASX make money, right? Wrong – close to half are making losses. Most years around two-thirds of ASX-listed companies do not earn a profit. Some of these had a bad year and will return to profitability next year but most are yet to consistently turn a profit. While some of these would be considered start-ups, many have been in business for many years but are yet to make money. Rather than speculate that they are about to strike it lucky, we simply avoid these stocks.

Focus on quality companies

When looking for high-quality stocks we focus on two things: the business's financial strength and its profitability. To simplify the process, we have developed a unique rating system, known as the ShareAnalysis Score. Based on a comprehensive analysis of a company's financial statements, each stock is assigned a score ranging from A1 to C5. Stocks with an A or B score exhibit financial strength and are unlikely to suffer from a major financial problem such as bankruptcy. Stocks with a 1 or 2 are businesses that rank highly in terms of profitability. Their profitability measures are at a healthy level and trending in the right direction. Consequently, when selecting stocks for our investable universe, we only choose stocks that have a score of A1, A2, B1 or B2.



Selectively reduce risk

Debt can be a useful source of funding but it can also lead to trouble if the going gets tough. To ensure that our portfolio is insulated against major shocks we prefer to choose stocks that have little or no debt. The best way to measure a company's debt exposure is the net debt/equity ratio. In constructing our filter for the Top 50 stocks we have set a maximum net debt/equity ratio of 50%.

The next factor we considered was the size of the business using market capitalisation. This is the value of the equity in the business as determined by the sharemarket (the number of shares multiplied by the share price). Stocks that have a market capitalisation of less than $50 million are known as nano-cap stocks. We have excluded these stocks. As we have expanded into the global markets in this edition, we have raised the market capitalisation requirements to the mid-caps to avoid volatile small and nano-cap stocks as they are often very volatile and can be difficult to trade if there are not enough buyers and sellers.

Various stockbroking firms and independent research houses employ analysts to conduct research on stocks. These analysts then produce forecasts for earnings and dividends.

While all forecasts are uncertain, these analysts are industry experts and have insights into the issues likely to affect a business. By limiting our universe to only those stocks that have forecasts produced by external analysts, we further reduce the risk in our portfolio.

Focus on the growth outlook

Ultimately, we all want to buy businesses that will grow. The first measure of growth we look at is the change in earnings per share from the last reported year to the next forecast year. We have set our threshold at -10%, meaning that while we prefer stocks with a positive growth expectation, we are prepared to accept stocks where there is a short-term dip in the expected earnings provided the market has taken this into account with the share price.

The best way to measure growth in the long term is to look at the change in the intrinsic value of the business. Over time share prices will reflect the underlying value of the business. At the bare minimum we want to find companies whose forecast growth in intrinsic value is expected to keep up with inflation of about 2%. A company whose intrinsic value is declining will also lead to the wealth of its shareholders declining, unless it can come up with a way to turn things around.

Value is important but some stocks deserve a premium

The above steps were all about identifying great businesses. But a great business does not always make for a great investment. It all comes down to how much you pay for the shares. A great business bought at an expensive price will probably yield a mediocre return.

To determine an appropriate amount to pay, we look for stocks that are trading near or below intrinsic value. Like any sensible shopper, we are looking for stocks that have been discounted by the market. In investing, the discount is measured as the difference between the share's intrinsic value and the price the market is charging you for it, often referred to as the safety margin.

While we are always looking for a discount, the market doesn't always provide one on good-quality stocks. Sometimes we will need to pay a bit of a premium to get access to these businesses. Also, it is important not to look at the discount in isolation. If the value of the business is growing strongly it is OK to pay a small premium now for higher future value.

To get to our final 5, we tighten our criteria

To compress 50 stocks down to the Top 5 that will be added to the 2018 portfolio we put in some additional criteria and tightened up some of the existing ones.

First, we need to focus on cash flow. At the end of day, it is a business's ability to generate sufficient cash that ultimately determines its success or otherwise. In the short term, cash may fluctuate but in the long term cash generated must be sufficient to cover all outgoings, including operating expenses, investment and dividends. Otherwise, the business will have to look to external funding sources to stay afloat. We focus on two measures to help with this, both measured over 10 years.

We look first at the cash flow ratio, which measures operating cash as a proportion of net profit after tax. We want this to exceed 80%. Next we look at the cash left over after all outgoings. We want this to be a positive number.

As well as introducing cash measures, we also tighten our earnings-per-share growth measure to require growth, insist on at least three analysts covering the stock, reduce our maximum net debt-to-equity ratio to 40% and insist on a price that is at a discount to intrinsic value.

All of this results in these five stocks for 2019:

Sinopec Shanghai Petrochemical, Intel Corporation, Oracle Corporation, Pfizer Inc and Facebook Inc, Class A.

ShareAnalysis is a stock research tool that provides an algorithmically based research service providing coverage on all ASX stocks plus thousands of global companies.

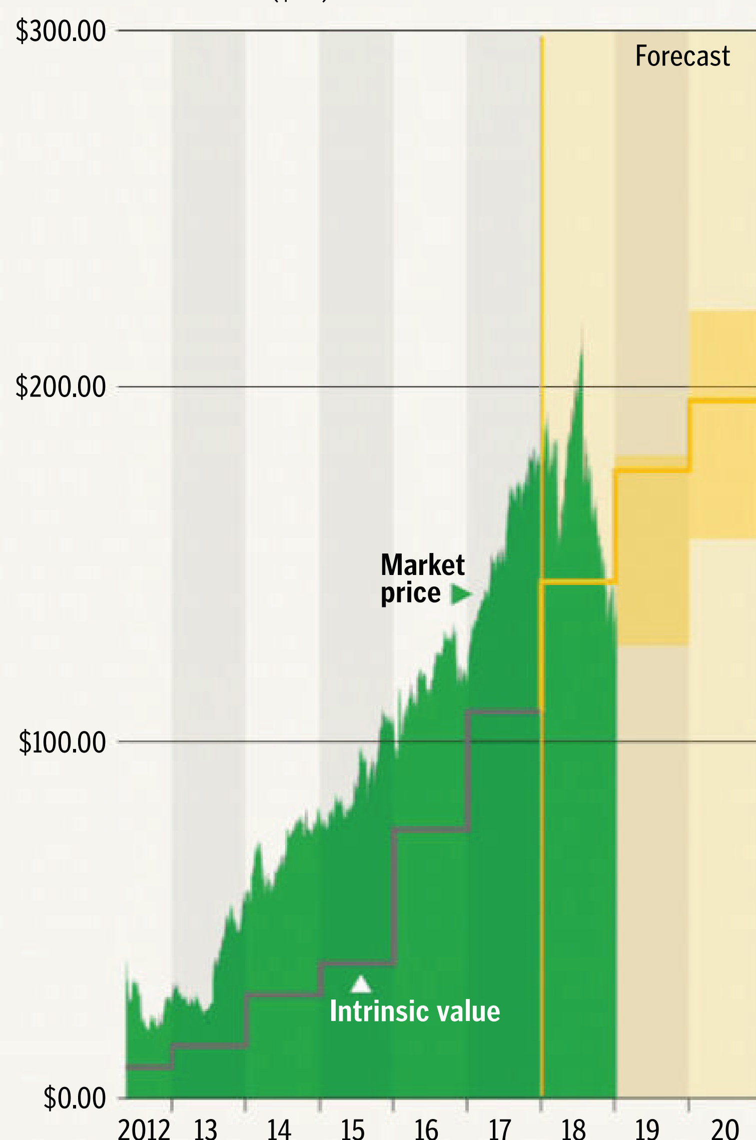
STANDOUT SHARES:

4 Facebook Inc, Class A (US)

One of the world's largest social media developers and operators, the California-based Facebook is largely known for its products Facebook, WhatsApp and Instagram. A major source of revenue is advertising to users on the relevant applications.

Facebook has been a reliable performer since its float in 2012. It has generated growing profits over the past six years, improving its net debt-to-equity ratio after purchasing WhatsApp in 2014 and having no debt since 2016. This puts Facebook in a strong financial position to continue to grow strongly.

The company's share price has gone from $US38.23 to $US131.74 in six years. This translates to an average of 22.9%pa. As Facebook is still relatively new and still in its growth phase, it does not have a regular dividend stream. Despite news stories about privacy and data violations, the share price is trading at a 25.7% discount to intrinsic value with potential upside as analyst forecasts incorporate possible fines.



STANDOUT SHARES:

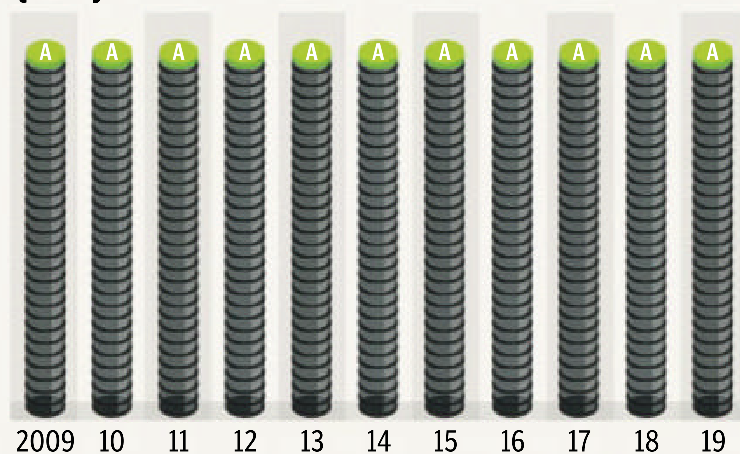
5 Oracle Corporation (US)

Oracle provides products and services that address all aspects of corporate information technology. The California-based company has scored between A1 and A2 for 10 consecutive years. The 2019 interim report has been scored at A1. This signifies that the stock is a high-quality business managed by a reliable team.

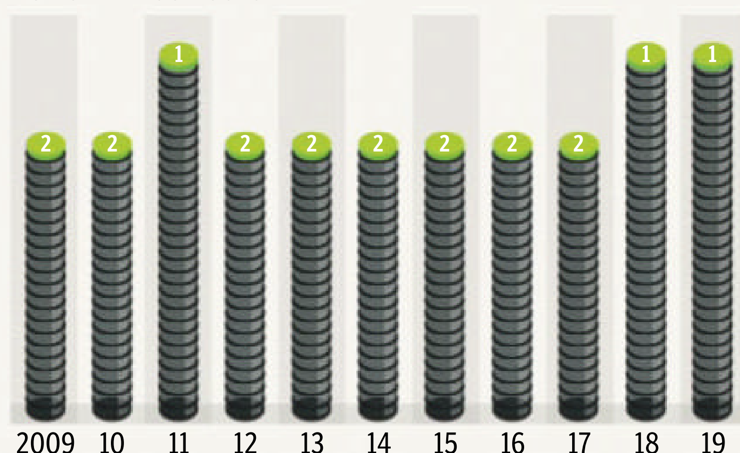
Oracle has generated positive returns through the past 10 years and paid out a constant stream of dividends, averaging 1%pa, combined with an average year-on-year share price growth of 17.4%, underscoring a strong performance. Throughout this period the company has been buying back its shares, which is another sign of a strong financial position.

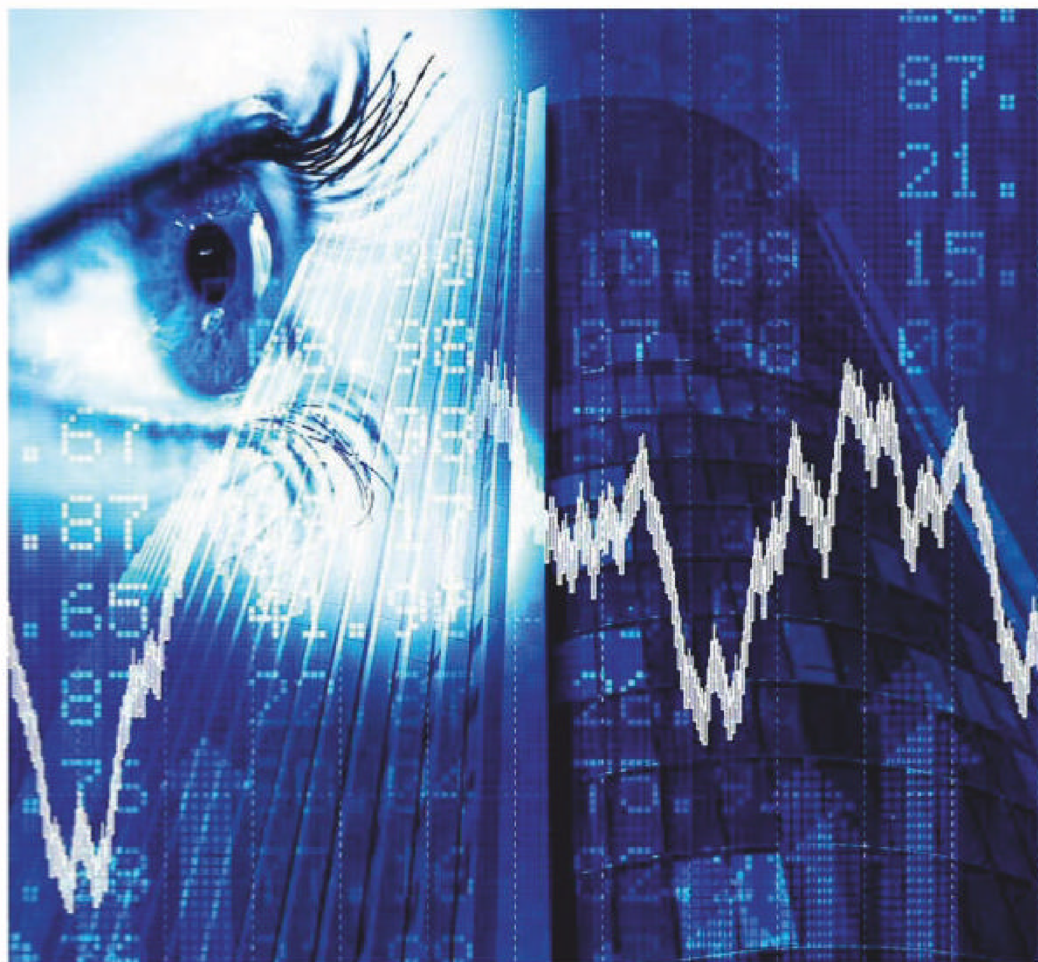
Analysts have estimated that Oracle's earnings per share should grow at 5.2%pa for the next three years while providing a dividend yield of 1.7%. With the share price trading at a discount of 16.6% to its estimated intrinsic value, there is potential upside even if the forecasts prove to be too optimistic.

Quality score



Performance score





2018 PROGRESS REPORT

The Mainstreet Share Analysis Top 5 portfolio has been published each year since 2012. At the start of each year five stocks are chosen. In 2018, the portfolio comprised **Adairs** (ASX: ADH), **Flight Centre** (FLT), **Nick Scali** (NCK), **Mineral Resources** (MIN) **and Magellan Financial Group** (MFG). The stocks are held for 12 months and then sold, with the proceeds, plus dividends, reinvested back into the five stocks chosen for the next year. Note this is a hypothetical portfolio.

Adairs (4.3%) was the best-performing stock in our selection of the Top 5 for 2018. The specialty retailer of home furnishings benefited from its new store openings domestically and internationally and its expanded product offering. Its significant safety margin also assisted to underpin the stock's performance in what was a fully valued market in 2018.

Flight Centre (2.4%) was the next best-performing stock. It has consistently delivered, with a healthy balance sheet comprising low debt and a healthy cash position.

Magellan Financial Group (-9%) has been one of the best stockmarket performers in recent years and despite having a strong start to 2018 was impacted by volatility in global equities markets.

Nick Scali (-17.4%) had its first poor year in a long time with the stock underperforming as the market reduced its exposure to housing-related industries and businesses. Despite a solid performance in 2018, market expectations are that it will come under earnings pressure in 2019 as it is impacted by the decline in the housing market.

Mineral Resources (-26.4%) was the worst-performing stock in our Top 5 for 2018. We selected this stock as it was a diversified mining infrastructure services and commodities production company. While the mining services provide an annuity income, the mining operations consist of iron and lithium production through profit-share partnerships.

In late 2017 the company made a $530 million cash/scrip bid for AWE to get exposure to oil and gas. This was seen as a positive by the market but the acquisition was trumped by Mitsui Corporation offering a 95¢ per share cash bid. The failed takeover attempt of AWE, coupled with a decline in lithium prices, resulted in Mineral Resources underperforming in 2018.

SHAREANALYSIS'S TOP 50 STOCKS FOR 2019

RANKINGS (3-JAN-19)							FORECASTS				
GROWTH	INCOME	DISCOUNT	TICKER	MARKET	COMPANY	Q&P	3YR EPS GROWTH (%PA)	DIVIDEND YIELD	MARKET PRICE	DISCOUNT[1]	INTRINSIC VALUE
49	2	1	338	HKE	Sinopec Shanghai Petrochemical Co. Ltd. Class H	A2	2.0%	9.2%	$3.43	47.5%	$6.59
46	20	2	INTC	USA	Intel Corporation	B1	4.3%	2.9%	$46.75	42.8%	$82.09
48	11	3	PFE	USA	Pfizer Inc.	B1	3.1%	3.5%	$42.96	29.7%	$62.10
11	44	4	FB	USA	Facebook, Inc. Class A	A1	16.2%	0.0%	$133.20	25.7%	$176.41
44	34	5	ORCL	USA	Oracle Corporation	A1	5.2%	1.7%	$44.82	16.6%	$54.11
20	21	6	1169	HKE	Haier Electronics Group Co., Ltd.	A2	13.4%	2.9%	$19.26	14.3%	$21.68
32	30	7	27	HKE	Galaxy Entertainment Group Limited	A2	8.9%	2.2%	$49.80	14.2%	$55.16
5	18	8	669	HKE	Techtronic Industries Co., Ltd.	B2	20.0%	3.1%	$41.60	10.0%	$45.65
2	22	9	1093	HKE	CSPC Pharmaceutical Group Limited	B2	24.5%	2.8%	$11.30	7.0%	$11.49
28	27	10	KER	EUR	Kering SA	B2	10.4%	2.3%	$397.50	6.3%	$439.39
22	37	11	BAX	USA	Baxter International Inc.	B2	12.5%	1.4%	$65.21	2.3%	$67.36
40	17	12	JNJ	USA	Johnson & Johnson	B1	7.0%	3.1%	$127.27	0.8%	$130.06
29	23	13	HON	USA	Honeywell International Inc.	B1	10.1%	2.8%	$130.76	-0.5%	$131.51
15	25	14	ADS	EUR	adidas AG	B2	15.4%	2.4%	$180.10	-2.8%	$177.21
50	1	15	386	HKE	China Petroleum & Chemical Corporation Class H	B2	1.9%	9.6%	$5.59	-3.5%	$5.25
38	16	16	BMY	USA	Bristol-Myers Squibb Company	B1	7.2%	3.2%	$50.94	-4.4%	$49.68
25	6	17	3606	HKE	Fuyao Glass Industry Group Co., Ltd. Class H	B2	11.1%	5.2%	$25.05	-6.2%	$23.32
12	44	18	GOOGL	USA	Alphabet Inc. Class A	A2	16.2%	0.0%	$1046.68	-6.4%	$977.63
10	43	19	ATVI	USA	Activision Blizzard, Inc.	B2	16.4%	0.4%	$46.80	-7.7%	$42.97
30	24	20	ACN	USA	Accenture Plc Class A	A1	9.8%	2.5%	$139.82	-16.4%	$117.89
27	14	21	APD	USA	Air Products and Chemicals, Inc.	B2	10.7%	3.5%	$160.70	-17.2%	$132.59
35	38	22	COST	USA	Costco Wholesale Corporation	B1	8.7%	1.4%	$202.04	-19.3%	$164.47
41	10	23	WOW	ASX	Woolworths Group Ltd	B2	6.0%	3.7%	$29.42	-21.7%	$22.81
47	4	24	WES	ASX	Wesfarmers Limited	B2	4.1%	5.3%	$32.22	-24.2%	$23.93
4	44	25	PYPL	USA	PayPal Holdings Inc	A2	20.1%	0.0%	$83.26	-24.3%	$63.62
34	12	26	TXN	USA	Texas Instruments Incorporated	A1	8.7%	3.5%	$93.81	-24.5%	$71.38
39	15	27	151	HKE	Want Want China Holdings Limited	B2	7.1%	3.2%	$5.48	-24.6%	$3.95
42	31	28	OR	EUR	L'Oreal SA	B2	5.9%	2.2%	$198.10	-28.1%	$144.70
37	8	29	270	HKE	Guangdong Investment Limited	B2	7.4%	4.5%	$15.14	-28.3%	$10.71
19	28	30	696	HKE	TravelSky Technology Ltd. Class H	A2	14.2%	2.3%	$20.05	-30.5%	$13.89
14	32	31	MSFT	USA	Microsoft Corporation	A1	15.8%	2.2%	$100.39	-32.1%	$68.98
45	13	32	PG	USA	Procter & Gamble Company	B2	4.8%	3.5%	$91.18	-32.5%	$62.01
21	44	33	BKNG	USA	Booking Holdings Inc.	A1	13.0%	0.0%	$1715.83	-32.9%	$1,155.03
3	42	34	NVDA	USA	NVIDIA Corporation	A1	23.6%	0.6%	$133.65	-33.3%	$89.10
36	29	35	TJX	USA	TJX Companies Inc	A1	8.1%	2.2%	$43.81	-36.6%	$28.38
43	5	36	XOM	USA	Exxon Mobil Corporation	B2	5.8%	5.2%	$68.17	-40.0%	$40.94
9	39	37	V	USA	Visa Inc. Class A	A1	16.7%	1.0%	$130.94	-40.5%	$78.47
18	33	38	LLY	USA	Eli Lilly and Company	B2	14.5%	2.1%	$114.20	-41.1%	$68.11
17	44	39	ISRG	USA	Intuitive Surgical, Inc.	A2	14.7%	0.0%	$471.20	-41.7%	$279.09
7	44	40	ADBE	USA	Adobe Systems Incorporated	A2	18.4%	0.0%	$223.13	-41.8%	$131.74
26	35	41	EL	USA	Estee Lauder Companies Inc. Class A	B1	11.0%	1.6%	$128.56	-42.1%	$75.31
6	7	42	2020	HKE	ANTA Sports Products Ltd.	A1	19.3%	4.8%	$37.55	-46.2%	$19.57
24	19	43	322	HKE	Tingyi (Cayman Islands) Holding Corp.	B2	11.6%	3.0%	$10.46	-51.7%	$4.95
13	36	44	NKE	USA	NIKE, Inc. Class B	A1	15.9%	1.4%	$73.34	-52.5%	$35.22
33	3	45	PM	USA	Philip Morris International Inc.	B2	8.9%	7.5%	$67.27	-55.4%	$29.79
23	40	46	INTU	USA	Intuit Inc.	A1	12.1%	1.0%	$195.85	-58.8%	$81.08
1	44	47	BABA	USA	Alibaba Group Holding Ltd. Sponsored ADR	A2	29.2%	0.0%	$139.09	-65.4%	$47.40
31	9	48	ITX	EUR	Industria de Diseno Textil, S.A.	A2	9.0%	4.3%	$22.39	-66.5%	$7.48
16	26	49	ADS	VTX	adidas AG	B1	14.9%	2.4%	$206.50	-67.7%	$66.58
8	41	50	MA	USA	Mastercard Incorporated Class A	A1	17.0%	0.7%	$186.16	-76.3%	$44.62

SOURCE: Mainstreet ShareAnalysis as at 3-Jan-19. [1]Discount is the percentage discount the share trades at compared with ShareAnalysis's estimated intrinsic value of the stock.

Beat the bowser blues

By shopping around and following the fuel cycle, motorists can save hundreds of dollars a year

STORY RICHARD SCOTT

Last year was a particularly tough one at the petrol pump. According to the ACCC, prices rocketed up to 10-year highs in late October, with daily averages hitting 159.9 cents a litre in the five largest cities for base-grade petrol.

"Petrol prices were very high for a very long time in 2018," says NRMA spokesperson Peter Khoury. "There was suddenly a real concern that premium unleaded, in certain locations, would have hit upwards of $2 a litre – a price Australian motorists would never have seen before in their lifetimes."

And while this thankfully dropped to around 128¢ a litre, budget-conscious motorists still need to keep their wits about them to avoid getting slugged in 2019.

Shopping around before filling up is not just a case of tracking down the cheapest prices in your neighbourhood but, for city dwellers, identifying your place in the fuel cycle – those sharp peaks followed by a gradual descent. However, these can vary considerably depending on where you live.

"For instance," says Khoury, "Perth has a seven-day fuel cycle, which means that every Monday is the cheapest day to fill up and every Tuesday is the most expensive. So if you're in Perth and filling up any other day of the week [other than Monday], the joke's on you."

For other cities it's a bit trickier, since cycles can vary between 14 and 40 days, with prices in the bigger cities liable to spike by as much as 20¢ to 30¢ in just a couple of days. It pays to keep your eye on the cycle. "We know by filling up in the cheap phase of the cycle, drivers can save themselves hundreds of dollars a year on fuel costs," says RACQ spokesperson Lucinda Ross.

In fact, the estimated yearly savings made by buying at the bottom (or "trough"), according to the Australian Competition and Consumer Commission (ACCC), were $175 in Sydney, $150 in Melbourne and Brisbane, and $200 in Adelaide. And thanks to those weekly cycles, Perth residents could expect to save up to $520.

Further information can be found on the ACCC's website (accc.gov.au), including daily updated cycle charts for your state, average daily prices for the past 45 days and suggestions on when to top up.

So to fill or not to fill? It's a question that divides households. "There's every chance, if you're obsessed with keeping a full tank, you'll be filling up at the high point of the cycle," says Khoury. On the other hand, riding the orange fuel light could have the same result. (See breakout, "Dos and don'ts".)

"If you see cheap petrol, top up," advises Khoury. "But if it's the top of the cycle and you're on empty, just put enough in there to get you through a few days. Rule of thumb: if it's at the top, it will fall gradually, normally at about 1¢ a day."

Bored with creeping around comparing prices between local servos? Apps such as Fuel Map, PetrolSpy or MotorMouth might save you the trouble. These are free, largely crowd-sourced, databases of petrol stations and fuel prices that allow you to map out the cheapest prices in your vicinity at a glance. Their data is mostly user-

generated, or sourced from participating fuel retailers or service station operators.

Alternatively, NSW residents can also download FuelCheck, a free government-run app that uses real-time data sourced from 95% of service stations across the state. There are also MyFuel NT and FuelWatch (Western Australia). Additionally, you'll find many roadside assistance organisations will offer a similar service to their members, including RACQ Fair Fuel Prices, RACV Fuel Prices and the My NRMA app (which uses FuelCheck data in NSW).

"Petrol price apps make a difference at a personal level," says NRMA's Khoury. "One of the biggest frustrations among our members was that they'd get in the car, they'd go fill up, they'd drive around the corner and there'd be something 15¢ cheaper. At least now they can get access to the cheapest prices before they even start the engine."

Most national service stations, including Caltex, Shell and BP, now offer their own apps to customers too. Generally, these allow you to pay for petrol from your phone, locate nearby servos, store receipts and, in some cases, access fuel discounts. For instance, new users of Caltex's FuelPay app will receive 6¢ a litre off their first three fuel purchases. The 7-Eleven fuel app offers a "low price lock" guarantee that lets consumers search 7-Eleven fuel stores (within a 5km radius) for the cheapest price before "locking it in" for the next seven days.

And, lastly, there's all the basic stuff you should already know: book in for regular services, drive economically, use the recommended fuel type, take the golf clubs out of the boot. And if all else fails, take the bus.

"One consistent in all this is that the economy runs on petrol," says Khoury. "We're a big country, we're spread out. So for many Australians, especially in the regional areas, the option of leaving the car at home is completely unrealistic. The reality is that most families are going to be increasingly reliant on petrol, and that's why it's so important for us to try to save where we can." *M*

Saving graces

RACQ's Lucinda Ross has these fuel tips:

DO: Use your pedals conservatively. "Hard acceleration and braking will use more fuel," says Ross. "So try to accelerate gently and look ahead to anticipate the flow of traffic. Ease off the gas early and allow your car to slow."

DON'T: Use "angel gear". "Not only is this very dangerous but coasting downhill in neutral uses more fuel than leaving the car in gear," warns Ross. Instead, ease off the accelerator and use your momentum.

DO: Assess your air-con use. "Air-conditioning can increase fuel use by up to 10%," says Ross. Try to wind down your windows when moving slower than 80km/h. "Any faster and it's better to use air-con, as wind resistance will cause the car to use more fuel."

DON'T: Ignore your tank-empty light. "Don't regularly run the car close to empty, it might harm your car [and] you don't want to run out of fuel in an unsafe location," says Ross. Empty tanks can damage your catalytic converter or fuel-pump motor, needing repairs.

DO: Keep an eye on your tyre pressure. "Under-inflated tyres add rolling resistance, so make sure you inflate them to the maximum recommended pressure."

Commuters feel the pain

Driving 50km into the city each morning for work, Max Cowie, 39, has spent his fair share on petrol over the years. His commute from Schofields, in Sydney's west, to Darlinghurst was a two-hour, 100km round-trip that had him filling up his Honda MDX SUV twice a week, at roughly $100 a pop.

Max (pictured) favoured Caltex fuel stations, so he could utilise Woolworths shopping dockets for savings of 4¢/8¢ a litre. "But to get 8¢ off, though, you had to spend $5 in store," he recalls. "At first I was just buying chips and lollies at the countertop but I soon learned to get all my milk and bread at the servo. It wasn't a huge saving, all up, but I was effectively getting free milk and bread."

The moment a Costco fuel station opened in nearby Marsden Park, however, he got his membership immediately. "For $60 a year, I now save about 10¢ per litre, or $10 per tank, compared to the local servos," says Max. "And, I don't have to drive around all day with milk in the boot."

As a self-confessed backyard mechanic, Max is especially fastidious with his maintenance, tapping out and cleaning his air and fuel filters every 10,000km himself, and replacing them at Supercheap Auto after 40,000km. "Doing it myself saves me megabucks, hundreds, as opposed to buying direct from the dealership," he says.

He also changes his spark plugs every 40,000km, monitors his tyre pressure every fortnight (monthly if he's feeling lazy) and books in for regular servicing.

Nowadays he gets the train to work (at $10 a day) but is no less conservative with his fuel spending. "I use every trick in the book: slowing down at the lights, and taking my foot off the pedal on hills. But mostly I try to limit my driving to just the one day, roll all my errands into one, because I'm happiest when I know my car's at home, resting, and not costing me money."

7 steps to wealth

By modernising our grandparents' flour jar approach to managing money, we can spend less and save more

STORY BRYCE HOLDAWAY & BEN KINGSLEY

Do you want to make money simple again? Have you ever wondered whether there's a simple way to manage your money, that optimises and minimises the amount of interest you pay to the bank while trapping more surplus and giving you peace of mind... all while committing no more than 10 minutes a month to manage it?

And wouldn't it be great if such a system didn't discriminate its effectiveness based on how much you earned or how you got paid and made it just as easy to use for a university student on casual wages as for a CEO of an ASX-listed company earning a high salary?

Well, we think that such a system does exist.

We call it the Money SMARTS system and we're on a crusade to help as many Australians as possible to adopt our simple and effective approach to managing their money and trapping their surplus to improve their current lifestyle and ideally help them to grow their existing wealth base.

Money SMARTS is an efficient and highly effective rules-based money management system designed to help you organise your money to stop you overspending and trap more surplus as a result. It guarantees you gain a better understanding of your cash flow movements and greater control of your money while ensuring you never "unconsciously" overspend ever again.

Every dollar in our system has a role to play and an overall job to do for you. The system adopts simple yet proven techniques of successful money management approaches from yesteryear.

Think back to your grandparents' day where many homes managed their cash using household jars – often recycled from their primary use as holders of flour and sugar. Then when grandpa (back then there was generally only one income per household and the husband went out to work) would get paid, a portion of the pay packet would be placed in the jar for the mortgage, another portion would be in the jar for food and bills, and whatever was left over would end up in the savings jar. It was a very simple approach but it worked, right? They paid cash for everything and only spent what they had ... and never on credit!

Well, we know it's a completely different landscape today. We don't get paid in cash anymore and money in the 21st century is predominantly digital. The result is that we now park our money in the bank, instead of separate "flour jars", and as a result we've all become a little less connected to the flow of money that runs through our households.

We're not convinced that "progress" means "better" in this case.

However, the solution lies in adapting the wisdom of the past to the realities of modern-day money flow. Using the Money SMARTS system, you can quickly adapt by only ever needing a maximum of three bank accounts. Yep, only three!

In the primary account (bank account No. 1) we allocate our money into five virtual flour jars – one for each area of spending:

1. Living and lifestyle jar (your weekly allowance we refer to as your seven-day float).
2. Credit card jar (to pay regular bills only).
3. Direct payments jar (to pay some bills/accounts directly).
4. Loans jar (for the monthly loan repayments).
5. Provisionings jar (covers ad hoc future spending allocation).

What will be left over is your surplus money that you capture!

TIP: For households with a mortgage, we strongly recommend the primary account is a 100% transactional offset account. Your primary account receives every cent you earn and pays out everything you spend via the different internal flour jars.

The living and lifestyle account (bank account No. 2) is the vehicle for your spending money. You transfer a weekly allowance in this account - i.e., your seven-day float – to pay your day-to-day living costs for, as the name suggests, one week. Once your weekly allowance is worked out (via steps one to three in our seven-step system – more on that later) your spending money is transferred into this account from your primary account. It's treated like cash – but, just like in your grandparents' time, when it's gone, it's gone! There is no more money to spend until the next weekly transfer, which is ideally on a Thursday.

The credit card jar (bank account No. 3) plays a very important but very restricted function and is to only pay bills (no discretionary spending money here please) – and it must be a credit card that offers a 55-day interest-free period. Of course, there's one rule: you must pay off the rolling balance every month, because otherwise you'll be charged interest and this will cost you more than you make by using the bank's money in the short term. It's important to use the auto-sweep option to automatically pay the due amount each month to avoid paying late and being charged interest.

The job of the **direct payments jar** is to clean up the bills that weren't able to be paid via the credit card (such as rent), or where the credit card surcharge meant it was cheaper to pay the bills directly. In these instances, you pay these bills directly from the primary account to the supplier.

The **loans jar** is what it says it is. It's not a bank account; it quarantines the loan repayments money within the primary account and the money is dispatched when the repayments fall due. This jar has a very straightforward function.

When it comes to paying off loans, we recommend those people with multiple debts pay off their most expensive debt first. If you have multiple debts, explore the potential for consolidating your debts into one debt for improved ease of management, but also to reduce the cost of the debt to a lower interest rate.

The **provisionings jar** is where you set aside money for future planned and, at times, ad hoc spending. It quarantines the money you set aside within the primary bank account for all your provisions spending – those major expenses and one-off purchases that occur each year (like a holiday spending or medical costs). It covers some items you want to track your spending on and money you want to allow for "just in case".

So what are the steps to financial peace?
The seven steps in the Money SMARTS system are:
1. Gather
2. Sort
3. Calculate
4. Banking
5. Checkup
6. Tweak
7. Rollover

Unlike a traditional budgeting "bottom-up" approach to money management, where you have to track everything you spend, Money SMARTS is a "top-down" approach to understanding and managing your money. To ensure you have trapped enough surplus money to meet your financial goals, you need to start with the big picture.

In steps one and two, you gather all your receipts and statements to work out where your money goes.

In step three you establish your overall income and overall spending plan (regular and provisions spending); there's then no need to get into or keep track of every expense item. Surprises are great for birthdays but they're terrible when it comes to managing money!

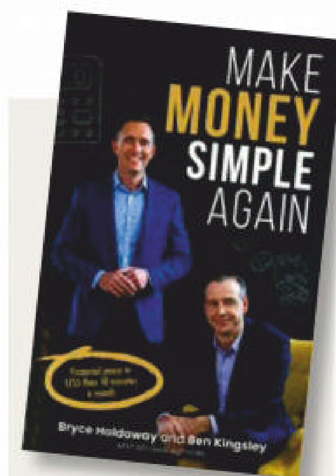
With our top-down approach, you need to start with a time frame for planning purposes. Money SMARTS uses a year-by-year approach as it fits well with annual periods used for many other aspects of money and cash flow such as annual bills, taxation, bonuses, and so on. So at the top level you need to have worked out how much income (money in) you expect to receive for the coming year and how much you expect to spend for the same period (money out).

Keeping it simple means starting with the yearly expenditure rather than starting from your daily expenditure. In theory, what money's left must always be enough for what's coming up. That's why you plan out your year's spending and your target monthly surplus first up.

In step four, once you set up your three bank accounts your system is then ready to roll. You have your starting numbers, your current financial position and target for the surplus money you are aiming to achieve. Now you are on your way.

In step five you only have to do your monthly checks (which should only take 10 minutes or less each month) and make the odd tweak in step six before the yearly rollover celebrations begin in step seven because of all the money you've saved before it all kicks off again for another year!

Money SMARTS helps you plan, organise and manage your money because it's a rules-based, fully defined and structured solution. And, best of all, people love it due to the fact it's simple to set up, very time-friendly to run and, most importantly, it works! *M*



Win a copy of the book

Bryce Holdaway and Ben Kingsley are property experts from Empower Wealth Advisory, a specialist advisory practice, host the Property Couch podcast and have also co-authored several books. Their latest book is *Make Money Simple Again* (Major Street Publishing, RRP $29.95) and looks at the Money SMARTS system in greater detail.

Money has five copies to give away. For your chance to win a copy, tell us in 25 words or less your best tip for making money simple. Enter online at moneymag.com.au/win or send your entry to Money magazine, GPO Box 4088, Sydney NSW 2001. Entries open January 28, 2019 and close on February 27, 2019.

Sign up with care

STORY JOHN RAWLING

When it's time to move on from the family home there are plenty of options – but they can be confusing and expensive. Here's what to look out for.

People are living longer and that means more and more of them – and their families – are having to look at options for retirement living and aged care. The number of people in permanent aged care in Australia is expected to triple in the next 30 years to 700,000 in 2050.

Many more are opting to move from their family home into a retirement village and either live completely independently or with some assistance. Some retirement village operators are building facilities that offer different levels of care and residents can move between them as their needs increase. Other older people look at privately owned hostels and boarding houses, which are lightly regulated. Residents must deal directly with the operators.

There is also a trend in building new property developments that embrace older people, where apartments have no steps, have wide doors for wheelchairs and walking frames and come with separate apartments for carers and common areas for socialising. Again, residents can live independently or with increasing assistance as they get older.

Although we all wish to remain in own homes in good health until well into old age, most people will require some form of assisted living at some stage. With options increasing, the aged care and retirement industries have become more complicated. Decisions often involve large sums of money. No one should be too hard on themselves because they don't understand the options. Thankfully, there are people around who can provide assistance with moves into retirement villages and aged care facilities.

The problem for the federal government is that the more people who move into aged care, the greater the amount of subsidy that it must pay. In the 2018 budget, the forecast expenditure for ageing and aged care was $18.7 billion, rising to $22.1 billion in 2021-22. Via its aged care roadmap, the government has indicated it wants people to live at home longer, reducing the need to support aged care. And retirement villages represent a good halfway house because they require less government funding.

As an example, for each aged care resident who is judged to be high care in the three key areas – activities of daily living, behaviour and complex health care – plus supplements, the government must stump up $248.75 a day, or $90,794 a year. For residents judged to be low care in each of these areas, the amount drops to $62.47 a day, or $22,801 a year. It is a massive difference.

A person who needs to be approved for government-funded services – including aged care, home care, residential aged care, transition care or respite care – must complete an aged care assessment by an assessment team. The assessment is used to make a recommendation for the type and level of care that will best meet a person's needs.

Different families look for different things at aged care facilities. However, the core features that should be checked include: the number and quality of nursing staff, therapy services offered, and assistance with personal care; basic services such as beds, bathroom/ensuite facilities, mattresses, linen and bedroom furniture; the ability to provide a range of care needs as a resident's health declines; ongoing daily programs and activities to engage and stimulate the residents; and close proximity to family.

The aged care industry is predominantly ruled by federal law, although some facilities known as supported residential services are governed by state law and are registered and monitored by state governments. These facilities are generally private businesses and there is no government guarantee for any bonds paid by residents.

Up to $2m to secure a spot

Federal laws set down daily fees that can be charged by aged care facilities and the interest rates that they can charge on the unpaid proportion of the refundable accommodation deposit (RAD), formerly known as a bond. A RAD must be paid to gain a spot at an aged care facility and comes with three options: pay in full, part-pay and pay interest on the balance (currently set at 5.96% a year) or pay interest only on the whole amount.

A RAD can be as high as $2 million to secure a bed in an aged care facility. In many cases these RADs are negotiable. Willingness to negotiate on a RAD depends very much on the demand for, and the supply of, beds in a particular facility.

It is important to note that the RAD is a fully refundable deposit, not an investment. Essentially, it works like an interest-free loan to the aged care facility. These deposits form an important part of aged care facilities' financial operating models, enabling them to renovate and upgrade their facilities and build and acquire new ones. In a government-accredited aged care facility, the accommodation deposit is fully government guaranteed.

The basic daily care fee for a resident in an aged care facility ($50.66 a day) is set at 85% of the full age pension. All residents must pay this fee. However, it does not cover the full care costs of the resident. The government may ask the resident to pay an additional amount as a means-tested fee and then it pays a subsidy for each resident's care needs to make up any shortfall. The means-tested fee is set by the government and collected by the aged care facility based on an individual assessment for each resident. It is an attempt by the government to ask residents with the financial capacity to contribute to the cost of care. This fee can range from nothing to a maximum $248.75 a day.

The extra services fee, which can be as much as $120

Questions to ask a retirement village operator

1. Moving is distressing for an older person and ideally we want to move only once. Will this be possible in your village?

2. Can you match your services to our requirements and will you continue to be able to do so as we age and our health declines?

3. Will our financial commitment increase over time?

4. Can we be forced to move out if our health deteriorates?

5. If so, who determines this and how much time will we be given to move?

6. We may need our exit fee in order to move into aged care. How long will repayment of that fee take?

7. If one of us dies or moves into aged care, can the other stay in the same retirement unit?

> **Residents and families must understand that they are making a lifestyle decision and not an investment**

a day, provides for additional services like a choice of meals, alcohol at meals, expanded activities program, cable television, daily newspapers and so on. Some facilities even provide residents with iPads.

Work through the fine print

Deciding to move into a retirement home or a retirement village may seem a sensible option in a person's senior years but the retirement home industry is a byzantine one that requires many documents to be read and absorbed and decisions to be made involving large sums of money. Many contracts for retirement villages run to more than 100 pages and include clauses enabling the operator to force people to move out if they are deemed no longer to be able to live independently.

While the price paid for a room in residential aged care is fully refundable and guaranteed by the government, the fees and costs deducted from the amount originally paid for accommodation at retirement villages can be significant.

Ultimately residents (and their families) must understand that they are making a lifestyle decision and not a financial investment when they enter a retirement village. Village operators have come under criticism recently because of "management fees" that many charge on units. When a person "sells" the unit or leaves, a large percentage of the value of the unit can end up with the operator.

The recent news that big retirement home operators are introducing new payment options for management fees may mean more choice for consumers but the changes will doubtless further complicate an already obscure industry.

Following recent coverage by ABC's *Four Corners* and Fairfax Media, several state governments announced inquiries into the retirement village sector. The results to date have been mixed (in Queensland, legislation was introduced to help safeguard the rights of potential residents) but the industry has agreed that it needs to simplify things.

Depending on who you are dealing with, people generally have four types of agreements to choose from when trying to select a retirement village: a long-term lease/licence, a strata title, a company title scheme or a rental. When you commence discussions with a village operator, they are required to provide you with five pieces of information: a copy of the residence contract, a copy of the management contract, the disclosure statement, the village fact sheet and the village rules and by-laws.

Whereas several years ago exit fees were typically 3% of the value of the unit per year of residence, capped at 30%, some owners of retirement villages today charge a flat fee of 15% of the value of the unit if a person leaves within the first year, 25% if the person leaves between one and two years and 40% if the person leaves after two years. There have been accusations that retirement home operators "churn" customers to attract these high exit fees. People have to take all this into account when making their decisions.

Ownership in the retirement village sector is widespread, with the top five operators controlling only 28% of the market. The balance is controlled by community and church-run, not-for-profit operators and smaller owner-operators.

Living the high-rise life

Vertical retirement living is the latest buzz phrase in retirement and aged care. The term refers to high-rise buildings, often upwards of 10 storeys, into which retirees can move from the family home. They offer independent apartment living with communal areas and many are linked to aged care developments, either in the same building or next door, where retirees can transition as they get older and require greater levels of care. Couples can remain close to each other if one needs to move sooner than the other. Clearly, having one parent in an apartment and the other in aged care is not a cheap arrangement, and may be out of reach of many families. It also depends on bed availability.

Australian Unity has 19 retirement villages in Victoria and NSW, incorporating 2363 apartments and 711 aged care suites. Beverly Smith, Australian Unity's executive general manager for residential communities, says vertical retirement living offers retirees something that they tend not to get in standard retirement villages, which are typically situated in outer suburbs. "Many people who have lived in or near city centres want to stay in the area," she says. "They want to be near friends and families and want more flexibility and choice. They want the vibrancy and the culture of the CBD."

This year Australian Unity aims to complete Melbourne's The Grace Albert Park Lake, which incorporates 79 apartments in 18 storeys. Prices vary from $650,000 for a one-bedroom apartment to $1.142 million for three bedrooms. Under its deferred management fee model, tenants pay management costs on departure and share in the capital gain when apartments are sold.

Stockland is following a similar model with a vertical retirement village at Birtinya, near Caloundra on the Sunshine Coast. The first two storeys of the eight-storey block are reserved for a community centre, gym, wellness centre and salons, while floors three to eight have 140 different-sized independent-living apartments. Notably, Opal Aged Care runs an aged-care facility next door, enabling tenants to move from retirement into aged-care in the same area. ***M***

John Rawling is an aged care expert at Joseph Palmer & Sons.

Retirement unit v aged care: what it costs

Mary is an 83-year-old widow who has lived at home independently for many years. Her home was sold at auction, generating net proceeds of $1.1 million after she repaid a mortgage of $420,000. She has a bank account with $5000 and is on a full age pension (currently $916.30 a fortnight for a single).

Mary is a social person but her health has deteriorated to the point where she struggles with her mobility. She believes she is not yet ready to move into residential aged care and thinks that an apartment in a retirement home would suit her better. An aged care assessment approved her for both residential respite and low-care residential permanent aged care.

She prefers a one-bedroom apartment in a large retirement village that has just undergone a major refurbishment.

The advertised upfront payment to enter the retirement village was $650,000. Under a typical retirement village contract, this amount would be subject to a deferred management fee during Mary's occupancy (3% deducted for each six month period in the first 18 months, then 1% each subsequent six months, up to a maximum of 30%). Mary would be responsible for all daily living expenses and utilities, just like any other homeowner.

When she left, the amount repaid would have the deferred management fee deducted as well as the costs of reinstatement and refurbishment, selling costs and legal costs.

At Joseph Palmer we prepared financial modelling to compare the retirement village option against a low-care aged care facility. At the latter the refundable accommodation deposit (RAD) was $750,000 plus a services fee of $50 a day.

After starting with $1.1 million in assets, Mary would be left with $900,000 if she left the retirement village after five years (this does not include the home care costs, which would probably go into thousands of dollars each year). By comparison, the aged care option would leave her with $1.05 million in net assets over the same five year period, which includes all the care services and nursing support that she would require.

More splash than cash

STORY SERINA BIRD

A "frugalista" spills her secrets on enjoying a big night out – on a budget

Anyone saving for a goal knows that one of the quickest ways to save money is to eat home-cooked meals and avoid drinking your savings away on cocktails. Living simply and learning how to cook fantastic meals at home rather than relying on takeaways is a sure-fire contribution to long-term wealth. When times get tough, the tough get cooking.

But you don't need to stay at home all the time. Even the most die-hard penny pincher (someone like me, that is) wants to go out occasionally. I love exploring new and interesting places and I like catching up with friends. I'm a frugalista who loves dining out. Say what?

Well, I don't eat out every night and we love simple, cheap home-cooked meals most of the time. But I do love socialising with friends and family, I love good food and I have developed some good hacks for a night out on the town that's a lot of fun but still within our budget.

Join pubs and clubs

My frugal grandparents were fond of a counter meal at their local pub or bowling club, especially when it featured a roast of the day. These days many pubs, and increasingly clubs, are a little more gourmet – but they still feature good value specials of the day, especially on Monday and Tuesday nights. The local bowls club near me has been refurbished and has gone upmarket; its barefoot bowls sessions are popular with university students, as are its meal deals. I regularly send my Airbnb guests down there to take advantage of its $10

Seafood Mondays and $12 Snitty Tuesdays. The top tip is to join a club for a small fee and take advantage of the member specials.

And it's not just about pub grub: some clubs produce some fine dining that is on par with top restaurants – only they don't rate a mention in most restaurant reviews (they should). The experience usually costs a fraction of what it would have in a privately run establishment. For instance, we had a family rehearsal dinner the night before our wedding at Canberra's Yacht Club (part of the Southern Cross Club). It was linen tablecloths, private waiter, water views and creative modern Australian fare-quality good – all for $49 for two courses. For that experience, it would be hard to get anything comparable at that price at any top restaurant.

Dine out early

Keen to eat early before catching a show? Or don't want to keep your babysitter up too late? Do you simply like eating early? If so, First Table could be just for you.

It works like this: you pay $10 to book a participating restaurant for a table of two or four, and then you only pay 50% of the food bill (drinks are excluded). You must arrive on time, and you are not expected to linger for too long.

We used First Table for an enjoyable and affordable barbecue at a Korean restaurant. We wanted a quick meal before a book launch, so it was just the ticket. I was surprised when our waitress, a university student, said she often used First Table herself when eating out. Having used the service, my tip is to search for a promo code to only pay $5 for your first booking rather than $10. You also get a greater benefit from the experience if you are in a party of four. And watch those drinks as they are not included in the special and so are full price.

Get into the groove

The idea with Groupon and other group buying sites is that you purchase and pay for a discounted product such as a meal voucher online or through an app. You then make a booking with the restaurant (or provider) and present the voucher when it comes time to pay the bill.

Before Christmas, I went out with a group of girlfriends and we purchased a $35-each seven-course French degustation with a glass of sparkling wine. This was half the normal price. The restaurant, listed in the *Good Food Guide* as one of the top 20 dining places in Canberra, was high quality. What we ate was the same as that ordered by other guests that night – but ours was just cheaper.

I have downloaded the Groupon app on my phone and I often check it if I am visiting a new city. Where possible, I buy Groupons when they are running a special deal (eg, 10% off special site-wide). In addition, I buy Groupons through ShopBack or Cashrewards to get further rewards. With our $35 night out, my friend purchased a Black Friday Groupon 10%-off special via Cashrewards, and that reduced our price per head to only $32.

Clock up kudos

Cudo, now purchased by Groupon and renamed from LivingSocial, has a range of short-term specials on restaurants, experiences and travel. Some of the luxury travel is pretty swish. It also has some good deals on dining out.

I have enjoyed three cost-effective meals courtesy of Cudo, including a group meal for six people. Sometimes, businesses will match the deal and this can be useful, say, if the voucher is only for two people but your group has five. One of my memorable Cudo meals, at a Japanese restaurant, had a serious wow factor and I won kudos as the event organiser.

Capital deals

Scoopon is part of the Catch of the Day group. Its Australian take on Groupon is relatively new, and it doesn't have as many dining offers – and most are in the big cities. Scoopon doesn't offer dining deals in Canberra so I haven't been able to use it (yet). But it does offer some good deals in other capital cities, so I will be checking it out when I travel.

Compare the deals

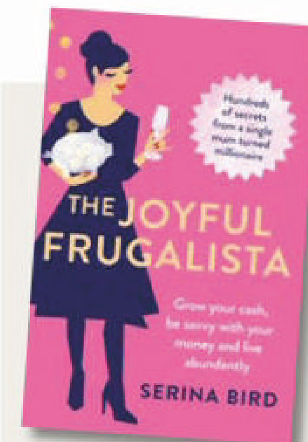
Short of time to compare Groupon, Cudo and Scoopon? Stop by Spreets, which provides a snapshot of the best deals across major group buying sites. It functions a bit like a comparison site contrasting deals across group buying sites.

Slow cooking

Sometimes restaurants have a slow night. When that happens, they can attract customers by offering special deals through EatClub which is an app-based product that provides live restaurant deals and exclusive offers. This is perfect for people who decide to go out to eat on the spur of the moment, or who decide to check what might be happening locally. You can get around 50% off selected restaurants if they have spare tables available. It currently operates in Melbourne, Sydney, Brisbane and Adelaide. I hope it comes to Canberra soon.

That's Entertainment

On average I save around 25% off food and drink by using an Entertainment Book membership at select dining establishments. A little-known fact is that you can use up to three vouchers at the one table. For instance, if the benefit is 25% off up to $40, you could use two vouchers to get up to $80 off. This can be useful if you are dining in a large group. The Entertainment Book has an extensive selection of dining establishments, and we always find something that excites us. *M*



Win a copy of the book

Serina Bird is a proud frugalista who has amassed $1 million through frugal living. *Money* has five copies of Serina's soon-to-be-released book, *The Joyful Frugalista* (Murdoch Books, RRP $29.99, on sale February 4), to give away.

For your chance to win a copy, tell us in 25 words or less your best tip for frugal living. Enter online at moneymag.com.au/win or send your entry to Money magazine, GPO Box 4088, Sydney NSW 2001. Entries open January 28, 2019 and close on February 27, 2019.

AWARDS LUNCH

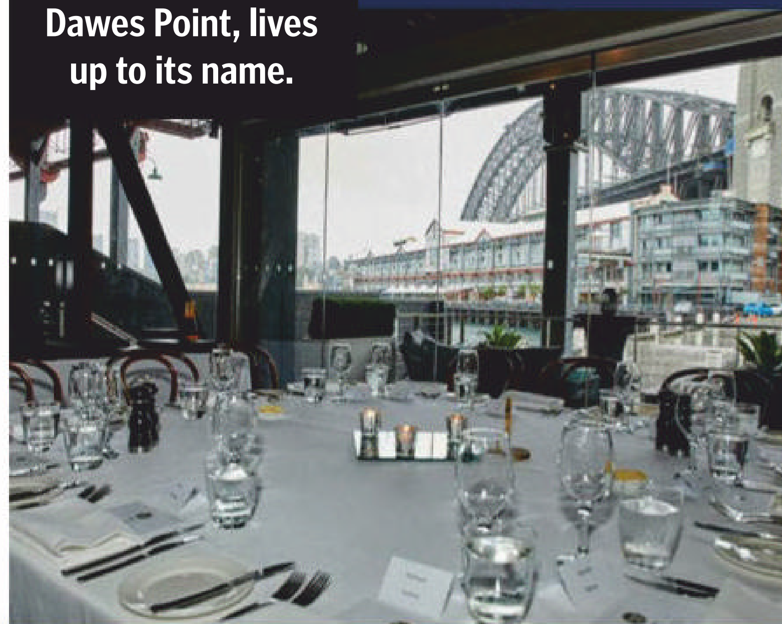
ROLL OF HONOUR

Winners and placegetters in *Money's* 18th annual awards celebrate their success.

EVENT
MONEY BEST OF THE BEST LUNCH

WHERE
VIEW BY SYDNEY

WHEN
NOVEMBER 28, 2018



View by Sydney, at Dawes Point, lives up to its name.

Effie Zahos & Paul Clitheroe

View BY SYDNEY

Team from Sunsuper, including CEO Scott Hartley, winner of the Best Super Fund Manager award.

LAUREN TROMPP

Happy faces from ING with their Best Everyday Account – Bank award.

Christian Obrist & Stephen Ead, from iShares by BlackRock, winner of Best ETF Provider.

YOUR ULTIMATE GUIDE TO AUSTRALIA'S BEST FINANCIAL PRODUCTS

Money

Money MAGAZINE AWARDS 2019

THE BEST OF THE Best 2019

106 GOLD WINNING PRODUCTS | HOME LOANS, CREDIT CARDS, CAR LOANS, BANK ACCOUNTS, SUPER, FUNDS, ETFs, BROKERS, INSURANCE & PHONE PLANS

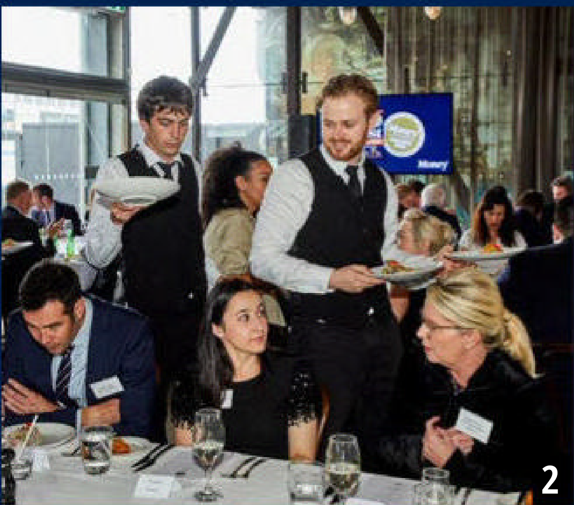
PLUS REAL ESTATE & INVESTING OUTLOOKS

EFFIE ZAHOS HOW TICKETEK & PETS CAN COST YOU A HOME LOAN

VITA PALESTRANT BUCKET SYSTEM TO PROTECT YOUR SUPER

GREG HOFFMAN 2 ASX STOCKS THAT GIVE YOU GLOBAL EXPOSURE

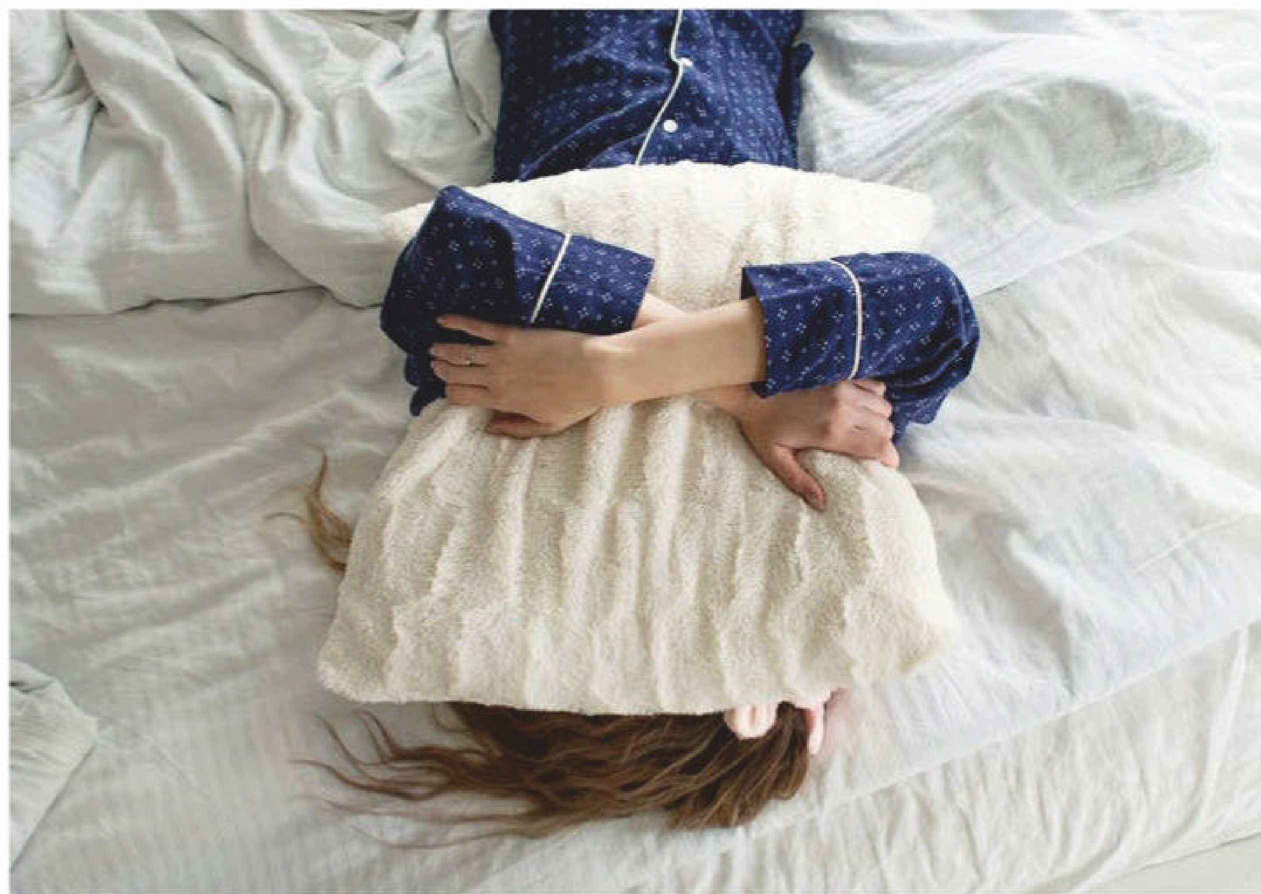
ASK PAUL SHOULD WE BUY A PROPERTY BEFORE I TURN 65? | I HAVE 8 TO 9 YEARS LEFT IN WORK. WHAT SHOULD I DO?



1. SuperRatings' Kirby Rappell helps Effie Zahos present the superannuation awards. 2. Jordan Tang, Janus Henderson; Chrisanthi Tsekouras & Meaghan Victor, State Street Global Advisors. 3. Leigh Abberton & Kylie-Jane Robson, G&C Mutual Bank. 4. Mitchell Watson, Canstar; Jeremy Willink & Peter Arnold, RateCity; Joshua Sale, Canstar. 5. Ile Petrovski, AustralianSuper. 6. *Money* contributor Greg Hoffman, who won the quiz, pictured with Effie and his guest Luke Miller.

Cure for the credit card hangover

New rules covering repayments and spending limits are designed to reduce the nation's debt



If your summer break has brought on a financial hangover and you're hoping that a balance transfer card will be the answer to your credit card woes, you may need a plan B.

Since January this year, credit card providers must be satisfied that you can repay the credit limit at its interest rate within three years under the Australian Securities and Investments Commission's voluntary measures. Other changes to kick in include restricting the amount by which you can exceed your credit limit to 10%, making it easier to cancel old credit cards and taking a fairer approach to balance transfers, such as allowing an interest-free period on a new purchase. These rules, especially the three-year limit, could make it difficult for some people to secure new credit.

Let's say you want a $10,000 credit card limit. You need to prove to your provider that you have around $350 in spare cash each month to handle repayments. This assumes an interest rate of 17.04%.

Previously, serviceability would have been calculated on minimum monthly repayments of about 2%-2.5% of your limit – around $200 to $250 on a $10,000 limit.

Sally Tindall, research director at comparison site RateCity, says that while it will be difficult medicine for some people to swallow, it's a positive step towards getting Aussies off the debt treadmill. "One of the big traps for people taking out zero-balance transfer deals is that they fail to cancel the old card and end up with two cards," she says.

While this is certainly true and the new rules will go some way to assisting the one in six Aussies struggling with credit card debt, it won't solve the issue that often it's the credit card provider's application process that is to blame for consumers having two cards.

You see, some issuers only allow you to transfer a certain percentage of your existing credit card limit. According to research house Finder, this is usually between 70% and 95% of the total credit card limit.

Sounds crazy, I know – after all, the whole idea of these cards is supposedly to get you out of debt.

The result is that through no fault of your own you may end up with two cards. You try to juggle paying off the old card at the higher rate with paying off the lower promotional balance transfer rate during the interest-free period.

That's the plan but under the new rules will you be able to afford your new balance card while meeting all your other debts?

If you find yourself unable to refinance to a better deal, be sure to ask your issuer to move you to a lower-rate card. You may have to forgo a rewards card but, to be honest, if you're having trouble paying off your debt, rewards (or lack of them) are the least of your problems. Some providers, such as ANZ, Macquarie and Westpac, offer structured payment arrangements with an interest rate discount to cardholders who find themselves locked into products that do not suit their needs.

It always pays to ask if your existing credit card provider can cut you a better deal. You'd be surprised at how easy it can be to lower your credit card rate with just a phone call.

Can you afford your card?

Credit card limit	Monthly repayment
$5000	$178
$10,000	$357
$15,000	$535
$20,000	$713

Source: RateCity. Calculations based on a person clearing the entire credit limit within three years, including interest charges, at an average interest rate of 17.04%.

Finance expert and author of The Great $20 Adventure, Money*'s editor Effie Zahos, appears regularly on TV and radio. She started her career in banking.*

Tame your inner ape

Follow these four key steps to help you stick to your financial resolutions

With a few days' holiday and time to clear our minds, many of us articulate some resolutions that are made with good intentions. But within a few weeks those resolutions seem like a distant memory. It's as if the person who made the commitments on holidays is different from the one who makes decisions day to day. Why is that? Well, largely because they were made by someone different, or at least with a different part of the brain to the one making most of the decisions. You made the new year's resolution but your "ape" (your reactive self) is running the show when you're back in everyday life.

You and your ape is a way of explaining how we process information and make sense of the world. You (the person on holidays making your new year's resolution) are a calm, contemplative, rational decision maker. However, as we head back into our busy lives we tend to rely on our ape to make decisions for us. Our ape is the most primitive part of our brain, the first to develop in the womb and the part responsible for our survival instinct (fight or flight). It is our instinct, our intuitive, reactive self.

When we spend, often it's our ape that is calling the shots. Our ape is a creature of habit, which is especially true of our spending habits. Most of our discretionary spending is usually focused on making our ape feel good in the short term. Think of that almond croissant when we grab a coffee, or the pride we feel when we pay extra for a prestige brand (and justify it after the fact as being of higher quality).

Your ape reacts instinctively and emotionally to the world around it, whereas "you" tend to respond in a more rational way. The less in control of your ape, the less likely you are to be able to keep those new year's resolutions you remember being so committed to. At the end of a big day, can you cook dinner instead of getting a

Wisdom is often simply learning to take your own advice

takeaway? Who is actually in charge at the moment of your choices – your ape or you? Are you reacting or responding?

The good news is the more we are aware of our ape, the more we can control it and the more we can control our finances. This is true for anyone, irrespective of socioeconomic status, education, IQ or life experience. People who are better at taming their ape are better at saving money, curbing spending and delaying gratification (forgoing something in the immediate for something better in the future).

These four behaviours will work for almost anyone when changing financial habits and sticking to financial resolutions.

First, identify and remove one big barrier. Ask yourself: if my income halved overnight, what would I have to cut out to make ends meet? List everything you would cut out and seriously consider whether you really need them. Mentally take them all out of your life and only put them back if they're more important to you than your goal.

Second, take your own advice. Before you make any unplanned purchases, ask yourself: "What would myself, one year from now, advise that I do right now?" This shifts our focus from the immediate feeling to the longer-term perspective. Wisdom is often simply learning to take our own advice.

Third, break big goals down into smaller, achievable behaviours. For instance, if you are looking to save $5000 in the next 12 months, see if you can save $20 this week. Then double it next week, and so on. Small wins help hard-wire a positive feeling towards saving money, which helps you say no to that bucket of ice-cream or that new leather bag you feel you deserve.

Finally, create an environment that works for your goals. If you are on a health kick, the last thing you should do is fill your fridge with junk food. In the same way, creating habits like putting a percentage of your income into an account that isn't linked to a spending card, or entertaining friends at home rather than going to restaurants helps your ape make better decisions when you're mentally exhausted. Working on routines that work toward your goals help train your ape, so your ape actually works for you.

Phil Slade is behavioural economist and psychologist for Suncorp, works across digital innovation, strategy, cognitive bias and human-centred design with a key focus on delivering new and improved customer experiences. He has more than 15 years' industry experience.

Debt rises by degrees

Student loans are an increasing burden for people who are just starting their careers

My kids will start their working lives with a big chunk of debt accumulated from the cost of their university courses. They aren't alone. Over 2.7 million Australians have debts from their higher education qualifications. Total loans reached $54 billion for the 2016-17 financial year, according to the tax office, with the average debt around $20,303, up from $19,396 the year before.

Just how much debt depends on what they study. One of my kids had fairly low university fees of around $20,000 because the government at the time encouraged the study of science and reduced the fees to make it more attractive. The other one, who is studying a double degree, will finish university with a daunting $41,000 debt after five years. Certainly, as the cost of degrees climbs, the number of debts above $50,000 is rising, reaching 159,475 in 2016-17, up from 125,650 the year earlier. A further 14,046 have debts above $100,001, up from 10,996 in 2015-16.

Government student loans don't charge interest but they are indexed to the CPI when your debt is more than 11 months old and this is applied on June 1 every year. Many experts will tell you that indexation means your debt is not going up but in an era where wages are not rising – even in line with inflation – it can mean that people are not getting ahead of their debt.

Private student loans do charge interest. One company, Study Loans, lends up to $15,000 and charges between 12% and 17.8%.

Increasingly Australians aged in their 30s are carrying student debt. There is a view that HELP debt doesn't really matter because it isn't expensive like credit cards, personal loans or car loans but as the banks tighten lending to first-home buyers the debt is taken into account. It can be an impediment when you apply for a home loan because a HECS/HELP debt is treated like any other liability because it reduces your income and your servicing potential. It lowers your borrowing capacity and increases your risk profile.

To rein in more of the debt, the government has toughened its stance. The bonus for paying off your HELP debt voluntarily was removed from January 2017. And the income thresholds for starting to repay the money have come down. If you earn more than $51,957 in 2018-19, you have to start repayments, down from $55,874 in 2017-18. From July 1 this year, the minimum repayment threshold will fall again, to $45,881, with a 1% rate. There are 17 thresholds and repayment rates up to a top of $134,573, where you have to pay back 10% of your income.

The tax office calculates your compulsory repayment for the year and includes it on your notice of assessment.

Unfinished business

Over 50,000 students start a degree but don't finish it. While some may have enjoyed their university foray, often they incur debt and regret, according to a report by the Grattan Institute researchers Andrew Norton and Ittima Cherastidtham. There are deadlines for dropping out without incurring fees.

Parents should take note of these (available on the university website) so that their kids don't incur fees for subjects that they are unlikely to finish.

The Grattan researchers say the risk of dropping out can be foreseeable. It is more likely among part-time students with people enrolled in three or four subjects a year – half as many as a full-time student – having a 50% likelihood of completing their course in eight years. Students who enrol full time have about an 80% chance.

Also students with an ATAR below 60 are twice as likely to drop out of university as those with an ATAR above 90.

Health subject students are more likely to complete their course than those in information technology, STEM fields (science, technology, engineering and mathematics), humanities and agriculture. And people who study off campus have a slightly higher risk of dropping out.

CHECKLIST

- Do your sums to understand how much your tertiary course will cost.
- Do you qualify for a scholarship? Most universities offer scholarships that are bequests from former students to help defray the cost.
- Consider using any savings to pay off your HELP debt.
- Keep track of your HELP debt online via the MyGov website. This is also where you make repayments.

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

Top up the family budget

Renting out a spare room, or even your whole house, can be a nice little earner

Since its first listing went live in San Francisco in 2008, accommodation-sharing site Airbnb now claims it assists an average of 2 million people to find nightly accommodation globally. Moreover, the platform offers 5 million properties for rent in 81,000 cities in 191 countries.

Certainly, Airbnb comes with risks, as shown by a recently reported case of a US owner who was forced to pay her "nightmare" guests to get them out of her property. However, if millions of holidaymakers globally trust their nightly accommodation to Airbnb, it's worth some consideration as a business opportunity that could potentially add cash to your family budget or retirement savings.

How it works

Airbnb is an online marketplace enabling hosts (owners) to rent their properties or spare rooms to guests. Whether you have a room, an entire house with a swimming pool or a granny flat to let, Airbnb can help boost your financial bottom line. For example, a calculator on the site estimates hosts could earn about $2400 a month by letting a room catering for two guests in a coastal holiday mecca such as Byron Bay in northern NSW.

With potential earnings like this, it's little wonder a recent University of Sydney report found that since launching in 2011, more than 130,000 properties in Australia are listed with Airbnb. This is roughly 0.2% of Australia's total housing stock. In coastal communities, Airbnb listings are closer to a median rate of 4%, with even higher rates in holiday hotspots. For example, the report found that 17% of all housing in Byron Bay is listed with online holiday rental platforms.

What it costs

An Airbnb listing is free, although the site takes a 3% commission from owners for each booking and up to 20% from guests, who can confirm this fee on the checkout page when making a reservation.

To determine a suitable tariff to charge, the comparison website finder.com.au advises owners to examine the prices of similar Airbnb properties in the area. "Find some properties that have similar offerings in terms of location, rooms and features and see what prices they are going for," says Finder's Bessie Hassan. "Are they booked out? Is your space better or worse?"

Also think of water, electricity, gas and internet usage as well as other amenities. "In particular, if you have any unique features that consume a lot of electricity, such as a heated pool or spa or reverse-cycle air-conditioning, you will want to factor that cost into your profit line," says Hassan.

To help guests feel at home, consider providing amenities such as soap, shampoo, toilet paper, bed linen and towels. It can't hurt to have extras on hand as well, recommends Airbnb. There are also the ongoing cleaning and washing expenses to factor in, whether you do the work yourself or outsource it.

Allowing a stranger to holiday in your property comes with a level of risk. To address these hazards, Airbnb offers a "host guarantee" that ensures any damage to your property or possessions, up to $US1 million ($1.33 million), will be reimbursed.

However, the host guarantee does not cover wear and tear, valuables such as artworks or jewellery or even your pets. Hassan recommends retaining your current home and contents insurance policy to ensure these items are fully covered.

The Australian Tax Office will want a cut once you start to attract guests to your property through Airbnb. Don't simply treat the payments as spending money and be sure to set some cash aside to keep the tax office happy.

AT A GLANCE

- 130,000 properties in Australia are listed with Airbnb, with 5 million globally.
- Depending on the location, an Airbnb listing could add several thousand dollars or more a month to your annual earnings.
- Income from an Airbnb-listed property isn't extra spending money and you must pay tax on it.
- To help guests feel at home, stock up on soap, shampoo, toilet paper, bed linen and towels. There are also insurance, utility and cleaning costs to factor into the management expenses of maintaining a listing.
- Airbnb offers a host guarantee that ensures any damage to your property or possessions caused by a guest, up to $US1 million ($1.33 million), is covered.
- Airbnb pockets a 3% commission from owners for each booking and up to 20% from guests.
- Other accommodation-sharing sites include stayz.com.au, which is part of the HomeAway group, and homestay.com.

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

WHAT IF? Annette Sampson

Labor takes power in this year's election

As with any change of government, there are likely to be financial winners and losers

DO I REALLY NEED TO WORRY ABOUT THAT?

Politics is a moving game but the opinion polls indicate a change of government is definitely a prospect. Labor has announced several policies that, if implemented, could affect our personal finances.

SUCH AS?

Expect to hear a lot more before the election but, unusually, Labor has already provided details on both its priorities and some more controversial polices. In October, it released its Fair Go Action Plan detailing five policy areas it will pursue if it wins office:

- Increased funding for schools and hospitals. It is also committed to ending the freeze on Medicare payments.
- Easing pressure on family budgets including tax cuts for average workers, guaranteeing pensions, capping private health insurance premium increases at no more than 2% for the next two years, regulating power prices and levelling the playing field for first home buyers.
- Better deals for workers, including restoring penalty rates, cracking down on dodgy labour hire companies and the use of sham contracting and casual employment arrangements, cracking down on the abuse of 457 visas, protecting local manufacturers and closing the gender pay gap.
- Investing in cheaper, cleaner energy.
- Building a stronger economy through increased infrastructure spending and closing tax loopholes used by the wealthy and multinational companies.

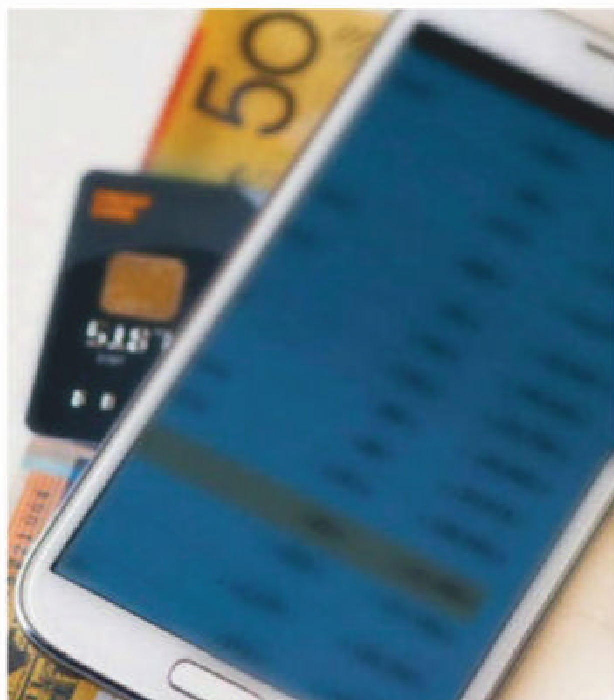
TAX MEASURES

As well as targeting multinationals using tax havens, Labor has said it will also stop the use of family trusts to avoid tax by introducing a minimum tax rate of 30% on trust distributions to beneficiaries aged 18 or more. It also plans to cap deductions for the use of accountants preparing personal tax returns to a maximum of $3000, and will not proceed with the government's future tax cuts for higher income earners, instead increasing the top marginal tax rate by 2% until 2022-3. Labor also plans to allow a higher tax offset for those earning up to $90,000.

In October it agreed to support the coalition government's plan to reduce the company tax rate for businesses with a turnover of up to $50 million to 25%.

NEGATIVE GEARING AND CGT

In a move intended to make life easier for first home buyers, Labor announced in 2016 that it would abolish negative gearing on existing homes bought after a date yet to be set. Negative gearing would still be



THE CHALLENGE Maria Bekiaris

Cancel a direct debit

Follow the correct process to ensure the payments stop

Direct debits can certainly be a convenient way to pay your bills. You don't have to worry about forgetting to pay by the due date – although you do have to remember to have money in your account – and some providers will even offer you discounts for using direct debit.

Problems can arise, though, when it is time to cancel your direct debit. Maybe you have switched energy providers or maybe you're sick of paying for a gym membership you no longer use. Whatever the reason, you are well within your rights to stop the direct debit but sometimes it might be easier said than done.

The process will be different depending on whether the payment is coming out of your bank account or out of your debit or credit card. Most institutions refer to the first as a direct debit but the latter as

DID YOU KNOW?

The government's mid-year stocktake – officially known as the mid-year economic and fiscal outlook – included $9.2 billion allocated to "decisions taken not yet announced". Most commentators speculated this was an election war chest that the Coalition would use to fund election promises such as further tax cuts. A Labor government could also use that money.

BEST-CASE SCENARIO

There are winners and losers with any change of government or, indeed, government policy. But before any measures are brought in, they'll have to run the usual gamut of public scrutiny, lobbying by those affected, possible legislative amendments and the usual political argy-bargy.

WORST-CASE SCENARIO

Australia has had a long period of economic growth but if that were to reverse, some of Labor's policies could have more negative consequences than intended.

THE WILD CARD

The senate. If minor parties retain control of the upper house, there is no guarantee either party will be able to push its policies through unchanged.

allowed for investors buying new properties and those with existing negatively geared investments would be allowed to continue. Since the announcement, however, the housing market has fallen and loans have become harder to get as lenders tighten their standards following the royal commission.

Jonathan Philpot, HLB Mann Judd Sydney wealth partner, says this has already sidelined many investors and he would expect to see further weakness in the market if the changes come in. He says if fewer rental properties were available as a result of the changes, this could force rents up and see more investments becoming positively geared.

Labor also said it would reduce the capital gains tax discount from the current 50% on investments held for at least 12 months to 25%. Again, existing investments would be exempt, which Philpot says could result in a rush by investors into growth assets such as shares before the rules change.

However, he says even with the reduced discount, growth investments will still provide tax advantages over investments such as cash and bonds. He says investors will need to consider the most appropriate ownership structures for investments if the changes come in.

FRANKING CREDITS

Perhaps Labor's most contentious plan is to scrap refunds of excess dividend imputation credits for investors who are not receiving a welfare benefit. Philpot says this will also disadvantage self-managed superannuation funds with members in the pension phase as their earnings are currently tax free and they receive a refund of any imputation credits. Philpot says larger funds with members in the accumulation phase may be able to use all the credits to offset tax.

SUPERANNUATION

Labor has said it is still committed to policies announced in its 2016 super package. These included lowering the annual non-concessional contributions cap from $100,000 to $75,000 and lowering the income level at which super contributions are taxed at 30% (rather than 15%) from $250,000 to $200,000. But it would ban future borrowings by self-managed funds.

There have also been indications it may abolish measures introduced by the present government such as allowing catch-up concessional contributions and allowing everyone to claim deductions for personal contributions within the limits.

In policies to improve super for women, Labor also intends to abolish the minimum $450 a month earnings limit for employer super contributions and extend super contributions to parental leave payments.

Annette Sampson has written extensively on personal finance. She was personal finance editor with The Sydney Morning Herald, *a former editor of the* Herald's *Money section and a columnist for* The Age. *She has written several books.*

---

a recurring payment. Keep in mind that even though a debit card is linked to your bank account, if you have used the numbers listed on the front of the card rather than the BSB and account number it will be treated like a credit card payment.

If you want to stop a direct debit from your bank account you need to contact your financial institution. You can do this over the phone but making the request in writing is probably a good idea. You can find a sample letter at moneysmart.gov.au or consumeraction.org.au.

As a courtesy, you can tell the merchant that the direct debit has been cancelled and this may make the process even quicker. Make sure you aren't breaching your contract, though. The Consumer Action Law Centre warns that stopping payments under a contract without lawful grounds may result in a debt being owed and suggests you seek advice if you are unsure.

Contact the bank a few days later to make sure it has cancelled the direct debit and also keep an eye on your statement. If a payment comes out after you have requested the cancellation, make a complaint to your institution and it should reimburse your account.

If the regular payment is coming out of your debit or credit card, then you must write a letter to the service provider to request that the payments stop. This time it's up to the merchant to cancel the payments rather than the bank or credit union. You should still send a letter to your financial institution and include a copy of the letter you sent to the service provider. Again you can find sample letters online.

A few days after you have sent the letter it's a good idea to call the service provider to make sure it has received your request and acted on it.

If a payment still comes out after you requested the cancellation, then contact your credit card provider as soon as possible to dispute the transaction and it should arrange a charge-back.

Know your rights

STORY PAM WALKLEY

The tenancy laws tend to favour landlords, so if you're a renter it pays to keep up with the changes

More and more Australians are becoming renters for life. Property prices have far outpaced wage increases in recent years and limited the number of people who can afford to buy homes, particularly in Sydney and Melbourne. Even the recent price falls in these two cities have not significantly changed the situation.

And more recently banks have tightened the rules on mortgage lending in the wake of the banking royal commission, putting up another barrier to home ownership.

About 31% of Australians were renters at the time of the 2016 census, up from 28% in 2006, and this number has probably increased further since the census.

Australian tenancy laws, which are state-based, generally favour landlords, in contrast to North American and European countries, many of which have much stronger tenant protections, including rent control and security.

Australians are increasingly renting in insecure tenancies that fail to provide certainty and peace of mind, according to a recent survey. Nine out of 10 people who rent are on contracts of a year or less, meaning they're not certain of where they will be living in 12 months. Around three in 10 Australians are living on periodic agreements or "rolling" contracts, according to *Disrupted* – a report commissioned by Choice, National Shelter and the National Association of Tenant Organisations focusing on the issues facing renters.

The report, based on a national survey of 1547 renters conducted last year, found more than 50% of them live in homes that currently need repairs. But most renters are concerned about the consequences of requesting repairs, with seven in 10 fearing such a request could result in a rent rise and nearly half fearing eviction.

Last year we saw tenancy reforms passed in Victoria and NSW, while a review got under way in Queensland and Western Australia also pushed ahead with changes. In the ACT changes are in the pipeline. (See "State of the nation", page 70)

As a tenant you need to thoroughly read your lease to understand your rights and responsibilities. Ask questions about anything you don't understand before you put your signature on a contract that has no cooling-off period. If you want to check out anything in your lease refer to your relevant state body. (See "Where to go for help", page 70.)

Five key things tenants want to know

1 Can I be evicted for no reason?

Australia is one of the few OECD countries that allow "no grounds" evictions, meaning landlords can evict a tenant at the end of a fixed-term lease or during an ongoing (periodic) lease without giving a reason, even when the tenant has paid the rent on time and looked after the home and the landlord wants to keep renting it out.

If you're on a fixed-term agreement a landlord can't kick you out during the term of the lease without good cause (such as violating the terms). But for renters on a periodic lease it's a different story. In most states and territories, apart from the ACT and Tasmania, a tenant on a periodic lease can be given a no-grounds eviction notice as long as it's within the notification period, generally 60 to 90 days.

Even last year's overhaul of NSW tenancy laws didn't alter rules allowing landlords to evict tenants without grounds with 30 days' notice at the end of their fixed-term lease, or with 90 days' notice for an ongoing lease. With a state election due in March, NSW Labor has promised to outlaw no-grounds evictions if elected.

In Victoria the 2018 reforms bolstered security of tenure, ending "no fault" evictions by removing the "no specified reason" notice to vacate and restricting the use of "end of the fixed-term" notices to vacate at the end of an initial fixed-term agreement.

In Queensland tenants who haven't breached their agreement can be evicted with at least two months' notice. But tenancies only conclude on the end date of the agreement or the end date of the notice period, whichever is later. With Queensland now reviewing the laws, the advocacy groups National Shelter and Tenants Queensland have both highlighted ending no-cause evictions as their priority.

2 Can my rent be increased during my tenancy and how often?

Landlords can increase rentals during tenancies in all states and territories. In some jurisdictions – Northern Territory, South Australia, Queensland and Tasmania – rents can only be increased under a written tenancy agreement if the agreement allows this.

The frequency of rental rises varies from six months in the NT, Queensland, Victoria and WA to 12 months in the ACT, SA and Tasmania. In NSW tenancy law distinguishes between fixed-term agreements of less and more than two years. In leases of under two years increases are allowed if the original agreement provides for the increased amount or details a method for calculating the increase. Agreements of two years or longer only allow one rental increase every 12 months.

In every jurisdiction landlords must give tenants written notice of rental rises, ranging from 30 days in the NT to 60 days in NSW, SA, Tasmania and WA, two months in Queensland and eight weeks in the ACT.

3 What happens if my landlord wants to sell?

In all states and territories landlords are legally allowed to sell their property whenever they like. But if you have a fixed-term agreement, don't panic: your lease remains valid during the sale process and after the sale, meaning you don't have to move out when the property changes hands.

Even if you have a periodic agreement the new owner will have to give you written notice if they want you to leave. The amount varies from state to state.

There is no denying that being a tenant of a property that is for sale is usually a big hassle. Think open houses, photographs, multiple inspections by prospective buyers and their tradespeople and valuers.

Remember, though, your landlord has a right to show the premises to prospective buyers with proper notification (which varies from state to state); you also have the right to "quiet enjoyment" of your rented home.

As soon as you're notified that your rental's on the market, speak to your landlord or their representative to negotiate how the process will work. In some jurisdictions, Queensland for example, you have to give written permission to allow open inspections, which can be a security risk. In others, NSW for example, you have the right to be present at any inspections. You may also be able to limit the number of inspections – for example, in NSW to two a week.

You also need to negotiate what can be included in internal photographs for promotional purposes (not your possessions) and how the pictures can be used.

You must keep the premises reasonably clean during your tenancy but you don't need to do more than this, such as keeping it excessively tidy or providing fresh flowers for inspections. If you agree to do more, ask for a rent reduction.

And if all this sounds too hard, you may be able to pull the plug on your fixed-term agreement. In NSW and SA, for example, you have the right to break the lease unless the landlord notified you of their intention to sell when they signed the lease.

4 Can I keep a pet and redecorate?

Many Aussies love their pets, with the Veterinary Association estimating that 62% of households own one. But it's still hard to find pet-friendly rental accommodation with many landlords fearing pets may cause damage.

Victoria is the only state where tenants have the right to keep pets with the landlord's written consent thanks to reforms in late 2017. And landlords are not allowed to unreasonably refuse a request to keep pets.

Elsewhere in Australia, having your furry friend as a housemate is mostly at your landlord's discretion. Landlords in WA are the only ones in the country allowed to charge pet bonds, a set charge of $260.

But if you really want a pet in your rental,

and the strata laws don't ban them, you could offer to keep your pet in a designated space, like the back yard, agree to pay for fumigation at the end of your lease or offer to pay a higher rental.

Redecorating

It's natural for tenants to want to make their rental their own but any changes you make need to be reversed before you move out or the landlord is likely to be able to use your bond to make good the premises.

So when hanging pictures consider less intrusive ways than drilling holes, which need to be refilled and painted. If you want to make any substantial changes, such as repainting, it's best to consult the landlord. You never know – they may offer to share the cost.

5 Can I sub-let my rental property?

With the rise and rise of Airbnb-style short-term rentals, some tenants in areas popular with tourists and business travellers want a share of the action. But if you do rent out part or all of your rental you're sub-letting the property, and generally you'll need written consent from your landlord.

In most jurisdictions, including Victoria, NSW and SA, landlords can't withhold permission without good reason if you're just renting out a room and will continue to live in the rental. Generally they can't charge a fee for giving permission but they can make you pay any costs associated with sub-letting.

Legitimate reasons for landlord refusal include the number of proposed occupants is more than allowed by the tenancy agreement or planning laws or the proposed tenant or sub-tenant is listed on a tenant database.

If, however, the proposed transfer or sub-letting is for the whole tenancy or the whole premises, the law varies between jurisdictions. For example in Victoria landlords cannot withhold consent without good reason but in NSW they can, whether or not it's reasonable.

If for some reason you have to move house, say you've been offered a fabulous job in a different state, talk to your landlord immediately. In most cases you will be able to assign your lease as long as the new tenant is acceptable to the landlord.

If you break your fixed-term agreement rather than assign the lease you are likely to have to pay for the loss of rent until the property is re-let and re-letting costs such as advertising.

The landlord cannot claim rental from you for the remaining term of your lease unless they can demonstrate they have made genuine efforts to re-let and have failed. *M*

Where to go for help

ACT tenantsact.org.au
NSW tenants.org.au
NT consumeraffairs.nt.gov.au
VIC tuv.org.au
QLD rta.qld.gov.au
SA sa.gov.au
TAS tutas.org.au
WA tenancywa.org.au

State of the nation

NSW

The state government approved changes to tenancy legislation in 2018. They include:

- Tenants allowed to make minor alterations to properties.
- Introduction of a new minimum standard for properties.
- Tenants enabled to get rectification orders from Fair Trading for repairs.
- Restricting rent increases for periodic leases to once a year.
- Victims of domestic violence can break a lease with no penalty.

The new rules were criticised because they didn't outlaw no-grounds evictions. They did clarify tenants' rights and landlords' obligations but the Tenants' Union of NSW still has some concerns. "The question mark remains: will you be able to enforce the standards if you can be evicted?" said Leo Patterson Ross, senior policy officer.

VIC

Last year 130 reforms to tenancy laws were made. The changes include a provision ensuring rentals meet "basic standards" by having functioning stoves, heating, deadlocks and safety measures for gas, electricity and smoke alarms.

Bidding for rental homes was banned, no-reason evictions scrapped, rent increases limited to one a year rather than six months previously, and bonds capped at four weeks' rent.

Renters can make minor modifications, such as nailing hooks on walls and anchoring furniture to prevent it from falling, without the landlord's permission.

Landlords can only refuse their tenants keeping pets by order of the Victorian Civil and Administrative Tribunal and tenancy agreements will be able to be terminated in family violence situations.

QLD

A review of tenancy laws is currently under way. Tenants Queensland is calling for fairer and quicker processes for the return of bonds, caps on rental increases and ending evictions without grounds.

ACT

New rules are in the pipeline and are expected to be debated this year. They would make it easier for tenants to keep pets and modify rules relating to rent increases and break-lease fees.

WA

Western Australia passed limited rental reforms to protect tenants who were subject to domestic and family violence.

NT

The year saw changes to residential tenancy databases to create regulations guiding how agents, lessors and database operators can use, record and access personal information about tenants and prospective tenants listed, and also provide that landlords can be penalised for doing the wrong thing.

Renters rise to the challenge

If you won't own a home by retirement, rentvesting can boost your nest egg

Buying and paying off the family home is one of the main ways Australians build wealth. So if you rent your family home long term, either out of necessity or by choice, you need to invest in other ways.

It's particularly helpful if you can get into the residential market as an investor with a plan to quit the workforce and renting at the same time, because research shows if you enter retirement living in your own fully paid home you'll be significantly better off.

The rapid increase in house prices in recent years, especially in Sydney and Melbourne, has widened the gap in living standards in retirement between those who own the property they live in and those who rent. When the Association of Superannuation Funds (ASFA) crunched the numbers in 2017, it found that Sydney retirees relying on the private rental market for accommodation would need more than $1 million in super savings, as would all retiree couples living in Australian capital cities, to maintain a comfortable lifestyle. Single retirees renting outside Sydney could manage with a bit under the $1 million mark. This was almost twice as much as those who own their own home require for a comfortable retirement: $545,000 for a single person and $640,000 for a couple.

Long-term renters can plan to overcome this hurdle by saving to buy an investment property in a more affordable area. Even better if you invest in an area you would be happy to retire to. But don't sweat over this because you can always sell and buy a property in an area you prefer when you do quit work.

You're likely to find the most affordable properties in regional and country areas, often for a fraction of the cost of homes in the big cities. Do your research to ensure your chosen area has good fundamentals to support rental investments. This includes several sources of employment, good transport routes to the state capital and other cities, strong tenant demand and a growing population.

An advantage of being a "rentvestor" is that you benefit from the tax breaks of being a landlord, such as being able to deduct the net cost of owning your rental, including interest charges, reducing your overall tax bill. This is something homeowners can't do.

Save a deposit of at least 20%, so you're more likely to secure a mortgage and not have to pay expensive mortgage insurance. You can do this using bank term deposits or investigate higher-paying options such as the peer-to-peer lender RateSetter, which was paying 6.4% and 7.5% respectively for three-year and five-year investments at the time of writing. You can get started with as little as $10. (See ratesetter.com.au for more information.)

Your savings will also grow faster with a mortgage fund, such as La Trobe Financial's 12-month term account, which was paying 5.2% at the time of writing. It also has a minimum investment of $10. (See latrobefinancial.com.au.)

If buying an actual investment property is beyond you, there are other paths you can follow. For example, you could combine with family and/or friends to buy an investment property. Make sure you have a watertight co-ownership agreement that sets out the rights and responsibilities of each owner. It must cover all eventualities, such as what happens if one owner doesn't meet their mortgage obligations or how joint owners handle the situation when one or more wants to sell.

Another way is to buy small stakes in individual residential properties through a platform such as BrickX, which invests in properties through trusts that are split into 10,000 units, or "bricks", and sold to investors, from less than $100 a brick. Bricks can then be bought and sold on the platform, at prices set in the market, with investors also receiving a cut of rental income after property management costs. (See brickx.com for more.)

Even if you decide against investing in residential property, try to invest elsewhere, such as the sharemarket or commercial property, so you can build the nest egg you'll need for a comfortable retirement as a renter.

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.*

Spend it now & have fun

STORY
MARK STORY

Most retirees, worried about running out of money, are unnecessarily frugal with their super. But if they loosen the purse strings a little they can enjoy a much better lifestyle without sliding into poverty.

The super system may have done a sterling job in making members aware of the all-important accumulation stage – building a retirement nest egg – but when it comes to cleverly using savings in retirement, it's a different ballgame. There's no shortage of data to suggest that most retirees – with typical super balances of between $100,000 and $500,000, and often above – don't enjoy the fruits of their retirement savings the way they should.

Recent research also dispels the popular notion that most retirees can't afford to spend more. Clearly, after a lifetime of being perennial savers suddenly becoming net spenders is a challenge for most retirees. Unsurprisingly, it is longevity risk that typically stops them from maximising the pleasures they can afford to enjoy in retirement. Longevity risk is the concern that retirees will outlive their money and that unforeseen one-off expenses – such as a blowout under the user-pays aged care system – also need to be provided for.

What's disturbing is research by actuarial firm Milliman that highlights how committed retirees are to living frugally, regardless of what they can truly afford to spend. For example, whether they are picking up a partial age pension or are self-funded, Milliman data suggests that a sizeable proportion of retirees spend less than the age pension, which is based on a fortnightly rate of $834.40 for a single retiree and comes in under the poverty line of $433 a week.

Kids reap the benefits

Longevity risk aside, a recent CSIRO study suggests many retirees prefer to live on meagre rations to preserve a capital pool that can be passed onto loved ones, and passing it on they are. Research by superannuation advisory firm Rice Warner estimated that in 2015 a whopping $8.5 billion was bequeathed by Australians who died before using their superannuation savings.

As a result of these concerns, CSIRO findings conclude that an unnecessarily tight-fisted approach to living means most retirees actually die with sizeable super balances largely intact. Based on research by government actuaries, an overly frugal approach to spending in retirement sees most retirees, regardless of their balance, die with around a third of their super untouched.

Ironically, some government data suggests that in the past five years of their lives, many pensioners either maintain or actually increase their asset value. Much of this is attributed to changes in spending behaviour, which drops off significantly after 75. Also contributing to this outcome are the buffers to cover significant one-off out-of-pocket expenses that retirees assiduously create by living frugally but are never used.

Admittedly, keeping tabs on spending in retirement makes perfect sense. But Andrew Reeson, a behavioural economist with the CSIRO, encourages retirees not to behave as if they're on the bones of their backsides, when undeniably they're not. He argues that needless frugality and/or a desire to leave a legacy for the kids isn't what the super system was designed to deliver, and as such should be discouraged if it prevents them from living better.

Reeson says it's hardly surprising that over 85% of Australians favour some form of account-based pension as their preferred income stream over annuities, given that the latter are typically regarded as more complex and inflexible post-retirement products. But despite their popularity, he suspects too few retirees fully understand the machinations of account-based pensions.

For example, CSIRO research reveals that an alarming number of account-based pensions stick to minimum drawdown rates mandated by the government. Reeson suspects many retirees mistakenly use minimum drawdowns (5% for those aged between 65 and 74, up to 14% for the 95-plus) as a default proxy on how much they should spend.

Unlikely to run out

According to government actuarial data, retirees who stick to minimal drawdown rates bear no risk of completely running out of money. However, Andrew Zbik, senior financial planner with Omniwealth, points out that by increasing minimum drawdown rates a little they end up making a significant difference to their spending capability.

While many people can afford to increase their drawdown rates from 5% to 7% without significantly impacting how long their super will last, Zbik says it's important to map out the impact over time. Given that the purpose of super is to draw it down, Zbik says retirees need to accept that eating into some capital isn't necessarily a bad thing.

He says retirees who spend slightly more than the minimum drawdown rates are still unlikely to run out of super until well into their 80s. Australian Government Actuary (AGA) calculations show the massive impact (subject to investment returns) of applying to retirement income purposes the 31% of super that typically is left in a retiree's account at death.

As a case in point, based on a super balance of $400,000 with drawdowns commencing at age 65, there's huge scope for retirees to majorly improve their living standards by drawing down marginally more without significantly impacting how long their super will last. Admittedly, retirees do increase the risk of outliving their savings but Reeson says that this happens only when they've already outlived their life expectancy (see table at right).

For example, AGA figures show that by running their account-based pension down over the period of life expectancy (22 years for a 65-year-old male) by $27,000 (drawdown rate 6.75% on $400,000), instead of at the minimum drawdown rate of $19,200, this retiree can enjoy a 40% better living standard.

The trade-off for significantly boosting their living standard is a 40% risk of running out of money, should this retiree live beyond his life expectancy of 87 years. However, given that the age pension is there as a safety net and increases as super balances go down, Reeson says running out of super beyond age 75, when spending significantly drops off, is something most retirees shouldn't be overly fearful about.

Changing retiree behaviour

Based on his insights into retiree behaviour, what's patently clear to Kurt Ohlsen, a senior financial planner with Profile Financial Services, is the difficulty that many clients have in spending their savings. There's no guarantee, he says, that boosting super balances will necessarily result in retirees living better-quality lives if they simply refuse to spend them.

"I often encourage clients to spend more rather than simply die wealthy and that means providing greater guidance on what they spend versus what they can afford to spend. But we recognise that many who've always lived modest lives almost find it physically painful to spend more."

It's virtually impossible for advisers to change a retirees' spending mindset without getting much better insights into their behaviour, says

Drawdown strategy: account-based pension trade-offs

	Minimum	to age 87	to age 90	to age 96
Average annual income	$19,200	$27,000	$25,000	$22,000
Increase over ABP	N/A	40%	30%	15%
Probability of outliving savings	0%	50%	40%	16%

Source: Australian Government Actuary, Towards More Efficient Retirement Income Products. Based on 65-year-old male with $400,000 in super and subject to market conditions

The couple took their grandchildren to Disneyland, and it proved to be the best money they'd ever spent

Ohlsen. He often encourages them to do something more meaningful with excess capital than simply leaving it to beneficiaries when they die.

Intergenerational wealth transfer can be more effective and enjoyable if done while retirees are still alive, says Ohlsen. For example, it could help pay down debt, get adult children into a family home a lot sooner or boost their super balances while avoiding any super left to adult children from potentially being taxed.

Ohlsen often suggests clients who want to spend more time with their kids and grandchildren do it through travel. For example, he recently encouraged clients to take their grandchildren to Disneyland, and it proved to be the best money they'd ever spent. "Whatever retirees decide to do with their money it should be based on quality information and advice, which is why modelling various outcomes is always useful," he says. "Remember, you're entitled to run out of money, as long as you do it in an informed manner."

Leaving an early legacy

Given how detrimental gifting cash to adult kids now or leaving it to them as a legacy when they die can be to retirement planning, Zbik urges retirees to consider these arrangements with family members as early as possible. One alternative to leaving a sizeable legacy to the kids is to potentially consider going guarantor for them on a home loan. "Everything being equal, this won't cost them anything and it could help adult children get into the property market years earlier," he says.

Zbik says that for who have under $400,000 in super and are likely to be living frugally, there are still strategies to supplement their income and/or boost their super over time. Remaining in the workforce until at least their preservation age and making top-ups into super ensures retirees don't place pressure on their nest egg unnecessarily early. "But if you're already retired, remember singles and couples can earn $172 and $304 respectively per fortnight before the age pension reduces."

Another way to help manage longevity risk, regardless of how much or little is in super, is by releasing needed equity through a reverse mortgage or by downsizing the family home. Since July 1, 2018 each spouse (subject to eligibility requirements) can make a downsizer contribution to super of up to $300,000.

Given that there are no tax advantages, Reeson also suggests those who reach preservation age with less than $100,000 in super consider withdrawing it, thereby avoiding disproportionately high fees. *M*

How drawdowns and age pension work

Assuming they own their home outright, are relatively healthy and aged between 65 and 85, singles and couples will need retirement savings of $545,000 and $640,000 respectively for a comfortable retirement, according to the Association of Superannuation Funds. At October 2017, the average balances for men and women between 60 and 64 were $270,710 and $157,049 respectively.

The table shows how a couple who have amassed ASFA's magical figure of $640,000 in super (plus their own home, car, contents and a little bit of personal cash) could fund $65,000 living expenses, increased with CPI over time.

What's important to take into account is how varying levels of age pension eligibility meet an increasing proportion of their living expenses over time. And at July 1, 2034, they would still have about $400,000 remaining in super.

$640,000 will go a long way

Date	1-7-18	1-7-23	1-7-28	1-7-34
Age – John	66	71	76	82
Age – Jane	66	71	76	82
Pension income Allocated account-based pension	$52,029	$44,437	$37,814	$37,603
Income support				
Pension – John	$6356	$13,710	$20,971	$26,389
Pension – Jane	$6356	$13,710	$20,971	$26,389
Income from savings*	$260	$260	$260	$260
Total inflow	$65,001	$72,117	$80,016	$90,641

* $10k cash at average interest rate of 2.6%. Source: Profile Financial Services

When you focus on members, awards come as no surprise.

Best Pension Fund Manager 2019

Welcome to super without surprises

The QSuper Income Account product is issued by the QSuper Board (ABN 32 125 059 006, AFSL 489650) as trustee for QSuper (ABN 60 905 115 063). Consider the PDS on our website to see whether QSuper is right for you. © QSuper Board 2018.

Wake-up call on property

STORY SUSAN HELY

Super fund members have been reminded that in a crisis their investment can be frozen

Liquid investments can be tricky when markets melt down. AustralianSuper, our biggest superannuation fund by funds under management, has warned its members that it could freeze its direct property option for up to two years in "exceptional circumstances".

So far AustralianSuper is the only fund to warn members about the scenario, according to research house SuperRatings. It sent a chill through its ranks that there could be a serious market event on the horizon.

The fund's alert is a wake-up call about what can happen if superannuation fund members and other investors have too much of their money in illiquid investments such as direct property, infrastructure and private equity. Compared with listed property and shares, it is harder to buy and sell direct property and it can't happen simply by pressing a button.

"In exceptional circumstances in response to a market stress event, AustralianSuper will have the ability to freeze switches, contributions and withdrawals into and out of the property option for a maximum period of up to two years," the fund told members.

It indicated the type of event that would trigger a freeze: "To put it in perspective, the last event that may have led us to consider a freeze on the property option was the global financial crisis in 2008."

AustralianSuper, with 2.2 million members, has $10.5 billion in its property division – 21.3% is in the UK, which is under siege from the Brexit meltdown.

The fund says that in the UK a large number of property investors attempted to get out of property after the European Union referendum. "In response, seven UK retail investor property funds temporarily froze or suspended redemption requests. These funds represented about £16 billion [$29 billion] in value, or approximately 60% of the UK retail property fund sector.

"The remaining UK property funds opted to let investors continue making redemption requests during the period of valuation uncertainty, which meant they often had to sell assets at deep discounts. These forced sales impacted both investors seeking to sell their assets and those who remained in the UK property funds. One such fund was forced to sell assets at a 15% discount to its pre-Brexit valuation.

"Three months later the market rebounded from the short-term impact of the Brexit vote. The seven UK property funds that had frozen redemption requests were able to lift the freeze and had not been forced to sell assets at the same deep discounts as those UK property funds that hadn't frozen redemption requests."

John Longo, AustralianSuper's acting head of property, says that moderating economic conditions in the UK have impacted some property market sectors such as retail, while the office and industrial markets are performing well. "The retail property market is being impacted by lower demand for physical retail space from tenants due to the continued growth of ecommerce and changes to how consumers shop.

"We are mindful of geopolitical risk around the world that can impact the demand for all types of real estate. Like sharemarkets, property markets can react to government policies on immigration, tax, interest rates and tariffs."

AustralianSuper has 60.4% of its property investments in direct Australian property and 18.3% in the US. All up it has over $30 billion (out of a total $145 billion) in assets such as direct property, infrastructure and credit.

AustralianSuper says that typically investors receive a return premium as a trade-off for illiquidity. Historically, unlisted property has delivered higher returns with lower measured volatility than listed property. However, experienced investors would argue that this volatility advantage is partly a mirage. It is explained by an out-of-date valuation effect (see below) and also the fact that valuers may be slow to recognise falls when the property market is in distress. Listed property tends to have higher leverage than unlisted property and will consequently be more volatile.

AustralianSuper's direct property has performed strongly, with an 8.9% average annual return over the past five years. In the 2017-18 financial year it returned 7.45%.

Inflated valuations

The valuations of unlisted assets aren't updated throughout the day like shares or bonds. They are typically a little out of date because it is inconvenient and expensive to value all unlisted assets frequently. As a result, only a fraction of assets are revalued to market each quarter. In a downturn this means that the most recent valuations on average may be a bit higher than the true market value. Paying redemptions based on inflated valuations will ultimately be to the detriment of those investors who hold on. This problem can be avoided when redemptions are frozen. Eventually all asset valuations will have to be adjusted to any downturn, and delayed redemptions will then not disadvantage remaining investors.

There can be severe liquidity issues with unlisted assets in a falling market if funds are forced to sell assets in a trough to meet redemptions. "If the market experiences a stress event which causes lots of investors to sell property assets at the same time, or makes it more difficult for investors to finance transactions, we may not be able to find willing buyers at reasonable prices," says Paul Schroder, group executive at AustralianSuper.

Having the ability to freeze redemptions from an investment option, while inconvenient for short-term investors, has several advantages for medium-term investors. The fund is not forced to sell underlying assets in a weak market and ultimately any redemptions that proceed will be paid at fair prices. It protects the fund from investors looking to game the system too.

AustralianSuper has also put a 70% cap on how much members can hold in the direct property option to ensure they don't have their entire super invested in property so they can still access some funds if that option is ever frozen.

The regulator, APRA, which is responsible for looking at the financial health of superannuation, is very focused on the policies that funds have to monitor and manage their liquidity. This is because certain market events can suddenly drain liquidity and force funds to sell listed assets at the worst time.

To illustrate the point, there is the classic example of a major superannuation fund with a significant weighting to unlisted overseas assets hedged back to Australian dollars at the time of the GFC. The sharp fall in the Australian dollar meant that although the valuations of overseas unlisted assets increased in $A terms, cash outflows were required under the currency hedges.

The fund in question did not have enough spare cash and to raise money for those cash outflows it was forced to sell listed assets at their nadir, locking in losses. To loosen the noose around the fund's liquidity, currency hedging was then reduced but this meant there was less benefit when the Australian dollar subsequently recovered.

These poorly timed transactions were forced on the fund because it had potential obligations under hedging contracts that it was not adequately prepared for by carrying a healthy level of liquidity. APRA wants to avoid a repeat of this issue so is vigilant about how super funds manage liquidity. *M*

> 'Certain market events can drain liquidity and force funds to sell assets at the worst time

There is one type of investment that is raking in money and launching new products at a rapid rate: exchange traded funds. You can now buy multisector ETFs with around 6500 individual companies and more than 5000 fixed-income securities for a peppercorn fee of 0.27%pa. Or you can choose from around 70 global ETFs that invest in a wide variety of regions, countries or sectors. Or ETFs that follow particular investment factors such as dividends or environmental, social and governance (ESG) screening or value. Or exotic ETFs that invest in artificial intelligence and robotics, cyber security or health care and biotechnology companies.

ETFs are compelling for investors because they are typically low cost, diversified and simple to buy, just like a share, with live pricing on the ASX. It is easy to stitch together different asset classes and create a diversified portfolio.

ETFs continue to be the biggest disruptor in the asset management industry, says Chris Brycki, CEO of Stockspot, the research and investment company.

Not surprisingly, Australian investors are smitten with ETFs and had placed $40.4 billion in them as at the end of 2018.

The 247 ETF products listed on the ASX fall into several groups, each with its own prospects and risks. One is based on broad market indices such as the S&P 500 or S&P/ASX 200. Another is based on investment rules such as smart beta or investment factors, rather than market capitalisation. And there is a more recent group of active ETFs that are like actively managed funds. "With greater choice comes the need for investors to be more discerning when selecting ETFs for their portfolio," says Brycki.

Tilted view of the world

STORY SUSAN HELY

As exchange traded funds find new ways to attract millions of dollars, investors need to be more selective than ever

He explains that some of the new products tempt investors to chase returns in sectors and markets and with strategies that have recently performed well. But he says Stockspot prefers broad-market diversified ETFs because over longer periods all the strategies are likely to return to long-term averages.

Factors to consider

Every investor wants an investment that will give a good rate of return. This makes them susceptible to being told that a particular fund has a special investment feature, known as a tilt or a factor, that will perform well, potentially beating the market. Factor investing is the hot ETF investment trend and heavily promoted as a winning strategy.

The first factor ETFs invested in dividend-focused shares. Others focus on what are considered to be value or undervalued shares rather than growth shares. Ethical ETFs – such as Russell Australian Responsible Investment (ASX: RARI) – pick companies that follow environmental, social and governance guidelines. There are ETFs that target companies with smoother trading patterns, giving them a lower volatility.

"Factors are the DNA of an investment portfolio – the underlying characteristics that drive investment performance," says Michael Roach, head of Vanguard's Australian Quantitative Equity Group (QEG).

While certain factor ETFs have performed strongly, Brycki says factors are actually very hard to predict. Typically ETF providers pick one that has performed well in recent history and launch at the peak of that factor's relative performance. "It is important to understand that you are actually taking bets on certain market factors beating others," he says. "You should be comfortable with what those factor bets are, and why you're taking them."

If you don't understand the factors and the only reason you are investing in them is because of the past performance, this isn't a smart strategy, says Brycki.

On the active front

Actively managed fund ETFs continue to be listed, with around 24 now on the ASX. Investment managers such Fidelity, Magellan, Legg Mason (paired with BetaShares), InvestSMART and Antipodes have listed ETFs for the self-directed investor. They include global shares, global bonds, emerging markets and a range of factor funds.

Pre-mixed and matched

If you don't want to do your own asset allocation across different investment classes, you can now buy a single ETF that is pre-mixed to fit your level of risk, time horizon and goals.

After all, it does take some expertise to construct a balanced portfolio made up of different asset classes. It is easy to be overwhelmed by a smorgasbord of investment options, products and asset classes. Then there is the time-consuming task of sticking to your investment plan by rebalancing when markets rise and fall so you are back to your original asset allocation.

Vanguard's four multi-sector ETFs (conservative, balanced, growth and high growth) each offer exposure to over 10,000 global securities across fixed income, property and shares. *M*

> "You should be comfortable with what those factor bets are, and why you're taking them"

FIVE THINGS YOU NEED TO KNOW ABOUT ETFs

1 Liquidity. One of the advantages claimed for ETF investments is the ease of buying and selling through the ASX. You can do it online through a broker. But watch out. Some ETFs are not liquid. How do you tell if an ETF is liquid? Damien Sherman, head of ETF capital markets at Vanguard, says that before you buy an ETF look online at the number of units for sale and the asking price during the day to confirm there is depth. Rather than looking at the size of the ETF's assets, check out the number of buy and sell orders from other investors and the strength of the market makers or liquidity providers (see point 3) at any one time.

2 Tracking an index. It is important to know exactly what you are investing in. While some ETFs mirror the movements of broadly diversified, well-known indexes, there are many that take a different approach. For example, some track the S&P 500 or the ASX 200; others use strategies such as leverage or concentrated portfolios. The good thing about a broad index is that it is easy to understand and you know exactly what you are getting. If you go for a rules-based ETF with its own constructed index, make sure you understand how it works.

3 Market makers. With ETFs there are market makers who help the ETF trade at true value. With listed investment companies (LICs), also available through the ASX, you are completely exposed to the sharemarket and this can result in your investment trading at a discount or a premium to the net asset value (NAV) of the investment. But in the case of ETFs, market makers drive the NAV to the true value of the investment.

4 Tax efficiency. Check whether your ETF has a buy-and-hold approach, which realises much less in capital gains, and therefore tax, than an active trader. A market-cap-weighted US stock index is likely to turn over around 3% a year, which is a fraction of the level of turnover you'd see in your average US large-cap managed fund. That low turnover yields large benefits in terms of tax.

5 Fees. Not all ETFs are cheap so don't automatically assume you are getting a good deal. There has been a rise in actively managed ETFs and while some, such as Vanguard's two active ETFs (Global Value Equity and Global Minimum Volatility), charge only 0.28%pa, some active funds have the same fee as their unlisted version. For example, Magellan charges the same fee of 1.35%pa for its Global Equities ETF and its managed fund. The Antipodes Global Shares ETF charges 1.10%pa plus a performance fee of 15% of the net return above the relevant benchmark.

The trick to bagging a bargain

Whether investing in property or shares, follow this fundamental approach

Sometimes you get things right. As the stockmarket soared last year, I became increasingly alarmed about companies' ability to match the share price growth with earnings.

I became more nervous about the prospect of rising interest rates in the US and the impact of trade tensions. Then there was the point that, in the US, once tax cuts have been introduced and the feel-good effect has gone through the economy and equities markets, what next?

So this year, after a big washout late in the year, you might expect that this is the year of bargain hunting. Yes, it is true that those who buy well will be getting in at prices that are sharply lower than they were six months ago but the question of whether this represents good value still remains.

The same thing goes for those people wanting to immediately bargain-hunt in the property markets. Just because prices have taken a sharp fall does not preclude further falls into the future. If you have the money and patience, all these things will eventually come good but you might have some below-par performances in the meantime.

On the property market, what seems clear to me is that we are entering an almost perfect storm for many recently built apartments. But as with shares, it is important to try to identify apartments built by high-quality builders and developers – for it is here the genuine bargains will crop up in the next 12 to 18 months.

The issue with apartments right now is the ability of those who bought off the plan 12 to 18 months ago to settle their apartments. This is not only true of local buyers, whose banks are taking a much stricter view of valuations, but also of Chinese buyers especially, who have been restricted in sending capital offshore but find it increasingly difficult to access local finance.

With regard to local buyers, one illustration is a person who bought an apartment off the plan for, say, $1 million with a 10% deposit. If a bank decides the apartment is now worth $880,000 (a 12% reduction) the person has a dilemma. They can put up extra capital and, with a loan from the bank, settle the property. If the investor is still having trouble securing the finance from their bank (for they are more risk-resistant since the royal commission) they can seek alternative finance. In the worst case – if the valuation of the apartment has gone too far against them – they can walk away from the deal and sacrifice their $100,000 deposit.

If more people fail to settle off-the-plan apartments, the pressure will then ramp up on the developers and their bankers. While the developers are able to keep off-the-plan deposits that fail to complete, that money has already been used in the construction of the building. The developer will be under pressure from their bank to get in fresh buyers ... and that's when the price discounting often starts.

At least that's the way it's worked in every property bust I have seen in the past 40 years, and I see no reason why this one will be different.

In the apartment market, the trick now is to be patient and to identify well-located apartments being constructed by developers with deep balance sheets. The better the reputation of the builder and developer, the more they will have to lose if something goes wrong. If they have a strong balance sheet, then any problems that arise can be dealt with more easily.

As an aside, though the banks have been justifiably put through the wringer by the royal commission and subsequent regulatory investigations, the advantage of having been a bank customer during this period is that they had the depth of pocket to put right the mistakes they made. Heaven help those who dealt with organisations that were poorly financed, that simply went broke and avoided their financial responsibilities.

Perhaps in volatile times this might also be the trick to buying bargains in the sharemarkets. Identify well-resourced organisations that can withstand any downturn and have growth prospects for the future.

You see, the fundamentals of finance are often the same – no matter where you are investing.

Ross Greenwood is Channel 9's finance editor and Radio 2GB's Money News *host.*

Case for early release

Women in financial distress deserve a compassionate response

The statistics are damning when it comes to women and super. They retire with 47% less super than men and a third retire in poverty. There are many reasons for this dismal outcome: the pay gap (women working full time earn 18% less than men) and women also have interrupted careers and broken work patterns thanks to bearing and raising children.

The situation is more grim for older single women: 40% live in poverty and experience economic insecurity in retirement; 8.5% of those aged between 65 and 74 still have a mortgage. For some women, more dire matters are at stake, like life and death itself, with an average of one woman killed in Australia each week by her partner or ex-partner.

Late last year Kelly O'Dwyer, the Minister for Women, launched a package of initiatives to address the gender pay gap and improve women's economic recovery following life-changing events such as separation or domestic violence. It was delivered after considerable consultation with a number of stakeholders.

One of the proposals is to extend the early release of super to victims of domestic violence on compassionate grounds. The move has been welcomed by the super industry's umbrella body, the Association of Superannuation Funds of Australia.

Industry fund HESTA also supports the proposal. "It will provide a vital financial lifeline to those seeking safety from violence and abuse," says CEO Debby Blakey. "Given the heartbreaking prevalence of family violence in Australia, it is appropriate early access to super has been extended to victims and survivors.

"We see first-hand the desperation of members in financial distress. Victims of family violence are often met with inconsistent and inadequate crisis funding. Women often escape a violent situation with limited assets and serious debt, as financial abuse is almost always present where there is family violence."

Victims of domestic violence will be allowed to access their super, from $1000 up to a cap of $10,000, over a 24-month period. The funds will supplement existing government and non-government schemes that support victims of domestic violence.

Existing grounds for early release include medical treatment for a life-threatening illness or injury, palliative care, mortgage arrears and expenses associated with a death. If you are under age 60 the funds are taxed at between 17% and 22%.

Peter Foley, a certified financial planner and director of advisory firm Thirdview, says the proposal still has a fair way to go before it passes into legislation. "Domestic violence is obviously a traumatic time on a number of levels so there's some consideration that compassionate grounds should be extended in these circumstances."

The Australian tax office administers the claims for early release of super on compassionate grounds. Any claim will likely need to be supported by documentation, such as a family violence order or declarations from support workers like police or doctors, says Foley.

KEY FACTORS BEHIND THE GENDER SUPER GAP

- 43% of women work part time.
- Women working full time earn 18% less than men.
- Women take on average five years out of the workforce to care for children or family members, causing their super savings to stagnate and fall behind those of men.
- The current 9.5% superannuation guarantee does not enable most women to accrue sufficient savings to fund a comfortable retirement.
- An estimated 220,000 women miss out on $125 million of super contributions as they do not meet the requirement to earn $450 a month (before tax) from one employer, as many women have more than one part-time job.

Source: Women in Super

"It's not the super fund trustees' decision. The ATO will be the arbiter of that. The tax office will give the direction to the trustee whether or not to release the funds. Once the ATO gives the green light, the trustee must follow suit.

"It's a new regime. The ATO has just taken over these decisions. They've been given the powers, so the trustees are now forced to fall in line with the decision."

Stakeholders were divided on early release, with some arguing against it, as it would lead to greater financial insecurity in retirement. However, the proposal recognised that early release due to hardship outweighed the benefits of preservation of savings until retirement.

Foley believes the government needs to play a bigger role in extending some form of emergency funding and accommodation for victims. "We can have a better outcome if government is willing to step up on this and provide some funding in these circumstances and protect a victim's long-term ability to fund their own retirement, or at least partially."

Blakey would like to see the proposal include some improvements: that victims be able to seek compensation from perpetrators to top up their super; that early access does not impact any social security benefits; and that the funds released not carry an extra tax burden.

"The formulation and implementation of these changes needs broad consultation with expert family violence service providers and does not negate the need for government to adequately fund services," she says.

For more information, go to ato.gov.au and search for "early access to your super".

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

When greed turns to fear

STORY
GREG HOFFMAN

A cash war chest will come in handy for any stocks that are sold off by disappointed investors

A year ago I wrote that I'd "wager that a portfolio purchased today consisting of the cannabis and lithium stocks mentioned in this column, plus Bitcoin, would work out poorly over the next decade". Just a year on, every stock I highlighted as a paragon of speculation has tanked. So has Bitcoin. The accompanying table shows the figures for each of the stocks mentioned and also Bitcoin (in US dollars). The average result has been a savage 59% loss.

Apart from being an object lesson in the dangers of speculation, this loss also signifies an important change in psychology for Australian investors. Markets are driven by two primary emotions: fear and greed. The trick is to catch when the main driver switches from one to the other. I believe that process is currently under way.

In the years following 2009, the fear and scepticism created by the GFC gradually ebbed away and confidence began to swell. Share prices rose, property prices soared and the cryptocurrency boom emerged.

Greed became the dominant emotion. The fear of missing out spread from property to shares and eventually cryptocurrencies. Those who got a taste for easy money wanted more. Those who'd sat out the early gains wanted in towards the end.

As more people were drawn in, the sharemarket's bull run spread from stalwart names that every investor was familiar with to newer success stories like Afterpay and WiseTech Global. These are companies with innovative but real businesses. The final stage was when the speculation moved to the likes of cannabis and lithium stocks. All sizzle, very little steak.

Dips in price were seen as buying opportunities. Twitter filled with acronyms like BTFD (Buy The F***ing Dip) and HODL, the latter transforming from a send-up of one person's misspelling of "hold" into a rallying call for cryptocurrency speculators (retrospectively labelled "Hold On for Dear Life"). Greed had become mainstream.

Yet everything in financial markets is cyclical. We can never know the exact timing but greed gives way to fear as certainly as spring follows winter.

Property prices in Melbourne and Sydney are now well off their highs and the sharemarket finished 2018 with a loss. Banks are tightening up their lending and new car sales are falling sharply. As best as I can tell, October was the month where things began to take a rough turn in several parts of the Australian economy.

So what does all of this mean for sharemarket investors as we enter 2019? It's possible that we bounce straight back to new all-time highs in 2019, perhaps with some help from the Reserve Bank lowering interest rates. Yet that's less than a 20% chance in my view.

I think it's more likely that the level of fear will continue to escalate, at least during the first half of the year. So here's how I'm approaching 2019.

First, I'm carrying a hefty amount of cash. I'm flexible as to when this war chest might be converted into investments but the first period circled on my calendar is the second half of February. That's when the majority of companies listed on the ASX will report their numbers for the half year to December 31. Given the backdrop mentioned above, I expect there will be at least a handful of stocks that disappoint investors and see their share prices slashed as a result. My hope is that this presents a couple of opportunities early in the year.

The next potential pain point would be the federal election (likely to be in May). There are justifiable fears about proposed changes to the taxation system should the Labor party win. Those changes would be further negatives for property and shares.

After that, the full-year reporting season in August will be the first time investors see a full six months of figures from potentially tougher economic conditions (assuming several parts of the economy continue to struggle from the downturn that began in October).

Finally, the 2019 annual general meeting season in October and November could prove a key one. With the economy's tectonic plates shifting under our feet, investors will be on tenterhooks with each update from companies this year. But the 2019 AGM season will potentially be 12 months from when the economy, or parts of it, began to take a noticeable turn. And it will also be a little over two years from when property prices in Sydney and Melbourne hit their peaks (assuming that they don't roar back).

> I expect to see some share prices slashed, presenting a buying opportunity

The hangover – one year after the party

	Jan 2018	Jan 2019	Change
Bitcoin (in $US)	$17,099	$3790	-78%
Lithium stocks			
Galaxy Resources (GXY)	$4.27	$2.20	-48%
Orocobre (ORE)	$7.11	$3.07	-57%
AVZ Minerals (AVZ)	$0.26	$0.071	-73%
Kidman Resources (KDR)	$2.04	$1.06	-48%
Cannabis stocks			
MGC Pharmaceuticals (MXC)	$0.115	$0.044	-62%
Creso Pharma (CPH)	$1.21	$0.54	-56%
Cann Group (CAN)	$3.61	$1.96	-46%
AusCann Group (AC8)	$1.74	$0.615	-65%
Average return			**-59%**

Stocks to watch

The stocks that I'll be focusing on will have strong balance sheets (no debt and a pile of cash, if possible), be paying dividends and have strong growth opportunities.

I also believe that the Australian dollar is quite vulnerable. University students studying economics are taught that a lower currency is one of Australia's important "automatic stabilisers". It makes imports more expensive and exports more competitive, thus boosting domestic economic activity. But from an investor's standpoint, it can be a wild card.

Most retailers, for instance, sell products that they import. A lower Australian dollar means their costs rise. And that may occur at the same time as consumers pull their horns in. It could be a double whammy.

One move I'm considering at the time of writing (but haven't yet made) is gaining exposure to the US dollar for a portion of my cash holding by buying the BetaShares $US ETF (ASX: USD). It's more expensive than directly buying US dollars (with an annual fund charge of 0.45%) but it's easier to buy and sell for Australian investors, trading like any other stock on the ASX.

I'm also going to pour increasing time and effort into my "ground game". That is, getting to annual meetings and investor presentations and conducting site visits as much as possible. In fact, shortly after submitting this column I'll be heading off to the US to do some on-the-ground research on a couple of Aussie companies that seem to be making inroads over there. I'll report back next month one way or the other. ***M***

Greg Hoffman is an independent financial educator, commentator and investor. He is also non-executive chairman of Forager Funds Management (not involved in Forager's investment process).

Investors are sensitive types

Jittery markets will be closely following decisions made by central banks in both the US and Australia

Given the raft of negative events that emerged late last year, investors have no doubt become used to treading warily. Our sharemarket – like most around the world – was riding high in late August, hitting decade highs, before the jitters crept in.

One of the jitters concerned the outlook for the US economy given the determination of the Federal Reserve to raise interest rates. And these jitters were even more heightened late in the year when the government securities yield curve flattened. In the past, a narrowing of the gap between short- and longer-term interest rates has been regarded as a recession marker.

So it is somewhat appropriate that this edition of *Money* hits the newsstands just as the Federal Reserve hands down its latest monetary policy decision. The last decision, in December, resulted in the US Dow Jones index shedding almost 9% in four days.

As always, it's not just the decisions made on interest rates and the sale of government securities. But investors are sensitive to the language of the Federal Reserve on future rate moves, especially comments made by the chair, Jerome Powell.

The US job market may have tightened but wages are not soaring and neither are inflationary pressures. And with the federal funds rate closer to where policymakers want it, they can be patient about future rate changes.

Investors don't just have to contend with the fallout from the Fed rate decision in early February; the first 2019 meeting of the Reserve Bank of Australia is also being held (February 5). The RBA is still firm in its belief that the economy will continue to grow at a solid pace, unemployment will ease, leading to higher wages and prices and, in turn, higher interest rates.

But just like the US Fed, the Reserve Bank is not on a pre-set path. If the economy was to stall – perhaps due to slower global growth or softer domestic housing markets – then the Reserve Bank will determine the best course of action. That may mean extending its period on the interest-rate sidelines or even cutting rates. It has plenty of options.

And working out what options the bank is favouring should become clearer a few days after the meeting when the quarterly statement on monetary policy is released (February 8).

Not only does the RBA go into much detail assessing the economic landscape, it also uses the report to outline its forecasts for inflation and economic growth. And if inflation is not perceived to be a problem over the coming year, it makes sense that rates will be on hold for longer.

Certainly an extended period of interest-rate stability will enhance the attraction of high dividend payers on the Australian sharemarket. And, of course, rates have already been at record lows for a record amount of time. As always, it is a case of highlighting those companies that can be relied upon to pay consistent dividends in the future – not just those that have attractive payouts now.

There are three other issues to focus on in the month ahead. And they shouldn't be new to most investors, as they have dominated for some time.

The first is the path of oil prices. OPEC+ (OPEC nations and allies) is in the process of constraining production to support prices near $US50-55 a barrel. It is a difficult balancing act, given the vagaries of the weather as well as the uncertain path of the global economy and rising oil output in the US.

The second factor to watch is the relationship between the US and China. This is not just trade but also regional security issues, China's investments across the globe and the relationship of both countries with North Korea.

And then there is Brexit. This is more an issue for the UK and Europe but how the de-linking is eventually solved will be closely watched by other European Union nations that may be thinking about a similar exit at some point in the future.

Craig James is chief economist at CommSec.

Why house prices will bounce back

Cheer up ... it's not really the beginning of the end for property or the economy

At the end of November last year we were reading headlines saying "Sydney house prices have biggest monthly fall for 14 years and Melbourne close behind". CoreLogic numbers showed Sydney prices had fallen 8.1% in a year with Melbourne down 5.8%. Melbourne and Sydney between them account for 55% of the Australian housing market by value. The national annual fall in house prices in capital cities was 5.3%.

The 8.1% fall in Sydney was the steepest since May 1983 but that hides the city's peak-to-trough fall, which was even worse at 9.5%. This almost matches the record 9.6% peak-to-trough drop between 1989 and 1991, which notably was during a recession. The observation is that we have had an almost record drop in property prices but this time without a recession.

The price fall could possibly be blamed on an increase in the housing supply, slowing demand and a reduction in foreign buying activity. But the most significant factor has clearly been the tighter lending imposed by APRA.

The target of that regulation was the frothy end of the investment market but the result, since lending restrictions were imposed on the banks in March 2017, has been an almost record, unintended destruction of the core housing market. APRA rather laughably said last year that its lending restrictions were designed to prepare the housing market for a "cold snap" but it is perhaps overlooking the fact that rather than prepare Australia for a dip in the housing market it may in fact have caused it.

Meanwhile, the Australian economy, which is a core driver of the housing market, is cracking along. The Reserve Bank said in its recent minutes that "GDP growth is expected to be around 3.5% on average over 2018 and 2019" and "GDP growth is expected to ease to around 3% towards the end of 2020 as LNG exports reach capacity production levels by the end of 2019". In the RBA's eyes, it seems, we have to worry about LNG exports rather than the housing market. The conclusion is that our economic concerns are overdone.

The more optimistic interpretation is that this almost record peak-to-trough decline in house prices, particularly in Melbourne and Sydney, is not only as bad as it gets but it has overshot.

APRA, in its attempts to contain the speculative end of the market, managed to rather unnecessarily kill it instead. Combined with the royal commission it paralysed the bank sector, slowed lending rates and needlessly dented house prices. If it was looking to blow the froth off the investment market and off the international interest in the Australian market, it went too far.

The RBA acknowledged the damage in its recent minutes: "Conditions in the Sydney and Melbourne housing markets have continued to ease, following significant growth over preceding years. Credit conditions are tighter than they had been for some time, partly because lending standards had been tightened following the introduction of supervisory measures to help contain the build-up of risk in household balance sheets."

The economy, meanwhile, is fine, and so it won't take much to rescue the housing market and fend off the "unseasonable cold snap" as described/caused by APRA.

And clearly APRA is getting the message. Just before Christmas it began to loosen lending restrictions, claiming that its "benchmarks on investor and interest-only lending were always intended to be temporary". More likely the RBA has passed the message to APRA to pass the message to the banks to "get on with it" again, to loosen lending requirements, to get loan approvals back down from 6-8 weeks to 2-3 weeks, and let the housing market breathe again. Net result: this market will just as rapidly recover, as it always has from this level of price depreciation.

So my advice is not to give in to the fear about the housing market, or about the Australian economy coming to an end because of the housing market. If prices are a combination of value and sentiment, we are at a sentiment low, and rather than housing dropping into an even bigger hole the chances are that price growth, which is as bad as it's been since the last recession, is as bad as it gets. This is not the beginning of the end; it is an opportunity. If you are supposed to buy when others are fearful, this is not a time to imagine the worst.

Predictions for 2019 are a popular theme this month, so let me give you one: house prices bottom.

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

VALUE.ABLE Roger Montgomery

SECTOR ECOMMERCE

An unstoppable sales force

Both investors and shoppers could be winners as online retailers conquer new territory

From pet food to motor vehicles, retailers have approached online opportunities with the same attitude as the apocryphal man with a hammer who finds all problems are a nail. The biggest questions for long-term investors in retail are: How much spending will migrate online? What products are likely to see the greatest online penetration and therefore which brick-and-mortar sellers are likely to see the greatest disruption? We have already seen what has happened to music and book retailing, which are the categories with the largest online penetration.

The answers to these questions will affect a very large part of the Australian market and certainly many investors' portfolios thanks to the familiarity of some of Australia's best brands.

In the US, investment bank UBS estimates "online" will grow from about 13% of US retail sales today to about 20% by 2022 – just three years away. Ecommerce is therefore set to grow by an aggregate 15.4% a year – much faster than the broader economy and significantly faster than the expected aggregate 1% growth of brick-and-mortar stores.

Getting ecommerce right, therefore, offers investors the opportunity to profit, provided of course optimistic assumptions aren't already factored into prices.

At the outset I should note that I don't subscribe to the thesis that online will kill brick-and-mortar stores entirely. We are already seeing successful retail concepts emerge despite the power of ecommerce. Think about the fast-fashion jewellery chain, Lovisa. With a low price point and the instant gratification that spur-of-the-moment purchasing provides, Lovisa has demonstrated a successful formula that it is rolling out globally. Nevertheless, plenty of retailers will be disrupted and I cannot help wonder whether that is why the Lowy family departed the retail real-estate game when they did.

According to UBS, 40% of shoppers still appreciate the ability to see and feel products in store before purchasing them and higher online penetration rates of 30% could be achieved by a few categories such as toys, groceries, footwear, pet supplies and sporting goods.

Roger Montgomery is the founder and CIO at the Montgomery Fund. For his book, Value.able, see rogermontgomery.com.

❶ Lovisa

ASX code LOV
Price $6.53
52wk ▲ $12.53
52wk ▼ $5.62
Mkt cap $713m
Dividend 27¢
Dividend yield 4%
PE ratio 19.7
HOLD

With net cash and a near 70% return on equity, Lovisa demonstrates very high-quality characteristics. Potential investors need only to establish how long any competitive advantage Lovisa presently enjoys can last. Christmas is believed to have been tough for all retailers and as Lovisa is on a high multiple any sharp reaction could be an opportunity for those with a long-term belief in the company's quality.

❷ Greencross

ASX code GXL
Price $5.46
52wk ▲ $6.56
52wk ▼ $3.58
Mkt cap $657m
Dividend 15.5¢
Dividend yield 2.84%
PE ratio 31
SELL

In 2016 the industry body Animal Medicines Australia reported that two-thirds of Australian households owned one or more pets. They spent more than $12 billion on their pets that year, with 35% going on food and 18% on veterinary services. But last year Amazon commenced selling pet supplies for dogs, cats, small animals, birds, fish and even reptiles. Greencross appears expensive too.

❸ Adairs

ASX code ADH
Price $1.74
52wk ▲ $2.71
52wk ▼ $1.53
Mkt cap $294m
Dividend 13.5¢
Dividend yield 7.6%
PE ratio 9.65
SELL

According to UBS, bath and bedding (think towels and pillowcases) is another category where bricks-and-mortar stores face great risk. For Australian homewares brand Adairs, there's also the housing construction and property price slump to contend with. The stock appears cheap having already fallen 35% from its October 2018 highs but conceptually there is a reasonable risk of further downgrades this year.

Prices as at close of business, 14-Jan-19. Charts as at close of business 9-Jan-19.

At the mercy of fickle fashion

In the tough world of discretionary retailing, there's a company that stands out

Each new year brings the opportunity to re-set and to do something different. So this year in *Money* I'll be combing every sector of the ASX (and doing a little arbitrary readjustment to highlight some key sectors and opportunities) to bring you my best idea from each. To be clear, I don't think you necessarily need to have "one of everything" but it's a good opportunity to explore how each sector works, the risks and opportunities, and the companies that look best among their peers.

We're kicking the year off with discretionary retail. As the name implies, these are mass-market businesses that rely on convincing us to part with our hard-earned cash for something we can live without. It differs from "consumer staples" like Woolworths (ASX: WOW) and Coles (COL) – while we all need to buy groceries (unless you survive on Subway or have a live-in chef), we don't need those new jeans, that new computer or yet another pair of shoes.

As a result, one of the key determinants of success in the discretionary retail market is a company's ability to create desire. That can be done by stocking a desirable brand, delivering a great in-store experience, or maybe by offering big discounts. In each case, they're trying to win over someone who didn't wake up planning to buy from them.

And the companies cover the retail waterfront. Everything from the old department stores like Myer (ASX: MYR) and DJs through to the likes of Target and Big W. Add in the specialty fashion stores, footwear retailers, car yards, and even cafes and restaurants, and you can see how broad this sector is.

For most of them too, fashion (and fad) plays a role in demand creation. Just because you're relevant today doesn't mean you'll be the place to shop tomorrow – it's why we see such a high turnover in retail, even among some of the better-known brands that used to be shopping centre stalwarts but are no longer around.

And it's a tough gig. There are very low barriers to entry by competitors, which means lots of competition. Discretionary retail is a simple business but it's very hard to do well when you have such strong and ever-present competition directly across the street or mall.

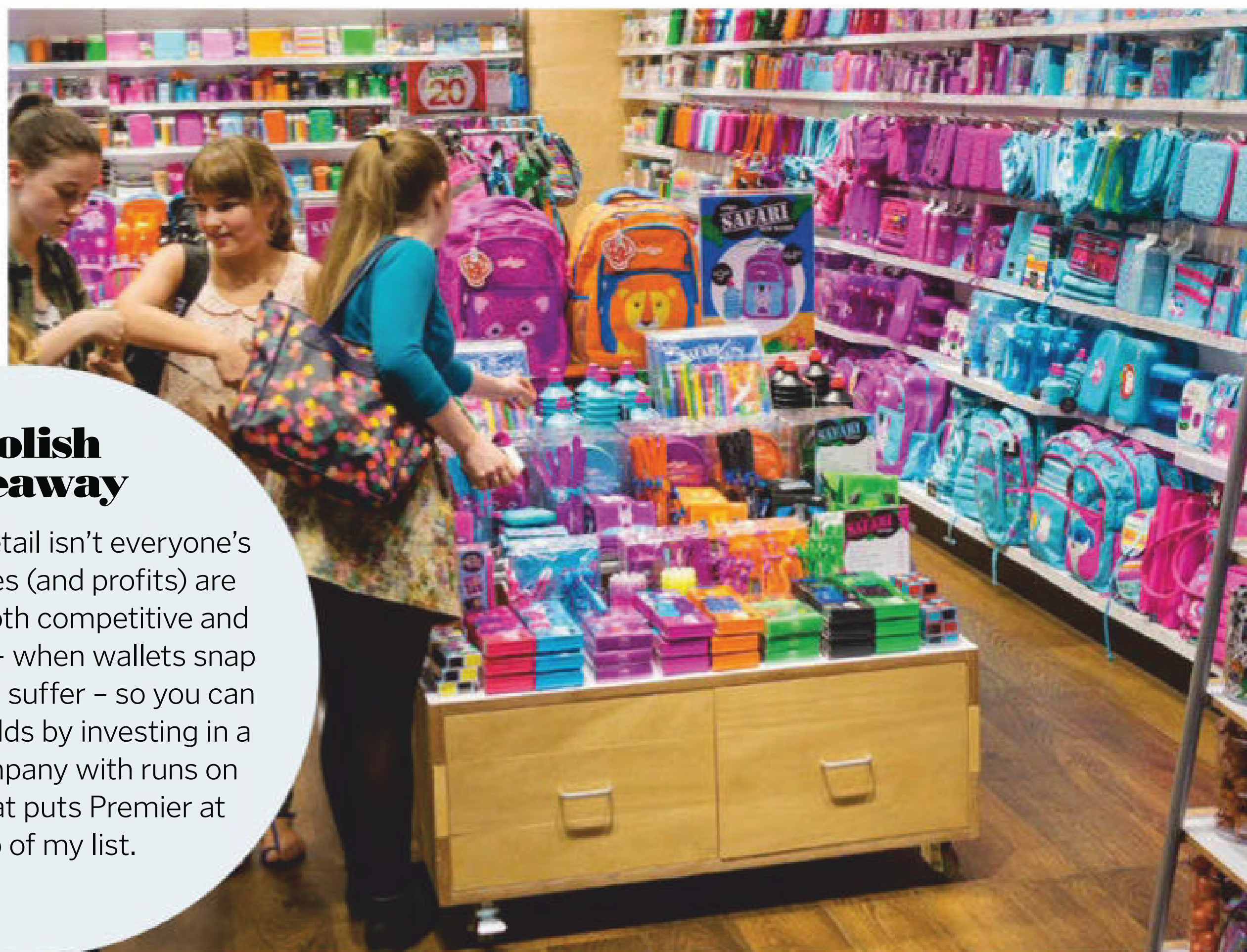
My runner-up in discretionary retail is Kogan.com (KGN), which is attracting ever more shoppers and offering new categories – from televisions to pet insurance and more – in the process. If Kogan can continue to compete effectively against its online rivals, by attracting more shoppers and convincing them to buy more products from more categories, today's price is cheap.

But the winner is Premier Investments (PMV). Hiding behind the nondescript name are the retail powerhouses of "tween" stationery retail brand Smiggle and pyjama purveyor Peter Alexander, among others. These are two brands with strong performance and long growth runways, particularly overseas, and run by two experienced executives in chairman Solomon Lew and CEO Mark McInnes.

Being in the fashion/fad game leaves Premier perennially exposed to the risk that consumers decide its stores are old hat but it has the suite of brands, the balance sheet and the people to change with the times.

Foolish takeaway

Discretionary retail isn't everyone's cup of tea. Sales (and profits) are vulnerable to both competitive and economic risks – when wallets snap shut, these guys suffer – so you can improve your odds by investing in a diversified company with runs on the board. That puts Premier at the top of my list.



Scott Phillips is The Motley Fool's chief investment officer. You can reach him on Twitter @TMFScottP and via email ScottTheFool@gmail.com. This article contains general investment advice only (under AFSL 400691).

DATABANK

The data in these tables compares some of the most popular super funds. They are a mix of industry funds, master trusts and government funds. Industry funds are set up by employer associations and unions; many are offered publicly, some have restricted membership (NP). Master trusts (corporate and personal) are set up by banking, insurance or financial planning groups. All performance figures are after all fees, charges and tax applied to the fund have been deducted. The table here shows performance of funds' balanced options. But most super funds offer many other choices of investment mix.

The data is provided by SuperRatings, a totally independent Australian superannuation research company. It is the leading source of superannuation information to the Australian media and is renowned for its timely commentary and opinions on the various superannuation funds available. SuperRatings assesses over 250 superannuation funds and products. SuperRatings takes into account risk-adjusted investment performance, fees, insurance, service delivery, education, financial planning facilities, employer support, fund governance and flexibility of the options. The judging is mainly quantitative but does include qualitative assessment.

Calculators, fund comparisons, fund ratings, news and expert opinion can be found at superratings.com.au.

Best super funds: balanced options

RANKED BY 5-YEAR RETURN

FUND	TYPE	2018 RATING	1-YEAR RETURN	RANK[1]	3-YEAR RTN (%PA)	RANK[1]	5-YEAR RTN (%PA)	RANK[1]	7-YEAR RTN (%PA)	RANK[1]
Hostplus Balanced	Industry	Platinum	4.1%	3	8.9%	1	8.8%	1	10.3%	1
AustralianSuper Balanced	Industry	Platinum	3.5%	11	8.1%	3	8.5%	2	10.1%	2
QSuper Balanced	Government	Platinum	3.3%	13	6.9%	20	8.4%	3	9.2%	16
Cbus Growth (Cbus MySuper)	Industry	Platinum	3.6%	9	8.2%	2	8.4%	4	10.1%	3
MTAA Super My AutoSuper	Industry	Gold	2.3%	23	7.0%	19	8.1%	5	8.5%	34
Sunsuper for Life Balanced	Industry	Platinum	3.8%	7	8.0%	5	8.0%	6	9.7%	6
CareSuper Balanced	Industry	Platinum	3.2%	14	7.7%	7	8.0%	7	9.8%	5
Intrust Core Super MySuper	Industry	Platinum	2.9%	16	7.3%	14	7.9%	8	9.7%	7
Catholic Super Balanced (MySuper)	Industry	Platinum	1.7%	30	7.5%	9	7.9%	9	9.1%	17
BUSSQ PC Balanced Growth	Industry Personal	Platinum	3.4%	12	7.0%	18	7.8%	10	9.3%	14
Equip MyFuture Balanced Growth	Industry	Platinum	3.7%	8	7.8%	6	7.8%	11	9.7%	8
UniSuper Accum (1) Balanced	Industry	Platinum	1.7%	32	6.9%	22	7.8%	12	9.8%	4
HESTA Core Pool	Industry	Platinum	3.9%	6	7.4%	10	7.7%	13	9.3%	15
Media Super Balanced	Industry	Gold	4.2%	1	7.7%	8	7.5%	14	9.0%	18
Energy Super Balanced	Industry	Platinum	2.4%	22	7.3%	13	7.5%	15	9.3%	13
VicSuper FS Growth (MySuper)	Industry	Platinum	2.2%	26	6.9%	21	7.5%	16	9.6%	9
Club Plus Super MySuper	Industry	Platinum	3.9%	5	8.0%	4	7.5%	17	8.8%	22
Vision SS Balanced Growth	Industry	Platinum	3.0%	15	7.2%	15	7.5%	18	8.9%	21
First State Super Growth	Industry	Platinum	2.9%	17	7.4%	11	7.4%	19	9.4%	11
NGS Super Diversified (MySuper)	Industry	Platinum	4.2%	2	7.4%	12	7.3%	20	8.6%	30
SR50 Balanced (60%-76%) Index			2.2%		6.6%		6.9%		8.7%	

[1] Rankings are made on returns to multiple decimal points.

SuperRatings indices median returns

	1 YEAR	3 YEARS	5 YEARS	7 YEARS
SR25 High Growth (91%-100%) Index	1.3%	7.4%	7.7%	10.7%
SR50 Growth (77%-90%) Index	1.9%	6.8%	7.5%	9.7%
SR50 Capital Stable (20%-40%) Index	2.2%	3.9%	4.5%	5.4%
SR50 Australian Shares Index	-0.4%	7.4%	6.1%	9.3%
SR50 International Shares Index	1.4%	7.6%	9.2%	13.1%
SR25 Property Index	7.2%	7.9%	9.5%	10.1%

Percentages in brackets indicate proportion of growth assets.

WHAT THEY MEAN

Rank Super funds have been ranked by five-year returns. Returns are net of maximum fees. High balances may qualify for lower fees and thus better returns. Rankings for one-, three-, and seven-year returns show the performance of the particular fund compared with peers.

NP means membership of the fund is restricted.

Pr means performance results are preliminary.

Returns are as at November 30, 2018.

SuperRatings rating

Platinum are best value for money funds; **Gold** are good value for money; **Silver,** reasonable value; **Bronze** are below average in performance and features; and **Blue** are bottom of the ladder.

YOUR GUIDE TO MANAGED FUNDS DATA

The data in these tables provides information on several asset classes – Australian equities, international equities and multisector funds (sometimes called balanced funds).

Funds have been ranked by size or performance as listed on the top of each table.

The returns published are net (after) the annual management fee but do not take into account any transaction (entry/exit) fees an investor may have to pay. The returns are before tax.

Morningstar, a leading global provider of investment research, supplies our managed funds data.

Funds smaller than $10 million and with a minimum investment of more than $25,000 have been filtered out. Morningstar relies on the fund managers to supply data monthly; if updates have not been provided, a fund may be omitted.

Morningstar has developed a star rating system to help investors identify quality funds. Morningstar calculates and publishes star ratings for more than 7000 funds monthly using the latest fund performance data.

Funds less than three years old are not rated. The ratings are not for predicting future performance. Take a look at "What they mean" for an explanation of the star ratings.

For more news, research and video content on investing, as well as screening and portfolio management tools on managed funds, ETFs, stocks and credit securities visit morningstar.com.au.

Top 5 retail multisector funds by 5-year performance

Name	APIR Code	ICR %pa	Start Date	Size	1-year return	5-year return (%pa)	Star Rating
Fiducian Ultra Growth	FPS0014AU	NAv	1-Dec-08	$157m	-6.85%	8.53%	★★★★★
Australian Ethical Divers Shrs Whols	AUG0019AU	0.95%	23-Jan-12	$143m	-1.94%	8.48%	★★★★
Morningstar High Growth Real Return	INT0042AU	0.97%	11-May-01	$51m	0.01%	7.60%	★★★★★
IOOF MultiMix Growth Trust	IOF0097AU	1.16%	29-Apr-08	$600m	-0.85%	7.47%	★★★★
The Trust Company Income	PTC0002AU	0.99%	1-Oct-93	$159m	-11.20%	7.41%	★★★

Top 5 retail Australian share funds by 5-year performance

Name	APIR Code	ICR %pa	Start Date	Size	1-year return	5-year return (%pa)	Star Rating
Macquarie Australian Shares	MAQ0443AU	NAv	29-Nov-05	$86m	-0.89%	12.26%	★★★★★
Bennelong Concentrated Australian Eq	BFL0002AU	3.92%	30-Jan-09	$724m	-7.65%	11.74%	★★★★★
Platypus Australian Equities - Wholesale	AUS0030AU	2.55%	28-Apr-06	$93m	1.68%	8.80%	★★★★
Spheria Opportunities	WHT0025AU	0.99%	22-Jun-10	$17m	-3.67%	8.10%	★★★★
Tribeca Alpha Plus Class A	ETL0069AU	NAv	18-Sep-06	$144m	-13.82%	7.98%	★★★★

Top 5 retail international share funds by 5-year performance

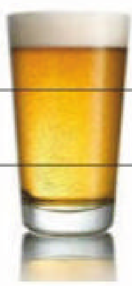
Name	APIR Code	ICR %pa	Start Date	Size	1-year return	5-year return (%pa)	Star Rating
Lazard Global Equity Franchise	LAZ0025AU	1.25%	1-Oct-13	$87m	4.22%	14.08%	★★★★★
Acadian Wholesale Global Eqty Long Short	FSF0788AU	1.27%	20-Jan-06	$35m	1.18%	13.46%	★★★★★
Antipodes Global Fund - Class P	IOF0045AU	1.20%	26-Jul-94	$3535m	1.49%	12.82%	★★★★★
Magellan High Conviction	MGE0005AU	NAv	1-Jul-13	$512m	3.40%	12.43%	★★★★★
Fidelity Global Demographics	FID0023AU	1.15%	30-Nov-12	$52m	4.53%	12.29%	★★★★

Disclaimer: © Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice has been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892), a subsidiary of Morningstar, Inc., without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser.

WHAT THEY MEAN

APIR is the identification number of the fund.
ICR: Investment cost ratio, which includes the annual management fee paid to the fund manager as well as indirect costs such as the performance fee.
Returns are as at December 31, 2018.

Morningstar Rating
★★★★★ very good performer
★★★★ good performer
★★★ average performer
★★ poor performer
★ very poor performer
NAp Not applicable
NAv Not available



"Have the courage to act and surround yourself with the best people"

Mark Haysman

is chief executive and managing director of Founders First. His professional career spans more than 25 years and includes stints at Carlton & United Breweries (now part of Anheuser-Busch InBev), SABMiller and Lion and as CEO at the Port Adelaide AFL club.

What was your first job?

As a teenager growing up in Adelaide I worked at Myer, my time split between counting and recording cash in the office and selling Lego in the toy department! It taught me the value of money, and how much easier it is to work with products you know well.

What's the best money advice you've ever received?

Save hard from an early age with a goal in mind. Then invest in assets that appreciate in value, while paying down debt as quickly as you can. Understand your appetite for risk, and don't be afraid of taking on debt to fund and fuel growth – and then pay down that debt as quickly as you can.

What's the best investment decision you've made?

To continually push ourselves to invest in our home to maximise the value of our appreciating tax-free asset. And then to back my judgement to leverage against our home to invest in a pub with trusted business partners. The Moseley Bar & Kitchen continues to be a great business, and now we have a second pub in Melbourne, the Royal Saxon, as we continue to grow.

What's the worst investment decision you've made?

Investing in a business in my 20s that I did not fully understand, on the promise of great tax deductions. My lesson was that you invest in good businesses that can generate strong cash flow and profits, not because the tax deductions are appealing. Needless to say the business withered on the vine.

What is your favourite thing to splurge on?

I really enjoy great holidays and shared experiences with my wife and family and also friends; travelling and creating great memories, especially beachside summer holidays; and great food and fun times over a beer or wine.

If you had $10,000 where would you invest it?

I would invest it in Founders First, the company that we will be taking to an initial public offering on the ASX during 2019. Founders First is a craft business accelerator that will impact the craft beer and spirits industry in Australia, backing ambitious entrepreneurs by providing growth capital and low-cost business solutions and expertise to enable rapid and sustained growth.

What would you do if you had only $50 left in your bank account?

I would learn from my previous successes and mistakes, and then start over again. Work hard and create new opportunities.

Do you intend to leave an inheritance?

My wife and I have worked hard as a team, and we would like to enable our four sons to have a good start in life. Most importantly we would hope that they have learned from our commitment and work ethic, and see that nothing worthwhile comes easy. We have a long way to go to achieve our dreams, and we expect our boys will chase their own. We will help them in whatever way we are able but they will need to be responsible for their own choices.

What does it take to turn an idea into a successful business?

You need to have the courage to act and surround yourself with the best people with absolute expertise in that space. Build a strong business plan and execute it flawlessly. Be prepared to adapt as you go but execution is where it will be won or lost.

Finish this sentence: money makes ...

... you happy and provides choices. The absence of money, on the other hand, can create real challenges for good people and bring very real stress and pressures. So while money does not of itself bring happiness, a comfortable level does help. True wealth is best measured in terms of having a healthy, happy family and being able to make the choice to do what you are passionate about, and be in charge of your own time and your own destiny.

Rate%Setter™

Search "RateSetter Money"

Goodbye lazy money

Hello attractive, stable returns

RateSetter is Australia's largest peer-to-peer lender. We enable investors like you to receive fixed monthly repayments from creditworthy borrowers, by investing in personal loans.

3 Year Income
6.9%
after fees

Annualised rate† repaid monthly.

5 Year Income
8.6%
after fees

Annualised rate† repaid at term

30-day average matched lending rate. Past performance is not an indicator of future returns. Capital is at risk.

Join over 14,000 registered Australian investors who are earning attractive, stable returns with RateSetter.

Thanks to our Provision Fund, no RateSetter lender has lost a cent of principal or interest due.*

Our Early Access Transfer feature can give you the option to exit before term.

Say "G'day" to a $150 head start^

Invest $2,000 in the 3 Year Income or 5 Year Income lending market before 15 April and enjoy $150 bonus.

Get started now at **ratesetter.com.au/invest** or call **1300 768 234**

Read the Product Disclosure Statement on our website before you invest. † Lender rates are displayed on an annualised basis and net of applicable fees, based on last matched rates. Lender rates may assume payments received are continually reinvested at the stated rate and assume your investment is protected by the Provision Fund in the event of any borrower late payment or default, however, there is no guarantee nor warranty as to any protection from the Provision Fund. See our Product Disclosure Statement for further details. Rates for other lending markets will differ to the advertised rate. 30 day average matched lending rate are as at 10/12/18 - 08/01/18. * Though we believe the Provision Fund provides meaningful protection for investors, it is important to remember it is not a guarantee nor an insurance product, and your capital is at risk. Read our Product Disclosure Statement for more information. ^ Terms and conditions apply to bonus offer

RateSetter Australia RE Limited ABN 57 166 646 635 holds Australian financial services licence number 449176 and Australian credit licence number 449176. Read more about our legal compliance. RateSetter is a trademark of Retail Money Market Limited (United Kingdom company number 7075792), used under licence. Copyright © 2018 RateSetter Australia Pty Ltd. All rights reserved.