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Money

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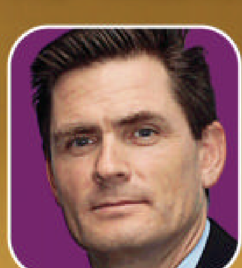
CONSUMER FINANCE AWARDS
Money MAGAZINE AWARDS 2020
AWARDS ★ISSUE★

Property as a store of wealth in 'the new normal'

BUILD ON THE DREAM

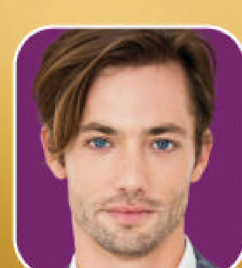
- SAVE FOR A DEPOSIT
- INVESTING DURING A PANDEMIC
- BUYING WITH FRIENDS
- MOVE ON AFTER DIVORCE
- LEAVE IT TO THE KIDS

JULIA NEWBOULD
REDECORATE ON A BUDGET



MARCUS PADLEY
18 WAYS TO BEAT THE HERD

PAM WALKLEY
WORKERS ESCAPE TO THE COUNTRY



DAVID THORNTON
CHECKLIST FOR FINDING A JOB

New Year.

New high-interest savings account.

SUNCORP

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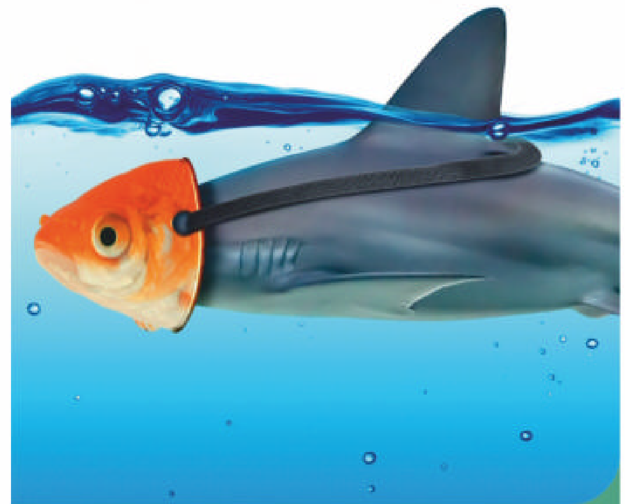

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CONSUMER FINANCE AWARDS
Money MAGAZINE
AWARDS 2020
AWARDS ★ISSUE★

For the 16th year, Money and Infochoice, with the help of Rainmaker Information, reveal the financial institutions providing customers with top value in 14 key categories. Where does your bank rate?

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EDITOR'S DESK

Be decisive to stay on track

If you're picking up this magazine for the first time, welcome to the *Money* club. We're a bunch of pragmatic optimists here. In the past three months, we've dug up saving ideas and smart spending tips on how to keep your finances on track despite the pandemic. We also told our faithful readers at the height of the Covid-19 restrictions in late March to hang in there. Sanity will return. True to form, the markets remain volatile but they have bounced back since March.

It feels like we are now entering phase two, that fragile wait-and-see period before we can leave the health crisis behind. We've avoided a cataclysmic spread of infection; now we need to figure out how to keep our finances under control.

In this issue, we feature our annual Consumer Finance Awards, listing the financial institutions that have made it their mission to lead the pack. If you have always wanted to know what's out there, and wished all that information was wrapped up in one nifty package, then this edition is for you (pages 40-63).

If you're a long-time subscriber, you already know that we have been running this award for 16 years. Some of our winners have consistently been in the top five of the league tables. This is your time to review your previous choices and decide whether it's time to stay or switch.

We have many nuggets of investment wisdom to share in this edition, not least is our cover story (page 32). We all love to talk about property, but here we invite you to look at it through a fresh lens.

Right now everyone's talking about the recession and we're all aware that the economy is going to go against us. As I said, we are a bunch of optimists at *Money* and we'll endeavour to bring you practical and useful tips on how to build your wealth even when things aren't as great as before the pandemic.

It's time to be bold and make investment decisions you've been putting off for a while. I hope this issue serves as a guide to help you get there.

Michelle Baltazar,
Editor-in-chief

Feedback

Letter of the month

Great advice at just the right time

Synchronicity at its best! I have just read your magazine for the first time. Margaret Lomas's answer to "How the Bank of Mum can help" (May, page 25) is a question we have been pondering.

While my daughter is in employment, the clear, concise and considered advice is informative to the point my reading of *Money* will not be the last. The articles around the impact and effect of Covid-19 are most helpful in these unprecedented times.

One hopes Paul's words –"I suspect we will have less emphasis on money and more on the value of our own lives, those we love, and our community" (May, page 28) – ring true for the years ahead.

Now back to my armchair travels … *American Journeys* and *Slow Boats to China* (May, page 30) are beckoning.

Ann

Working from home is no silver bullet for parents

During the pandemic, companies thought that working from home is somehow a silver bullet. It may have been for people who don't have young children, but not for me. Both my wife and I are migrants (with no other family here except our seven-year-old daughter) and we are both essential workers.

Although I can work from home, my daughter's school and OSHC (outside school hours care) were closed. My wife needed to be at work on the front line, but how I was expected to maintain the same level of productivity or focus in online meetings as a full-time-worker at home (while also being a parent and teacher to our daughter) is beyond me.

There were few provisions or concessions from companies or the federal government for people in this situation. Employers expect the same level of productivity at home, which is unrealistic. There was/is little access to ongoing carer's leave for essential workers, and families in our particular case are in a much tougher situation because we can't just "pass the kids | to grandma and grandpa" to look after them.

Chris

Ed's note: Thanks for your letter, Chris. I know you wrote to us in April and your original letter had a question about the tax implications of working from home. We answered this in the June issue (page 24).

Stimulus payment will be put to good use

I am over 65, work part time and am qualified this year to put money into super. I propose to put the federal government's $750 stimulus payment into super (cash account), which will earn me the government super co-contribution of $375. I can take the $750 and/or the $375 (once paid) out when I like, being over 65. I will do the same when the July $750 is paid (provided I still have a part-time job).

Glenn

Win-win situation

Even though our household income is well down because of Covid-19, and we are being much more careful with our spending, I still find *Money* to be very good value for money. I read more than 90% of the articles in each edition, so it provides me with many hours of enjoyable (and educational) reading.

I also appreciate all the free extras, especially the weekly newsletter at 4.30pm every Wednesday. The introduction by Michelle always seems to have the right tone for the circumstances, and she often makes me smile. I then click on some of the online stories to read them in detail, and find them useful.

My favourite part of the *Money* website is the "Win" section. I often enter the competitions to win a book, and I relish the challenge of keeping my answers to a maximum of 25 words, while still being able to express what I'm trying to say.

The new section on the website called "coronavirus coverage" also has a lot of pertinent information, and would be very useful for any readers affected by the crisis, which is probably most of us. Thank you for all this value-adding!

Marianne

Prize worth winning

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

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REG'S TOON

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What savings tips have you learnt in lockdown?

ANNETTE SAMPSON

Annette, who contributes our What If? column, says: "Lockdown showed me how easy it is to save by simply removing non-essential spending from your life. Without trying, my spending dropped substantially and I now think twice about whether I really need something. The other thing I learnt is that making your own sourdough is much more time consuming and expensive than buying it!"

ALAN DEANS

Alan, our Interview writer, says: "Buying bargains online often risks disappointment because it's hard to ship them, especially if they're offshore. If you have your heart set on something, contact the seller and ask them to check with their shipper about how they send it to Australia. Use a reputable site like Amazon in case you need to claim a refund when nothing arrives. And keep all of your emails!"

PHIL SLADE

Phil, a behavioural economist, contributes Mind Games. He says: "Don't go shopping when you are panicking and be aware of emotional contagion. Simply being around other panicked shoppers made me overspend. Saving at least 20% of your salary when your income reduces is hard, but worth it. Avoid picking up expensive hobbies to fill the void. Breathe ... this too shall pass."

PETER DOCKRILL

Peter, our Smart Tech writer, says: "It's a total lockdown cliche, but I am one of the many who has rediscovered the joys of home cooking, baking fresh bread, making cakes, rolling out pizza dough and exploring different kinds of food. Apart from the fun, cooking at home is a great money saver. Just don't forget about your local restaurants and takeaways – those businesses need your support, too."

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Signs of a revival

If we support each other, life will eventually return to a "new normal"

Businesses are starting to reopen as I write this in early June and, providing we keep a lid on Covid-19 community transmissions, it should be the start of a reawakening of our economy.

It's been three months of life as we've not known it before. We've missed birthdays, weddings, funerals and the federal budget – something that I mark in my diary at the beginning of the year as a steady date. It's been postponed until October 6 – so much is in disarray.

Accountants and lawyers are likely to be our busiest professionals in the coming months. Accountants will help people with their tax returns and Covid-19 allowances, and assist small businesses to get back on financial track.

Lawyers are predicted to be busy dealing with a surge in divorces; the aftermath of couples forced to spend weeks trapped together in close quarters during lockdown. Apparently, a similar surge happens in January after the Christmas holiday period has taken its toll. Lawyers will also be busy writing up wills for those who, faced with the fragility of life during the pandemic, want to be better prepared.

Some of the businesses I've profiled in the Making it Work series, published on *Money's* website, have pivoted during the pandemic and it's bought them precious time while they work to resurrect their original business. Others have decided that they want to continue with their pivot alongside their original offering.

Cheese Therapy, based on the Sunshine Coast, started its home-delivery business for cheese lovers after the owners visited Vanuatu and enjoyed the wide variety of cheeses available in the local supermarket. It made them realise that this wide range of cheese wasn't available back home. And so they came up with the idea of setting up a "cheese club", which now has members from all over Australia.

They sourced cheese from artisan producers around the world, including a small percentage from Australia. When the pandemic hit and restrictions prevented Australian cheesemakers from selling their produce through restaurants and cellar-door tourism, they called Cheese Therapy for help. Within weeks the business was helping these producers find new retail clients to sell their stock.

Cheese Therapy has no plans to stop once restrictions ease and its success shows we're happy to buy local when we can.

Tory Archbold's training company Powerful Steps aims to inspire and empower female entrepreneurs. During the pandemic she had to switch from big corporate events to virtual coffee dates, which spun her coaching and mentoring business in a new direction. This tripled her pre-Covid earnings.

> **Conscious spending is about focusing your spending on what makes you feel good**

The crisis is going to help spark a new cohort of businesses, and that's good for all of us. A vibrant economy is what we need now.

At the household level, a lesson we've learnt is to have sufficient "rainy day" savings to cover expenses for three months.

What we've also learnt is that we're all in this together – so for the economy to start working for us all, those who can afford it need to maintain a certain level of spending.

While we've all made financial changes and in many cases are saving more, we also need to be consciously spending. This is about focusing your spending on what really makes you feel good. It's about choosing to spend a little more on a product simply to support a business or an industry you strongly believe in.

It's important that when we spend, we choose to support our local businesses whenever possible. When businesses thrive they in turn spend on other local businesses, creating a cycle of support.

Further economic setbacks could well be on the horizon, but the businesses that have succeeded in this environment are the inspiration we need to anticipate a brighter future and start moving towards it.

Julia Newbould is Money's *editor at large.*

NEWS&VIEWS

THE BUZZ

Telcos can do better to help small business

Overall complaints to the telecommunications industry ombudsman (TIO) are slowing year on year and it's a sign that telco providers and customers are working better together to sort any issues.

In aggregate this is a win for consumers because you can be more confident that telcos are delivering better services and are more willing to resolve problems before they are taken to the ombudsman.

But the headline figure doesn't always tell the full story.

The numbers were collected before the bushfires and pandemic. What troubles the ombudsman is a rise in the proportion of small businesses making complaints – 14.7% in the 2019 financial year, up from 12.4% the previous year.

It should be noted that more than 19,000 complaints to the TIO from small businesses were made in the 2019 financial year, down 6.2% on 2018. These numbers are in line with overall complaints falling.

However, the TIO says thousands of small businesses are still being sold unsuitable products and expect their new connection to be top priority. A provider told the TIO "the reality is that no service is sold with a guaranteed 100% up time, and sometimes the remedy can involve significant delays".

The TIO also finds telco providers and small businesses aren't always working well together when faults occur and small businesses are suffering significant financial losses if they don't have a back-up plan.

Ombudsman Judi Jones says the issues that top the list of small business complaints hasn't changed since the bushfires or during the pandemic, but they're likely to have had far greater impact. And this concerns the TIO because it's acutely aware of the role small businesses play in our economy.

"Any issues between a small business and their provider in the delivery of a service can have significant consequences," says Jones. "During government restrictions to curb the pandemic, many small businesses became solely reliant on phone and internet services to continue operating."

She says as we begin to return to workplaces, it is crucial for small businesses to have a back-up plan.

The TIO has put together some guidance around how telcos and their small business customers can work together to fix faults.

Darren Snyder

CALENDAR OF EVENTS

Friday, July 3
Balance of trade

Tuesday, July 7
RBA interest rate decision

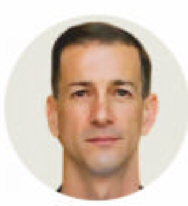
Tuesday, July 14
NAB business confidence

Wednesday, July 15
Westpac consumer confidence index

Saturday, July 18
Unemployment rate

ON MY MIND

Ethics to play a bigger role



A new generation of investors is demanding the opportunity to support companies that fund new futures and solve problems. In the post Covid-19 world, capital will be different, better, stronger and more conscious.

Investors alarmed at the impact of companies damaging the environment have begun to look at the impact of their own investments.

In January, Australia Ethical Super saw its net inflow increase five times compared with the same month in 2019, citing increased awareness of climate change as the reason. As more people realised the power to choose is in their hands, the shift towards more ethical investments began. This will also lead to more investments in start-up companies – the innovators and disruptors building the next wave of businesses that will shape the world around us. As a small/retail investor you're able to invest $10,000 in these companies through crowdfunding campaigns, but these investments do come with more risk (see page 96).

So as more investors look for the positive impacts their funding decisions make on this world, start-ups will need to also prove their social and environmental credentials.

Steven Maarbani, chief executive at VentureCrowd

NEWS BITES

The OECD says a second wave of the coronavirus in Australia could see its GDP fall 6.3% in 2020. In the absence of a second wave, it predicts GDP could fall up to 5%. "Massive macroeconomic policy support, including a temporary wage subsidy, is limiting the economic shock. Most economic restrictions are planned to be unwound by July," says the OECD.

Fund manager Magellan has launched the Airlie Australian Share Fund (ASX: AASF), a new active ETF that combines features of an unlisted fund with that of an ETF. Brett Cairns, Magellan's chief executive, says "this simplification eliminates the need to have two separate funds, one for investors who prefer using unlisted funds and another for those who prefer funds quoted on a stock exchange."

Industry superannuation funds continue to outperform their peers, again dominating Rainmaker's league tables for risk-adjusted MySuper returns. The super fund for WA's local government workers, WA Super, took the top combined risk adjusted position in the three years to March 2020, with its 4.6% pa three-year return.

'She'll be right' won't cut it

As the ASX flirted with a new three month high and society slowly crept towards normality, many people may have been be hoping the "she'll be right" investment strategy they've relied on for so many years is still the right one.

And who would blame them? Until recently we hadn't seen a recession in 29 years.

Whatever your financial situation, one thing is certain: now is the time for Australians to break away from the "she'll be right" strategy which dominates our savings and investment culture.

Covid-19 has also presented us with the opportunity to do things differently. The most critical advice I can give is to use this unprecedented period to build up your financial knowledge and resilience. The more you know, the easier it will be to find the right advice.

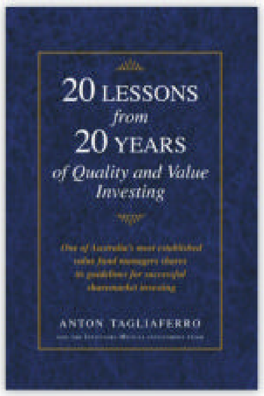
Worst case, you will realise you are content with what you have. Best case, you will have broken away from the old culture and be prepared for whatever the next crisis throws at us.

Heinrich Jacobs, financial adviser and managing director, Lightbulb Wealth Management

0.3%

Australian GDP fell by 0.3% in the March 2020 quarter after rising 0.5% in the December 2019 quarter. GDP hasn't fallen in the March quarter since 2011, when coal exports had a big fall as a result of the Queensland floods.

BOOK OF THE MONTH



20 LESSONS FROM 20 YEARS OF QUALITY AND VALUE INVESTING
By Anton Tagliaferro
Independent Ink, $39.99

Some of the most important questions you'll ask yourself as a sharemarket investor are answered in this book. Drawing on his 20 years at the helm of fund manager Investors Mutual, Anton Tagliaferro explains the difference between speculating and investing; why dividends are key; how to survive corrections; and why you should look beyond bank shares, among other topics. The seven chapters work through the investment basics to more distinct philosophies. It's easy to follow and has plenty of useful anecdotes and references.

Ten readers can win a copy.
In 25 words or less tell us how you invest in a volatile market. Enter online at moneymag.com.au/win or send entries to Money, Level 7, 55 Clarence St, Sydney, 2000. Entries open on June 29, 2020 and close on July 29, 2020.

APP OF THE MONTH

FINANCIAL MINDFULNESS
COST: FREE (IN-APP PURCHASES)
OS: IOS 11.0 OR LATER; ANDROID 4.4 AND UP

Here's an app to help relieve your daily stresses about money. Answer a quick questionnaire about your feelings towards managing your money and let the app point you in the right direction. Once you're progressing in the app you're welcome to answer the questionnaire again and it will change the guidance.

Financial Mindfulness combines goal setting, financial literacy and mindfulness to provide you with a series of free tools to help you manage credit cards, mortgages, bills, unexpected expenses and stress.

Some of the inbuilt modules have been created specifically to help you through Covid-19 and you can pay a small fee for a wider variety of topics, such as job loss, divorce, under-earning and impulse spending.

The app was funded in 2016 by Andrew Fleming, who experienced financial stress and used mindfulness as one of the tools for his recovery.

DARREN SNYDER

TAX TIP

How landlord claims have been affected

For millions of rental property owners, Covid-19 has caused financial stress, with rents taking a hit but many expenses staying the same. With tax time upon us, property investors now need to understand how this will affect their tax position.

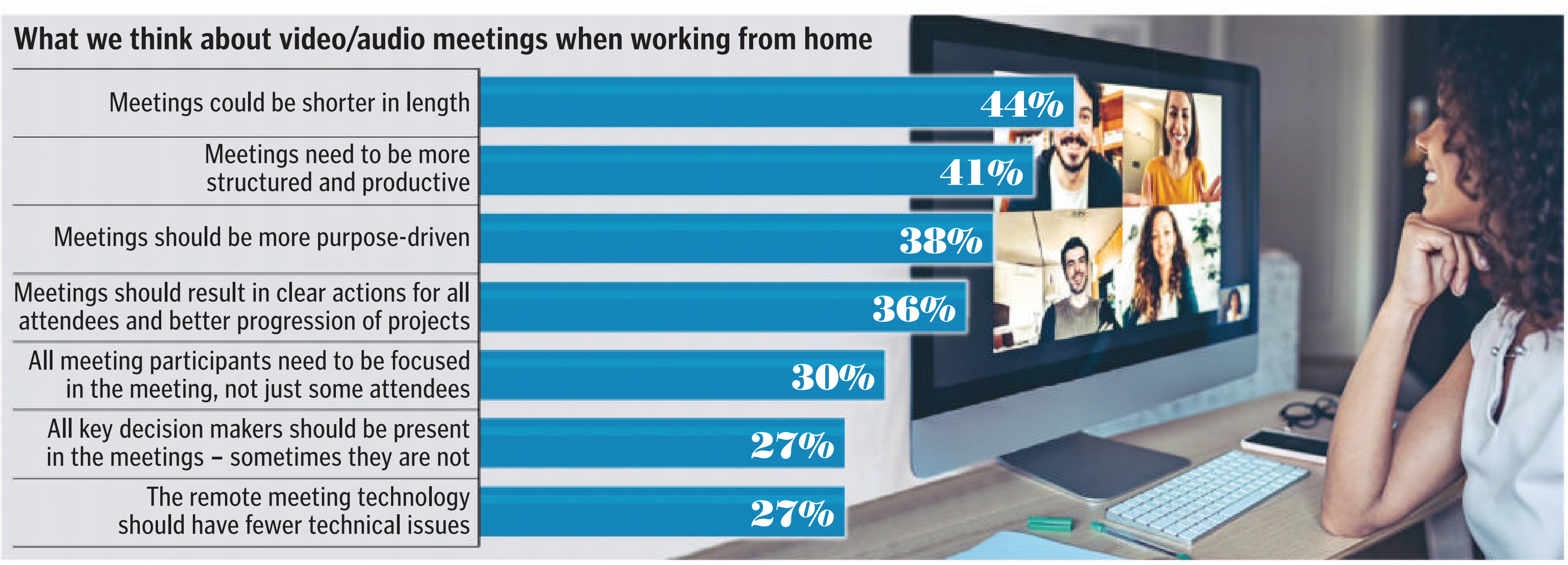
If your tenants have stopped paying rent or reduced their rent because their income has been hit, this should not impact the deductions you can claim. For example, if you are still paying your mortgage in full, you can continue to claim the interest.

Similarly, if you reduce the rent on your property, either to assist current tenants or to attract new ones, that won't impact your ability to deduct rental expenses either. Adjusting your rent downwards is either an act of goodwill on your part, or a reaction to changed market conditions causing you to adjust rent to maximise your return in a difficult economic period.

If your tenants reduce their rental payments now but later make a back-payment to catch up, this will be taxable. These amounts should be declared as income in the tax year in which you receive them. So your rental income in 2019-20 could be reduced by the tenant paying less but for 2020-21 it could be increased if they make a large catch-up payment in the new tax year. Even though the back-payment technically relates to unpaid 2019-20 rent, it is taxable when received.

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

SNAPSHOT Work goes on in virtual space



Source: Redback Connect. Survey of 1000 Australian employees who have been working from home – full-time or part-time – during the pandemic.

MY MONEY

CONSUMER RIGHTS

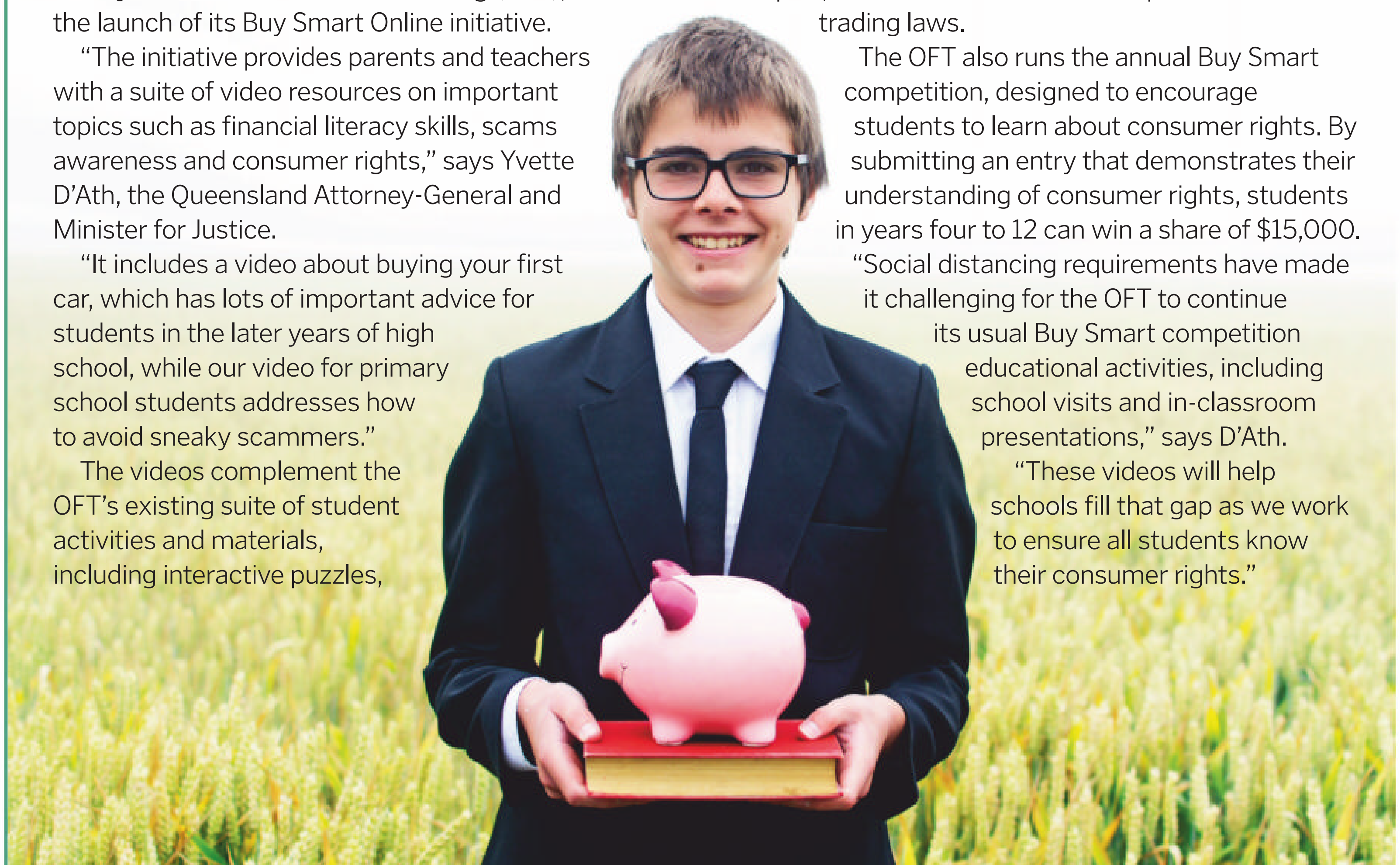
'Buy smart' campaign targets the young

Youth financial literacy is the new focus of the Queensland Office of Fair Trading (OFT), with the launch of its Buy Smart Online initiative.

"The initiative provides parents and teachers with a suite of video resources on important topics such as financial literacy skills, scams awareness and consumer rights," says Yvette D'Ath, the Queensland Attorney-General and Minister for Justice.

"It includes a video about buying your first car, which has lots of important advice for students in the later years of high school, while our video for primary school students addresses how to avoid sneaky scammers."

The videos complement the OFT's existing suite of student activities and materials, including interactive puzzles, lesson plans and video playlists on common consumer topics, such as national consumer protection and fair trading laws.



The OFT also runs the annual Buy Smart competition, designed to encourage students to learn about consumer rights. By submitting an entry that demonstrates their understanding of consumer rights, students in years four to 12 can win a share of $15,000.

"Social distancing requirements have made it challenging for the OFT to continue its usual Buy Smart competition educational activities, including school visits and in-classroom presentations," says D'Ath.

"These videos will help schools fill that gap as we work to ensure all students know their consumer rights."

▶ MORE MONEY STORIES ON P64-71

Flexible work likely to be a hot issue

The Covid-19 pandemic has given new meaning to flexible working arrangements. According to researchers from the University of South Australia, arrangements will be an issue when employees are required to return to the workplace.

"Covid-19 forced people to work from home under the worst possible conditions – it was done in a rush, it was done across the board and in some cases it was done without the right supports such as IT or ergonomics," says Ruchi Sinha, a senior lecturer.

"Now, as workplaces return to some semblance of normal, people are asking, 'What will happen to workplace flexibility?' And with such large-scale evidence that flexibility doesn't diminish productivity, businesses cannot afford to turn a blind eye and just return to normal."

She says managers need to recognise that they are often the biggest barriers to negotiating flexible work, due to a lack of preparedness to motivate or manage staff remotely.

"They're also concerned about productivity from home, so all in all it's easier for them to say no to flexibility than it is to say yes.

"On the other hand, while the pandemic has afforded us the opportunity to prove we can work flexibly, employees must recognise that not all work tasks are conducive to remote execution."

Sinha proposes "job crafting", where employees and managers negotiate a better fit between the job role and the individual's needs, skills and passions, which would ultimately lead to higher efficiency, engagement and loyalty.

"Organisations that proactively use this recovery time to re-evaluate their assumptions of flexible work are likely to be leaps and bounds ahead of their competitors," says Sinha. "By crafting roles and performance criterion effectively, these organisations are more likely to retain their talent, attract new talent and thrive."

COMPILED BY DAVID THORNTON

PROPERTY

HANGING IN THERE

Investors stick to their plans

More than 70% of investors say it is a good time to buy residential property, according to a joint survey by the Property Investment Professionals of Australia (PIPA) and the Property Investors Council of Australia (PICA).

The survey also found that the pandemic had not changed the investment intentions of 80% of investors over the next six months to a year.

"Nearly 60% of respondents indicated that the pandemic had not made them change their investment plans over the next six months, with a further 18% saying the crisis had actually made it more likely they would purchase a property over that time frame," says PIPA chairman Peter Koulizos.

"The survey results also showed about 30% of investors were more likely to buy a property in the next six to 12 months because of the pandemic."

Koulizos credits the optimistic tone to low interest rates and the historically resilient nature of property during turbulent times.

PICA chairman Ben Kingsley says 5% of respondents indicated the crisis had made it more likely that they would sell a property over the next six to 12 months.

"What's more telling is that more than 30% said they were less likely to sell over the same period because of the pandemic, with 63% indicating no change at all to their plans," says Kingsley.

"Most investors also indicated that they had the financial buffers to see them through the current economic uncertainty."

Households bring out the tools

The coronavirus pandemic has dried up the home construction pipeline, paving the way for property investors and owner-occupiers to add value to their homes by renovating.

"[Covid-19] has created an opportunity for property owners to take advantage of the competitive landscape and lock in a tradesperson for some substantial remodelling," says property advisory service Herron Todd White. "Recent incentives announced by the federal government have only made the idea more enticing for those who qualify."

One reason Herron Todd White expects minor renovations to gain in popularity is that people have been cooped up at home and are looking for projects to complete.

"Investment properties such as older-style home units are also likely to see continued renovations as potential tenants are provided with greater choice at reduced asking rents," it says.

"It will be imperative that investment properties are presented in the best possible condition, otherwise tenants will quickly choose a competing property in superior condition or, alternatively, demand a discounted rental price for any sub-par properties."

Of course, renovators need to consider their goals and the demands of the marketplace.

"A few significant aspects to consider when deciding to renovate are in relation to possible heritage restrictions, planning limitations, site access and the scope of works being carried out," says Herron Todd White.

▶ MORE PROPERTY STORIES ON P74-81

COMPILED BY DAVID THORNTON

IN BRIEF

INVESTING

LIQUID ASSETS

ETFs recover as confidence grows

Australia's exchange traded funds (ETF) industry has staged a V-shaped recovery from the Covid-19 pandemic, with funds under management increasing 4% to $64 billion in May, just 3% below its all-time high of $66 billion.

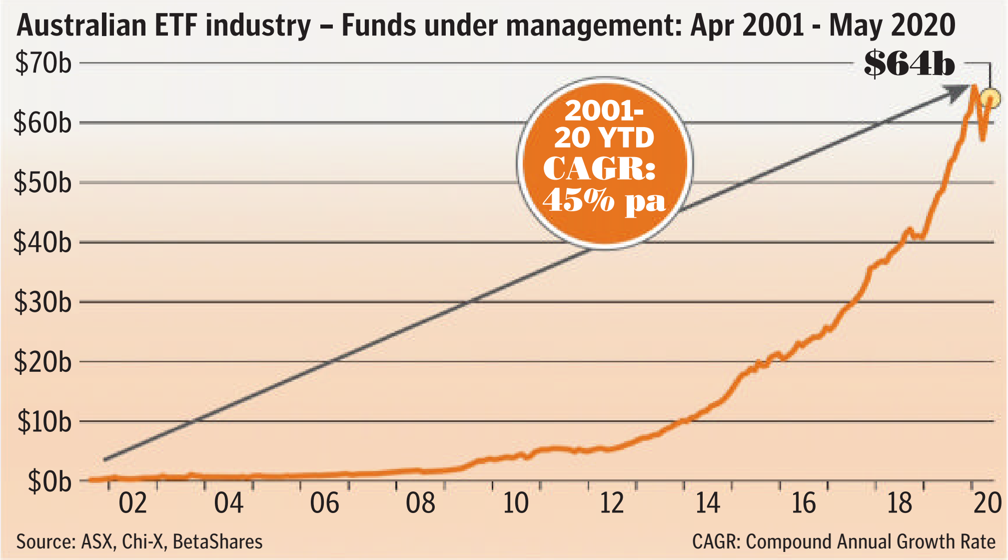
Sixty per cent of the increase came from net inflows with the rest made up by appreciating asset values.

Through May, more than $1 billion flowed into equities. Australian equities accounted for most of this at $666 million, while international equities saw inflows of $493 million.

Fixed income also enjoyed a reversal in fortune, with $166 million in new money due mostly to rising Australian bond prices, following two months of Australian bond outflows.

"We are seeing a rise in investor confidence as markets continue to recover from the lows hit in mid-March," says BetaShares chief executive Alex Vynokur.

"The continued strength in trading volumes is also a big positive for the industry – the last four months have been the four highest trading months on record, indicating that in turbulent times Australian investors are finding the liquidity of ETFs attractive, regardless of whether markets are rising or falling."



▶MORE INVESTING STORIES ON P84-93

Super shows 'stunning' resilience

Australia's superannuation industry has held up against the Covid-19 pandemic, according to Australian Prudential Regulation Authority's quarterly industry snapshot. Though the pool contracted 7.7% during the first three months of 2020, it decreased by just 0.3% over the year to April 30, 2020.

"Compared to the 23% fall in global stockmarkets in the first quarter of 2020 as well as the 14% fall over the 12-month period to March, this is a stunning result," says Alex Dunnin, executive director of research at Rainmaker Information, which publishes *Money* magazine.

Dunnin notes that while the SelectingSuper MySuper performance index, which is compiled by Rainmaker, fell 11% over the three months to the end of March, over 12 months the index dropped just 4%. During the GFC of 2008-09 the index fell as much as 21%.

Yet some parts of the super sector performed worse than others. The not-for-profit (NFP) segment contracted 5% in the March quarter, while the retail fund sector shrank 12%. This difference parallels the varying exposure that NFP and retail funds have to equities.

"APRA figures show the retail super fund segment holds 24% of their investments in Australian equities, compared to just 15% by NFP funds," says Dunnin.

"Retails funds are more vulnerable to fluctuations in equities markets. However, industry super funds with a larger share of their investments in unlisted assets such as real property, infrastructure and private equity were better insulated from the worst of these equities falls."

During the March quarter, funds received $29 billion, taking the value of total contributions for the past year to $121 billion, further adding to these funds' liquidity.

"This is the highest contributions inflow in more than two years," says Dunnin. "These added contributions are often missed when analysing these 'vulnerable' funds.

"Sure, they may have a higher than average proportion of younger members; however, they receive hundreds of millions in contributions each month."

COMPILED BY DAVID THORNTON

SHARES

▶MORE SHARES STORIES ON P94-102

UNDERPERFORMERS

No relief in sight for banks

The already struggling Aussie banking sector copped the full brunt of the coronavirus pandemic, and it's showing in its market performance.

"In the last five years the pain associated with owning Australian banking shares has been pronounced, with the sector underperforming the broader market by 45%," says Bruce Apted, from State Street Global Advisors (SSGA).

"A combination of greater regulation and higher capital requirements, lower loan growth, declining interest rates and increased competition has contributed to lower operating returns for Australian banks."

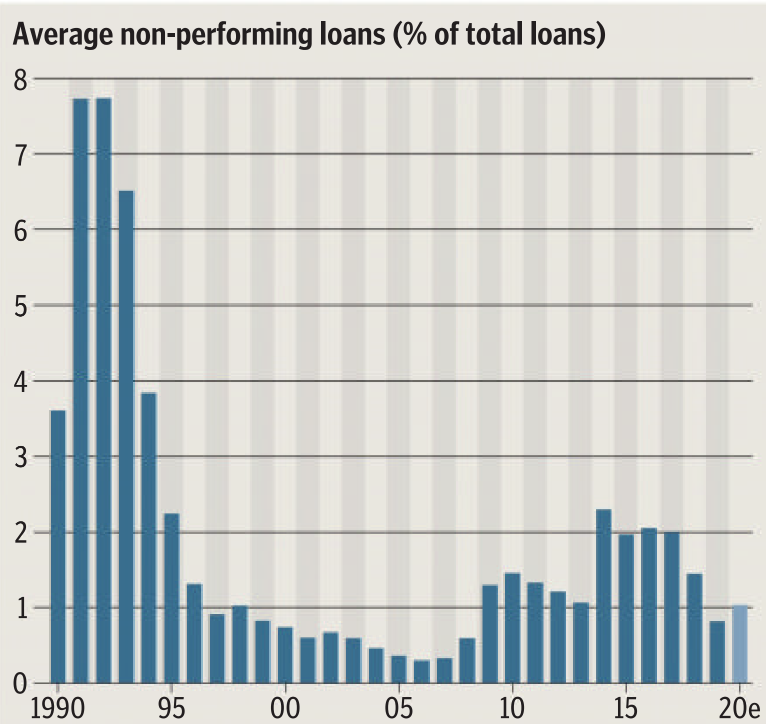
Will those trends reverse in the current environment?

Not very likely, says Apted. It's a difficult for the banks globally, and Australian banks are no exception, though prices briefly rallied in early June.

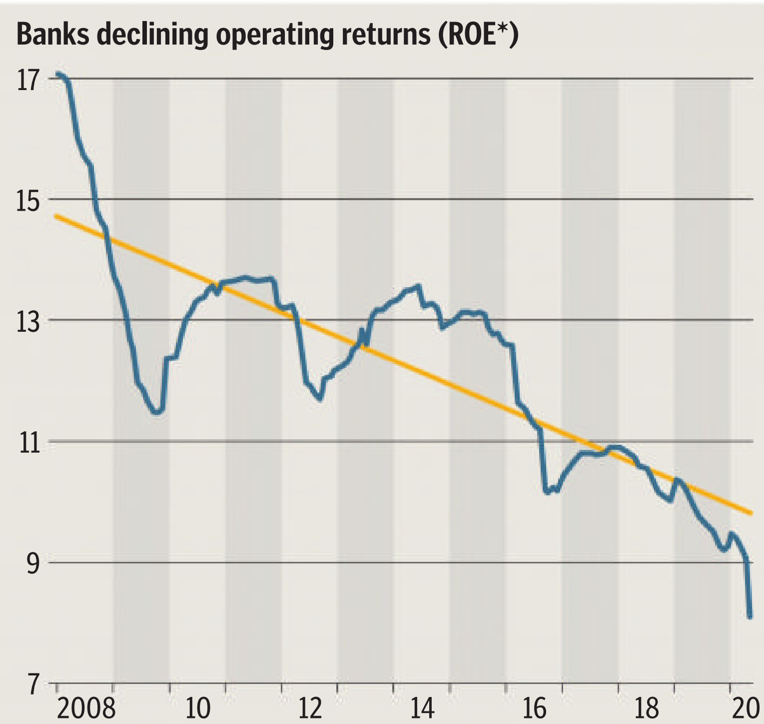
"Interestingly, loan growth did pick up temporarily in March due to many businesses drawing down on credit facilities to shore up their liquidity positions. Not the reason you want loan growth to increase!" he says.

The underperformance of the banks has opened up some medium-term valuation return potential, but SSGA says it's still early days.

"Until sentiment stops deteriorating, it will be difficult to see a sustained rerating for Australian banking stocks."



Source: Thomson Reuters, State Street Global Advisors. As at April 30, 2020



* Return on Equity

As the world's largest manufacturer of personal protective equipment and gloves, Ansell is one of the few companies positioned to benefit from the Covid-19 outbreak.

We lowered the stock's price guide in early March to allow for any adverse impact on Ansell's industrial division, which is tethered to general economic growth. But the benefits from the healthcare division increasingly look as if they will offset the lost industrial sales.

What's more, there's every chance of a permanent demand shift for protective equipment and gloves due to increased awareness of personal hygiene, even after Covid-19.

HOLD Ansell (ANN)

The Intelligent Investor Graham Witcomb

Source: Intelligent Investor; price as at May 25, 2020 close of business

Ansell's share price has risen more than 30% since the March lows and now trades above where it was when the crisis began. The stock trades on a price-earnings ratio of around 19 and we're reluctant to downgrade when sales growth could improve further. With that in mind, we're lifting our buy price to $24 and our sell price to $40, while the recommendation remains HOLD.

Graham Witcomb is a senior analyst at Intelligent Investor.

COMPILED BY DAVID THORNTON

STORY ALAN DEANS

Charity is twice as sweet

Fact file

Louise Walsh

Philanthropic expert and investment fund chief executive; age 54. Lives in Berry on the NSW South Coast.

Career influenced by prominent corporate lawyer and board director David Gonski. Describes her father as a gifted salesman and fundraiser. First job at 16 was as a sales assistant at fashion store Sussan in Shellharbour, NSW, where she "spent at least half of what I earned back in the store". She made sacrifices to save early in life and with her husband manages a personal share portfolio. Enjoys swimming, practising yoga and playing tennis.

Louise Walsh is an expert at donating money. While legions of financial managers know how best to invest, the skills of successful philanthropy are equally as complex and sophisticated. Yet the two disciplines have plenty in common as experienced donors employ specialist managers to achieve the best outcomes. Charities also need to be watched so they don't slack off, and those that do can be ditched when they don't perform. Knowing which charities to back is critical when the going gets tough.

"It's easy to give it [money] away. But it's not easy to give it away well," says Walsh of her role as the head of two prominent social impact funds.

She handles donations now totalling $11 million each year as the chief executive of two ASX-listed managed funds, Future Generation Australia (FGX) and Future Generation Global (FGG). Fees voluntarily forgone by their investment managers and service providers have steadily been mounting as the funds grow. One fund uses the money to support charities for children and youth at risk and the other for youth mental health. But Walsh's strong background in the charity sector is being put to the test during the Covid-19 pandemic, as health checks are run on the 22 bodies that are currently supported.

"With Covid-19, we are looking at how it directly impacts what these charities are delivering with our funding," says Walsh. "In some cases, that has meant a suspension of their programs. We are trying to be as flexible as we can, because we might need to vary where our funding is going to really help an organisation."

External evaluator Australian Philanthropic Services has been called to closely check performances.

"They evaluate everything from finance and governance, how well charities demonstrate impact and outcomes, any red flags and any key observations for the future," says Walsh.

She describes these performance appraisals as some of the "best pieces of work we have undertaken in five years". As a result two charities have been transferred out of FGX and into FGG because they were specifically mental -health related. FGX has also exited its donations to one charity and FGG has exited another two charities.

"And we have one charity in each fund that is under watch for the next 12 months," says Walsh. "It's similar to what we do with fund managers. We can remove them because of consistent underperformance, or maybe because a key person leaves. With the charities, the number one thing they need to demonstrate is the funding outcomes that we are paying for."

It's tough love, she adds.

"If someone says that 150 young people have benefited from the program, that's great. But that's an output. It's not an outcome. We want to see the organisation

tracking outcomes over a period of time so that we can demonstrate to shareholders that we are moving the dial. The pressure is on. I have to demonstrate that to my own board, and obviously to shareholders as well. If we were giving away $20,000 or $50,000 a year to an organisation, we probably wouldn't be so rigorous. But our donations tend to be at least $250,000. By Australian standards, that is quite large."

The latest review has been going on despite Future Generation's staff having to work remotely. In Walsh's case, she has based herself at home in Berry on the NSW South Coast with her husband Dave.

"I have a mother, who is 86, who has literally just come out of hospital this morning," she says. "She has had fluid on the lung, so that's probably my one stress point. I am watching it closely because she is high risk for obvious reasons. She has her own place in an aged care facility, and I am trying to make sure she gets through okay. That is what I am probably more worried about than anything else. One eye on the market and one eye on everything else."

Walsh studied law and later worked for commercial law firm Allens. Instead of staying there and potentially doing a stint in New York or London when she was in her 20s, Walsh went on secondment to the Sydney Olympic bid and then to be head of sponsorships for the organising committee. That broadened her career beyond the law.

"I like being around entrepreneurs. I've never had the balls to do something myself. But I love being around them and being involved in philanthropy," she says.

Later she became chief executive of Philanthropy Australia, a peak body that advises large corporate and personal donors on the effective use of their largesse. It runs all sorts of professional development programs, just like many other member associations.

About three years into that role, Walsh was turning 50 and had a hankering to work in the US. She resigned from her job, but when Geoff Wilson, the founder of Wilson Asset Management and the man behind the Future Generation funds, heard the news and asked her to head the sharemarket launch of FGG. The two knew each other through Philanthropy Australia.

"He was interested in my network. I had been a lawyer, so that would be handy. He also knew that I had raised money quite a bit in the non-profit sector," says Walsh.

She agreed to help with the IPO but not to be chief executive. She really wanted to work in New York. As soon as the IPO closed, she flew to the US and quickly found a job to her liking. But Wilson made her an offer she couldn't refuse to return to Sydney.

"It was one of those rare conversations when someone asks what would it take to make it worth your while?" says Walsh. "How many days a week do you want? How many weeks leave do you want? What else can we do? It has worked out and it is a dream job for me."

Investors have been drawn to the altruistic nature of the two funds, their financial returns and the prominent profiles of the fund managers involved and their different investment styles.

"They are designed not to shoot the lights out. They are not high conviction," says Walsh. "They have got their own skin in the game, so they are working hard to perform."

Apart from the Future Generation funds, there is just one similar listed offering. But Walsh says other managers have thought about it.

"We are more than happy to see others replicate the model, and we would share our IP. Our view is that it could be done in other asset classes. It could be done in property. It could be done in infrastructure, obviously it could be done to support other charitable causes," she says.

From left to right, Johanna Griggs, Dean Clifford, DEBRA Australia ambassador Georgie Gardner, and Louise Walsh.

Every now and again, Walsh receives such approaches.

"Sometimes, the key sticking point is there's no Geoff Wilson around prepared to do what he has done. We get asked whether will we do a third or fourth investment company, and our view is we won't. We want to stick to the knitting. Stay very focused on growing these two funds. We would like to be ideally at $3 billion in assets, with a $30 million donation in 2027. We are about $1.1 billion today."

While it's still comparatively early days, Walsh says that both funds are getting impact already.

"One of the stars has been the Butterfly Foundation, which focuses on eating disorders, in FGG. Then there's the Raise Foundation, which runs struc-

tured mentoring programs, one-on-one, for disadvantaged young people with mentors that they train. We are seeing significant impact. Sometimes, it can be difficult to see that in a space of three or five years. In FGG, for instance, we are funding research projects which need time to seriously measure the impact."

Many charities have been hit by Covid-19, or by the bushfires and drought. Some of their programs can be run online, but others have been deferred.

"We may be more flexible about where our funding goes in the next 12 months to help them," says Walsh. "There's a short-term situation that will make it tough for some to deliver their programs. We can't offer additional funding, but they may want to use the money they have for something else."

On a personal level, Walsh says that she has friends who have recently lost their jobs.

"They don't seem to have so much in savings. That concerns me. I was brought up in a conservative family. My parents worked hard. They weren't high income earners, and sacrificed to give us the right education. Myself and my two siblings have done well. It's about making sacrifices to build the chest."

Q&A

With three properties already, Rohan needs to …

Diversify for some peace of mind

Q I am a single income earner, aged 36, and am on $120,000pa with some perks such as a company house and matched share options in the mining industry. I am currently on the highest level of share purchase at $570 a month and salary sacrifice about 2.5% pre-tax into super with matched contributions.

Currently I have three investment properties: 1. Value $580,000, owing $350,000 on an interest-only loan; 2. Value $380,000, owing $265,000 on a principal and interest (P&I) loan; 3. Value $373,00, owing $217,000 on a P&I loan.

Recently I had an issue with one of the properties that was not covered by insurance, and after the repairs and lost rent, it reduced my savings to almost nothing.

Currently I save $3000 a month and am building my offset account back up to my desired level of three months' income to start. Overall the properties covered themselves with a small profit before the recent setback.

My question is, do I just reduce my exposure and have a good savings bank for any future setbacks? Or should I start to diversify with shares outside the mining industry by adding some exchange traded funds or similar? With the recent pandemic I feel quite exposed and for peace of mind would like to move towards a position that is comfortable in times like these.

Well, one thing is for sure Rohan. Please, do not buy any more properties. This is a comment I have been making for about 40 years. No single investment class will be the "right" investment over the longer term. Shares will have bad moments, cash is safe, but with very low returns. Property is good when the going is good, but can be bad during a recession and high rates of unemployment. As you have found out, it can also be capital expensive with repairs and maintenance.

You have plenty of equity in these properties and thankfully you generate very high monthly savings from your job. What worries me is not just repairs, but if something happened to your job, or your properties became unexpectedly vacant.

Providing these properties are well located, and with your well-paid job, I am confident that in the long term they will prove to be good assets. But you are heavily exposed to property and this also makes me nervous.

Clearly, selling one would reduce debt levels and leave you with a solid surplus of cash. So much information is needed to make this decision, though, things like your job security, the location of the properties, tax implications of a sale and so on. I'd suggest a good conversation with your tax or investment adviser is needed to come to the right decision.

Regardless of your final call, I do agree with your comments about diversification. I would prefer to see every investor with a spread of assets.

NEED PAUL'S HELP?

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

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

Stephen has decent assets and is about to retire but ...

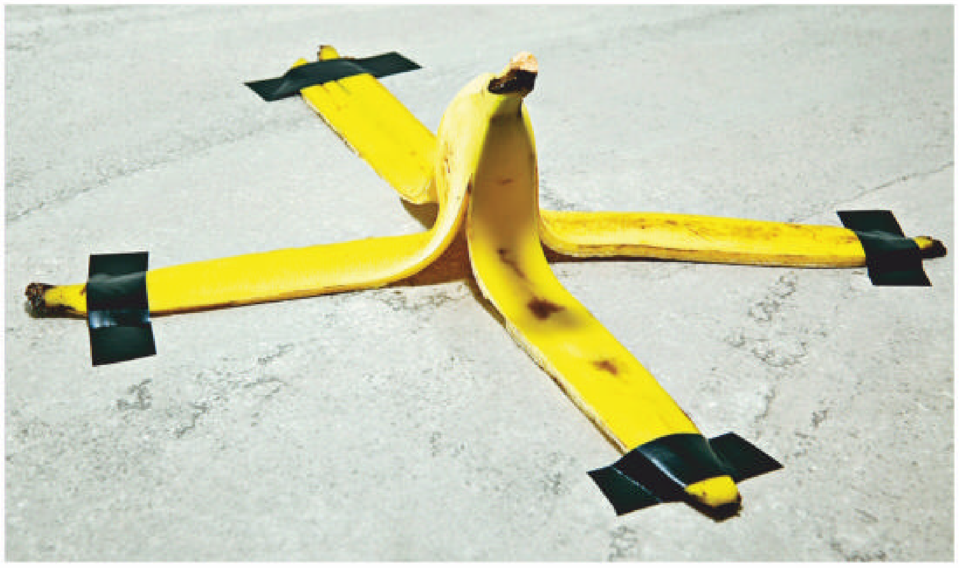
Don't do anything before getting advice

Q I have recently reached the age of 65 and am looking at retiring shortly; my wife will continue working at least another eight years. We recently had discussions with a financial planner who recommended we become debt free and invest that pool of money. Becoming debt free appeals to us.

We currently have investment properties with money still owing. If we sold all our properties we believe we would have $1.1 million to invest. The planner's recommendation is to invest that money and to aim at achieving a yield of 6%, generating a tax-free income of about $60,000.

Can you explain what a yield is and how it works? Is 6% realistic to achieve in a given year? And is it tax free and how is it paid to us (during the year or at end of year)?

I am also about to get a portion of my super that I am entitled to now and have been told this will be tax free. People have mentioned that I need to set up a specific pension account for this to go into, but it is going to be deposited into my usual savings account. Will this be okay? Finally, how do I go about locating a financial planner?



I have a bunch of concerns with what you have told me, Stephen. Selling all of your properties will generate a tax liability. It may well be that one or more of the properties is an excellent investment that can generate income. Equally, I do not want you taking money out of super without very solid advice to do so. I am 65 this month and I am happy to tell you that our super, a very tax-effective vehicle, is a primary source of our retirement income.

In terms of a yield of 6%, I think what the adviser you spoke to means is the total return on any investments you hold. For example, you might have property returning you an income of 3%, a term deposit paying 1.5% and some shares paying 5% in dividends. These payments are referred to as yield. Over time the property and share investments would be likely to increase in value, so the idea you could invest $1 million and get a return of 6% when combing both capital growth and income is not unreasonable.

But I do not want you to do anything until you receive professional advice that you can trust. Does your super fund offer member advice? If not, I would suggest you contact the Financial Planning Association and ask for a list of CFP-qualified planners near you. Do not hesitate to have an initial meeting with several of these; it is essential you form a relationship with an adviser you can trust and in whom you have confidence.

The good news is that it seems you have built up a solid asset base, so take your time to get that working for you in retirement.

Dennis has SMSF assets in term deposits so ...

Deposit guarantee is limited

Q Hi Paul, my wife and I have a self-managed super fund amounting to $470,000 with the money invested in term deposits with UBank. Are we both covered for $250,000 each by the federal government or, as the super fund is the client, is it only covered for $250,000? Would it also matter if the majority of the $470,000 is held in the fund for my wife?

Very good question, Dennis. I suspect quite a few self-managed super fund members, including my wife, will read this with great interest.

But I don't think either you or either of our wives will like the answer. The Financial Claims Scheme, better known as the government deposit guarantee, regards both your and our SMSF as a single entity, so it only entitles you to recover $250,000. One way around this is to simply have $250,000 with one authorised deposit taking institution (ADI) and the balance of your cash with another.

I should say, though, in my view this is all a little academic. If our big banks fail and are unable to return our secure term deposits and savings, it seems to me we are in an awful mess.

Q&A

Abi has to decide what to do about her options but …

Why pay $1.05 for a share worth 85c?

Q Hi Paul, I have read your books and articles and taken your advice for many years now. In one issue of *Money* you were asked what you would do if you had a spare $10,000. I took your advice and purchased some shares.

Recently I received a notice regarding the expiry of listed options. It didn't explain anything about why this was occurring. I have 10,000 shares in this company and purchased them for 85.4 cents. My question is if I take up the new options at $1.05, do I only pay the difference between the existing share price ($1.03) and $1.05 or do I still lose the money I have already invested and then risk more than $10,000 in the new shares? I understand that there is a risk involved in any investment made.

Hi Abi, thank you for following my thoughts over the years. I do not possess any special wisdom, but owning decent shares or property, preferably both, over the long term makes a lot of sense to me.

In this case, with an option – basically an entitlement to buy more shares, priced at $1.05 with the share price at 85c – you would let the option lapse. If you took up the option, you would be paying $1.05 for a share that you could buy for 85c on the market.

The only way you would take up a $1.05 option, meaning you are paying $1.05 for each share, is if the share price was trading at or above $1.05 on the market.

Options are complex, but the key point is not to pay $1.05 for a share by taking up your options when you can buy it for 85c on market.

Based on your numbers, I suspect I know what company you have invested in, and as I write this I see its share price is well above the 85c you paid. Hopefully it will continue its excellent performance and be a good one for you.

If Phil wants to encourage good financial habits …

Grandsons should pay themselves first

Q I have twin grandsons aged 16 who have started working at the local supermarket part time while still at school. I have been encouraging them to save by "paying themselves first" with, say, 20% of their income. Do you think this is a good strategy? If so, could you suggest where to invest $30 a week?

Excellent strategy, Phil! Pay yourself first is such a simple and powerful strategy and an invaluable lesson for your grandsons.

But where to effectively invest $30 is not simple. You could take a look at Raiz. This is an app-based concept where your grandsons could invest small amounts. Raiz also allows its customers to round up purchases on things like a debit card – for example, an item costing $4.60 rounds up to $5 and the 40 cents goes to your investment account. The bad news is it charges $2.50 a month, so it makes more sense for regular investors and those using the "rounding up" facility.

Another simple choice is to add the $30 to an online savings account. It will take a while, but once they get to $500 or more I do like the idea of them investing in shares or an ETF. The key issue here, though, is the learning experience. If they develop this habit now, it will lead to financial success over their lifetime.

Peter would like an alternative to term deposits but …

Higher returns involve more risk

Q I am 91 and my wife is in her mid-80s. She is conservatively inclined in regard to her funds but has become progressively depressed as to how to retain the integrity of her capital. In the past few years she has taken some pride in playing one bank term deposit offer against another to get the best return for her money. However, she now views the scene as one where her capital is being eroded and the interest she receives as absurdly small, even insultingly small. Her two deposits together would be about $100,000. Could you suggest alternatives in the circumstances of the Covid-19-influenced economic climate?

Peter, I really feel for you and your wife. A term deposit is an ideal investment for a retiree. It is safe, accessible based on the maturity date you chose and not as complex as property or shares. But today, as you say, the returns are downright awful and do not keep pace with inflation, let alone pay you anything meaningful.

The problem is I cannot direct you to other investments without more risk. An income fund, which could be a mix of government bonds, property and listed shares, would be likely to offer an income return of 3% to 5%. That sounds good, but there is the risk of these investments going backwards, at least in the short to medium term.

So the problem we have is that you and your wife have access to a myriad of higher-performing investments, but they carry more risk. Maybe one idea is to take a small amount of her term deposits and try a higher-risk investment such as an income fund, but my overriding concern is any stress this may cause. I believe a test of any investment is whether you sleep well at night with it.

My preference is always a diversified investment portfolio. I feel that is the best long-term investment solution for any retiree, but this is a very personal decision based on how we feel living with risk. We should not ignore the fact that a term deposit is, at current interest rates, a risk in its own right. It will not preserve capital. This reinforces my argument for diversification.

Please pass my regards to your wife. I really appreciate how difficult this low-interest-rate climate is for retirees. Like her, my wife and I also look sadly at the returns on the money we have in term deposits.

Nicole is concerned about CGT on her investment property …

Planning ahead can save you money

Q I have owned a rental property since 1998. I bought land and built on it straight away. It has been rented mostly since, but I have lived in it at different times for short periods. I have lived in the property for the past 12 months and now thinking of selling. How do I prove I lived in the property from 20 years ago to reduce my capital gains tax? What other strategies can I use to reduce the tax?

The property and land cost about $200,000 and are now valued at about $420,000.

Of all the investment issues I do my best to answer, tax is always a nice one. And no,

I have not gone crazy. It is simple: to not pay tax on investments and just lose money each time you invest. Personally, I recommend trying to invest to make money and accept tax is part of most successful decisions. Of course, the family home does not generate any tax, hence your question.

Here, though, I am going to recommend you see your accountant. I imagine you have someone who helps you with your tax return, depreciation on your property and so on. They are the right people to talk to about establishing what your CGT liability is. It will get down to whether you lived there for six months, establishing a cost base for the property and then showing you what your CGT liability would be.

It is great you are doing this planning before selling. CGT is set at a 50% discount to your personal tax rate, and there is also planning in this area to be done to minimise the eventual tax you pay.

SMART SPENDING

Destination Armchair traveller

As borders remain closed we're still travelling from the comfort of our own homes. And in the middle of winter, you might be used to visiting warmer climes. This month **Julia Newbould** is focused on films that can transport us from our current reality.

Five things to watch

1. Call Me by Your Name (2017)

This coming-of-age drama is set in the summer of 1983 in a village in Lombardy. Much of the action takes place in a 17th century villa in Italy's north (the region worst affected by the current pandemic). Scenes of lazy summer days spent by the pool will instantly transport you to warmer climes and there's a tantalising night visit to a small quarry lake in the Palata Menasciutto Nature Reserve. The film takes you on a tour through the towns of Cremona, Bergamo, Brescia and Lodi. A visit to an archaeological site on Lake Garda where precious artefacts are recovered from the waters highlights the historical significance of this region.

2. Roman Holiday (1953)

As a travelogue this movie has it all. The black-and-white film set in 1950s Rome showcases the capital city's rich heritage and culture, which continues to attract tourists in droves today. This was confirmed by the long queue I encountered on my visit last year outside Cosmedin's Church of Santa Maria, which houses the Mouth of Truth (Bocca Della Vertia). Stars Audrey Hepburn and Gregory Peck visit the Trevi Fountain (somewhat less crowded than in recent years), the Spanish Steps, Piazza Venezia, the Colosseum, Castel Sant'Angelo and the Tiber River. Although *Roman Holiday* is now more than half a century old, the city continues to celebrate it with postcards, calendars and other memorabilia.

3. Miss Fisher and the Crypt of Tears (2020)

The quintessentially English scenes of this adventure film (very much like the old Boys' Own adventures of the 1920s and similar in feel to the Indiana Jones franchise), are set in Melbourne: Rippon Lea Estate, South Melbourne Town Hall and the Werribee Park mansion. But the exotic locations of the Middle East were filmed in the warm climes of Morocco and the sand dunes, camels and small plane flights across the desert, which looked like some sort of clever computer-generated work, whet the appetite for travel to this part of the world once borders reopen.

4. Crazy Rich Asians (2018)

The Singapore depicted in this rom com might not be the Singapore an average traveller experiences; it's the high end that many would like to visit. In fact, many of the locations are in Malaysia, including Langkawi for Araminta's resort bachelorette party; Carcosa Seri Negara in Kuala Lumpur for the Youngs' ancestral home; Belanda House for a tropical villa; and the St Regis Kuala Lumpur for Astrid's home. Sites in Singapore include the Convent of the Holy Jesus Middle School (for Araminta's wedding), Chinatown, Raffles Hotel and the Marina Bay Sands Hotel. The film also features the food of Malaysia and Singapore – and the scene for the first taste of Singapore is the Newton Food Centre.

5. The Farewell (2019)

Set in Changchun, China, this film focuses on what is seen as essential travel: to visit the elderly grandmother in China who is dying but cannot know that she is dying. Travel occurs between New York and this city in north-east China. Rather than lakes and forests, the film instead shows the cityscapes, which are not so pretty but instead are representative of a different life and culture. The New York scenes are quite similar in starkness and utility. Changchun is also the filming location of Bernardo Bertolucci's lush *The Last Emperor* (1987), *The Soong Sisters* (1997) and *Spring Tide* (2019).

Dreamy destinations ... from top, coastal village on Italy's Lake Garda; Raffles Hotel, Singapore.

DRIVING PASSION

Checklist for buying a good used car

It's estimated that three million used cars are sold in Australia each year. And if you're in the market to buy one, there are several factors to consider.

A great starting point is redbook.com.au, which provides comparative prices and vehicle details. Then think about whether you're going to buy privately, from a dealer or at an auction. A dealer will generally be more expensive but arguably offers the most value (cooling-off period, warranty, service discounts, trade-in, etc).

To make certain there's no money owing on the car, you can do a free search of the Personal Property Securities Register via revs.com.au. For a more comprehensive check, you will need to pay a small fee.

There are several online guides about inspecting a car, or you can pay for an independent inspection. Get insurance quotes and know the preferred method of payment. You will need to pay for the transfer of registration and any stamp duty.

Each state and territory differs with its consumer rights when it comes to buying cars, so it's important to check with your local authorities, too. DARREN SNYDER

2013 Ford Ranger XLT PX-series

TOP 10 USED VEHICLES

CATEGORY	MODEL	PRICE GUIDE
Small passenger car	2013 Mazda 3 Hatchback BM-series	$8800
Medium passenger car	2013 Mazda 6 Sedan GJ-series	$10,400
Large passenger car	2013 Holden Commodore SV6 VF-series	$15,600
Small SUV	2013 Hyundai ix35 Elite Series 11	$12,800
Medium SUV	2013 Mazda CX-5 Maxx KE-series	$10,200
Large SUV	2013 Land Rover Discovery TDV6 Series 4	$25,600
Sports car	2013 Mazda MX-5 Sports Roadster Coupe Convertible NC Series 2	$14,200
Luxury car	2013 Mercedes S500 Sedan W222-series	$75,000
Dual-cab ute	2013 Ford Ranger XLT PX-series	$20,400
Off-road 4WD	2013 Toyota LandCruiser Prado Kakadu KDJ150R-series	$35,300

Source: carsales.com.au. The list was compiled using data from redbook.com.au and carsales's expert evaluations. Key metrics considered were retained value, safety, cost of ownership, service intervals and market appeal. Criteria included 2013 models only, 15,000km covered per year and ESC (electronic stability control) as standard.

WINE SPOTLIGHT

2018 West Cape Howe Shiraz $18

This is a multi-regional blend from the west's cooler regions. It's wonderfully soft and fleshy with bright redcurrant and red cherry flavours, medium-bodied and vibrant with lively acidity and supple tannins. Well-priced, everyday drinking from Gavin Berry and the team.

SPLURGE

2017 Schild Estate 'Moorooroo' Shiraz $199

From four rows of some of the world's oldest shiraz vines, which survived the 1983 vine-pull scheme because the tractor broke down before it could rip them out. Powerful, concentrated blackberry and dark chocolate flavours are deep and satisfying. Impeccably balanced with a plush, fine finish. Ageworthy yet hard to resist. Rare. Available August 6.

PETER FORRESTAL

EXTRAVAGANCE

Al fresco

Tote bags have been in fashion for years but this Ralph Lauren Bailey Wine and Cheese tote takes the cake ... literally. Pack all your goodies (there's space for two wine bottles) in the blue-ticking-lined wicker baskets and off you go on a very elegant picnic.

How much: $2599

Where to buy: petersofkensington.com.au

SMART SPENDING

SMART TECH

iPad has come a long way in 10 years

This year marks the 10th anniversary of the first iPad – unquestionably the first successful tablet to truly capture the attention of the mainstream. So it's not a bad time to take stock and see how far the tablet has come as a computing concept in that time.

For most of us, tablets are still sandwiched between smartphones and conventional PCs. They're more capable than the former, if not as easily transportable; conversely, they're more transportable than the latter, but not as capable. However, while tablets still necessitate making some sacrifices compared with notebooks or desktop PCs, they've come a long, long way since 2010.

The first iPad was basically a giant iPod touch. Today, tablets can offer incredibly powerful and functional computers in their own right (especially when paired with keyboards), albeit ones with certain hardware or software limitations, depending on the model chosen. As long as you do your research, though, and learn what those caveats are, they're still a glass-half-full device, offering a tactile, intuitive take on work and play in an elegant, stylish form.

PETER DOCKRILL

What is it? Samsung Galaxy Tab A 8.0 Wi-Fi
How much? $249
Pros: What's a good budget tablet if you just want an affordable entertainment device? You could do worse than the Galaxy Tab A. For less than $250 you can nab a solid performer for streaming movies and TV, reading ebooks, and playing games.
Cons: Only an 8in display and not hugely powerful, but a solid unit for all those moments when your phone is just too small and fiddly to properly enjoy content.
samsung.com/au

What is it? Microsoft Surface Go 2
How much? From $629
Pros: There are oodles of Android tablets, and numerous Apple ones, but they're not your only option. In recent years, Microsoft's Surface line has evolved into an attractive and powerful alternative, with the brand-new Surface Go 2 improving upon its 2018 predecessor and offering access to the Windows 10 universe on a nifty 10.5in touchscreen.
Cons: Underpowered in the entry-level model without CPU upgrades. Consider also the Surface Pro and Surface Book series.
microsoft.com/en-au

What is it? iPad Pro 12.9in
How much? From $1649
Pros: A decade after it first appeared, the iPad has evolved into a fancy, rather pricey thing. The huge notebook-size display here crams in a beautiful 2732 x 2048 resolution, and the A12Z bionic chip under the hood gives you desktop-level performance. Paired with the new magic keyboard ($589, ouch!) offering full trackpad support, this becomes Apple's first real notebook/tablet hybrid.
Cons: Expensive. Top spec: $2749 (sans keyboard). But best in class is never cheap.
apple.com/au

GIVE IT UP

The Pyjama Foundation

What is it? The Pyjama Foundation and its volunteer network, the Pyjama Angels, assist children in foster care with literacy and numeracy skills as well as other life skills. Through the Love of Learning Program, trained Angels are matched with a child in care and spend one hour a week focusing on learning-based activities.

Bronwyn Sheehan founded the Pyjama Foundation in 2004 when she realised children in care were not being given the same opportunities in life as other children. After meeting a foster carer who had looked after more than 100 children over 30 years, Bronwyn decided she wanted to help, too.

Where your money goes: Donations go towards the costs of learning materials to support and educate the children as well as the recruitment of 30 new Angels.
How to donate: You can donate online at thepyjamafoundation.com with a credit card or via PayPal through the GiveEasy platform.

DARREN SNYDER

WEBFIND

ARL.ORG.AU

Planet Ark's RecyclingNearYou campaign points us to what we can and can't recycle. The website explains the workings of the Australasian recycling label that you find on the back of packaging and allows you to search for your nearest drop-off locations for larger items such as electronic waste and furniture.

DARREN SNYDER

CASE STUDY

Liz, Simon & Tyson Chancellor

Surprise addition to the family

My husband and I are 30 years old and have had a busy few years. After a strenuous journey of IVF we welcomed our beautiful baby boy in February last year. We later purchased a townhouse in Brisbane, for which we were lucky to have the support of my parents as guarantors.

We considered the townhouse ideal, as it was strongly indicated to us that we would not be able to have any more children. However, in November last year, we were quite shocked to learn I had fallen pregnant and am due to give birth to a baby girl in six weeks (late June). Although Covid-19 has been a testing time for our community and country, my husband and I have been secure (and very busy) in our jobs as police officers.

Before we were married, I purchased a small investment property on the Sunshine Coast. Given the unexpected expansion of our family, we decided to sell this property only weeks before the pandemic hit Australian shores, in the hope of purchasing a larger family home.

This has left us with a profit of about $110,000. We are now unsure how to proceed in securing a suitable family home while also responsibly managing our existing home loan, and the $60,000 guarantor loan from my parents.

Ideally, we would keep the townhouse as it is dual living, and yielded about $810 a week in rent prior to us taking ownership. This would cover our repayments and more. Should we keep the proceeds from the sale in our offset to the main home loan, and keep saving for a larger deposit or should we clear the guarantor loan from my parents? We are also unsure of what to do in the current state of the property market.

Liz

You certainly have been busy Liz! As this goes to press you will have had your second child. All of us here at *Money* hope Mum and your newborn are well.

As you settle into life with your second child, it is a good time to plan your future home. Your comment about the smaller townhouse being appropriate as you were unlikely to have another child is a great example of Murphy's Law. Perhaps if you had bought a bigger home planning to have another baby it may not have happened!

The townhouse sounds like a beauty. The fact that the rent would more than cover your repayments is a great sign, and providing you do not overborrow to buy a new home, I can see why you want to hold onto it.

With secure jobs and incredibly low interest rates, along with the profit of $110,000 from the sale of your Sunshine Coast property, you are in a fortunate position. The property market is, as you know, pretty soft. The big unknown is what happens as the year progresses. Will jobs rebound, state borders open and people get back to work? These are unknowns that will have a huge influence on property prices.

Population growth is the primary long-term factor impacting property prices. You are playing your part here! We all need somewhere to live. I have little doubt economic growth will return, as the global and Australian economies have always shown throughout history. This could, however, take quite some time.

In your shoes I would not be in a rush to buy. The market may well fall further but it is a terrific time to look at houses. If you find a place that is ideal as a long-term home at an attractive price, it makes sense that you consider buying. The property may fall in value for a while, but with a long-term view, a well-located property would be likely to recover its value and grow in value as the economy improves.

My major concern is the level of debt you would take on to buy a new home while retaining your townhouse. It is important that any new amount you borrow is affordable. You also need to consider what might happen if the economy struggles for some time and the impact of a poor job market on the rent you receive or, even worse, you couldn't let your townhouse.

> **Paul's verdict:**
> **This is a terrific time to look for a bigger home**
> **But don't rush and, above all, don't borrow too much**

You need to have a good chat with your parents. Obviously, this is not a risk for them providing all goes well and they may be happy to continue to provide the guarantee. I would be asking your lender if it could be removed given the security of your jobs and the large sum you have after the sale of your investment property. Speaking of this sale, please allow for any capital gains tax you may owe on this amount. If in doubt, chat to your accountant.

In summary, keeping the townhouse makes sense to me, providing you are confident it will attract a good tenant. With your secure jobs and good deposit, I am sure a lender will be very pleased to talk to you.

The big issue, though, is how much you need to borrow. Please do not overborrow and put yourselves under stress, in particular with two small children. This is a really exciting time for you and my very best wishes to you and your family.

Ask your question

If you have a question, email money@moneymag.com.au or write to Level 7, 55 Clarence Street, Sydney NSW 2000. Questions need to be 150 words or less and you must be willing to be photographed. Readers who appear on this page will receive a six-month subscription.

BUILD ON THE DREAM

STORY DARREN SNYDER

Covid-19 has battered our lives, but our love affair with real estate is likely to endure

OVERVIEW

Months of economic and social shutdown were tough to cop but necessary to beat the coronavirus pandemic. The subsequent economic recession won't be an easy beat either, but experts are reassuring us that Australia is in a far better position to recover than other countries.

Fears about our financial future are rational in these circumstances, but they will also go a long way in shaping how property and sharemarkets react.

Kristian Kolding, lead partner for macroeconomic policy and forecasting at Deloitte Access Economics, says fear will be important to Australia's outlook because "fear generates its own momentum" and "that makes it really hard to stop. Fighting an awful virus is really hard. Fighting both a virus and fear is doubly hard [for an economy]," says Kolding.

In a survey of about 3000 people in May, Switzer Financial Group says close to 1600 (54%) believed that property prices will drop in the next 12 months. In its February survey, less than 150 people thought property prices would drop. According to comparison website Finder, 24 out of 42 economists and finance experts said in May that now was not a good time to buy property.

Fears about property – whether it is about affordability, supply, mortgage debt, vacancy rates or investment potential – are present and looming large. But it's not all doom and gloom.

The greater Sydney region, for example, needs 1.03 million new homes between 2016 and 2041 to meet population projections. This means, on average, 41,200 homes need to be built every year for 25 years between the council borders of the Blue Mountains (west), Hornsby (north) and Sutherland (south).

However, the NSW Department of Planning forecasts only 38,210 homes will be built each year over the next five years and this has some property experts suggesting that prices will continue to rise in Sydney as demand outstrips supply.

Meeting population demand is a point *Money* magazine founder and editorial adviser Paul Clitheroe always makes when speaking to the

THERE'S NO PLACE LIKE HOME

HOW TO GET ON THE PROPERTY LADDER AND STAY THERE

strength of property markets and it's a good indicator of where price growth will likely occur.

Prime Minister Scott Morrison's latest stimulus package (at the time of writing), known as HomeBuilder, aims to address a predicted national home construction shortage in the second half of 2020. However, the government grants of $25,000 to help build a new home or substantially renovate an existing one (see eligibility criteria on page 34) have received mixed reactions from experts.

Largely in line with previous government grants, the HomeBuilder package is a win for first homebuyers. In some states and territories you can now access up to $55,000 in first home buyer grants (including HomeBuilder), and this doesn't account for stamp duty concessions. However, there's also an argument that HomeBuilder is encouraging people to increase their debt levels well beyond their means – and this is before any certainty is established around the economy once JobKeeper and JobSeeker payments come to an end in September.

The Real Estate Institute of Australia (REIA) has tried to allay people's fears of a property crash, saying forecasts of price drops of 30% are highly questionable. "Currently we have a situation where listings are decreasing yet the inquiry level from prospective buyers is increasing. It's simple economics that when supply decreases and demand remains, prices edge upwards. They certainly don't drop," says Adrian Kelly, president of REIA.

"The Housing Industry Association is expecting building of new dwellings to fall by almost 50% over the rest of 2020 and into 2021. This does not suggest a scenario of supply exceeding demand – a prerequisite for falling prices."

Fears of a property "corona crash" might be overdone, but this shouldn't stop you from making sure a roof will always be over your head. This feature article will look at why you can still afford the great Australian dream; what property investors should think about in a pandemic; whether it is better to invest with friends or family or go it alone; what you need to know about property and your will; and how to manage a mortgage and divorce.

Any property will do

In 2017 and 2018, broker Mortgage Choice conducted research to identify what the "great Australian dream" really meant in present times. Surveying 2000 Australians, the firm found that no longer is our dream home a free-standing house on a quarter-acre block (1000sq m) in the suburbs. And neither is it an apartment, penthouse or three-storey mansion. The research concluded that the great Australian dream is now the ownership of any home or investment property in a desirable area.

Given that owning any type of property is now the number one goal, how exactly do you achieve it? There are several basic strategies: reduce your spending to save for a deposit; seek financial assistance from the bank of mum and dad or move back in with them to save; buy a smaller property (likely to be more affordable); co-buy with friends, family or acquaintances (higher risk); or rentvest – the strategy of renting where you want to buy but can't afford, and buying an investment property in a location you can afford.

According to property researcher CoreLogic, the main barrier to buying a home is having the money for a deposit. Its Perceptions of Housing Affordability report surveyed 2200 Australians in August 2019 and 47% said saving for a deposit was their biggest hurdle.

So how do you save for a deposit?

Stuart Wemyss, financial planner and author of *Rules of the Lending Game*, says it's a matter of budget first and deposit second.

"The simplest way to work out what you're spending is to review the past three months' worth of transaction account and credit card statements," he says in his book.

Then you need to explore where savings can be made and establish at least two bank accounts – a savings account and a spending account. Once you are tracking your spending, you'll soon work out whether you have enough income to buy a home or investment property.

"Most people's first property is not their dream property. If your budget is limited, you might have to buy, improve and sell a couple of properties over the next decade before you'll be in a position to afford your dream home," says Wemyss.

CoreLogic says getting into the property market isn't easy. It calculates that it takes, on average, 8.7 years to save for a 20% deposit. And when you finally purchase a home, you're likely to pay 6.5 times your annual income – and that's only for a median-priced dwelling at $524,000.

Once you have your foot in the door, then you need to spend about 35% of your annual income to service the mortgage.

Who qualifies for the HomeBuilder grant

- No companies or trusts can apply.
- You must be aged 18 and over and an Australian citizen.
- You meet one of the following two income caps: $125,000 a year for an individual applicant based on your 2018-19 tax return or later; or $200,000 a year for a couple based on both 2018-19 tax returns or later.
- You enter into a building contract (at arm's length) between June 4, 2020 and December 31, 2020 to either: build a new home as a principal place of residence, where the property value does not exceed $750,000; or substantially renovate your existing home as a principal place of residence, where the renovation contract is between $150,000 and $750,000 and where the value of your existing property does not exceed $1.5 million.
- Renovations cannot be for additions to the property such as swimming pools, tennis courts, outdoor spas and saunas, sheds or garages (unconnected to the property).
- Construction must start within three months of the contract date.

Source: Federal Treasury. Information on how to access HomeBuilder will be available through your relevant state or territory government.

The good news is that throughout 2019, more than half of us (54%) felt housing affordability had improved. Low interest rates and a slight dip in Sydney and Melbourne prices helped drive this view, CoreLogic says.

If you're going to struggle to save a home deposit of 20%, this shouldn't be feared. You can buy a home with a deposit as low as 5%, but factor in higher mortgage repayments and the possibility of paying lenders mortgage insurance (see table, next page). If you qualify for all the national and state first home buyer grants, you can wipe up to $55,000 off the cost of your home without factoring in any stamp duty concessions.

If the great Australian dream is to now own any home or investment property, it is achievable, but it's hard work.

The CoreLogic research says almost half (46%) of us will buy a property that does not meet all our criteria. And almost two in five (38%) people will consider more affordable property (for example, a unit over a house). Then there are

LENDERS MORTGAGE INSURANCE: WHAT IT COSTS

	Loan amount		
Loan-to-value ratio (LVR)	$500,000	$750,000	$1,000,000
80%	1%-1.2%	1.15%-1.4%	1.2%-1.4%
90%	2.4%-2.7%	2.15%-2.7%	2.15%-2.6%
95%	4%-4.7%	4%-4.7%	4%-4.7%

Source: *Rules of the Lending Game*. Mortgage insurance rates are generally charged as a percentage of the loan amount plus stamp duty.

strategies such as choosing homes a little further from your workplace; moving to a less desirable suburb; buying with family or friends (this is more risky); or moving interstate. In this issue we've also discussed the possible upside to buying in a regional town (see page 77).

Investing during a crisis

Ben Kingsley, chief executive at Empower Wealth and chairman of the Property Investors Council of Australia, says the majority of investors in property are the buy/hold and "set and forget" type who will maintain a residential property, keep the tenants happy and then over the next decade pay the debt down and live off the passive income.

To this end, he believes most longer-term property investors should make it through the pandemic. For an investor who has bought in the suburbs, where there isn't a high concentration of any particular investment property or high concentration of any one type of investor or tenants, "they're actually quite safe – they may even experience some growth towards the end of this year if the second pandemic wave isn't coming through," says Kingsley.

If tenants ask for reduced rent, negotiate a solution. If you're a landlord and you've also lost your day-to-day income or are working less hours, Kingsley says this is the rainy day that you save and plan for.

"With any type of money management and investing, you always need to make safeguards and buffers and a good rule of thumb is to be able to have a minimum of six months of cash reserves in the event that you have a sudden impact on your income," says Kingsley.

"And when we talk about cash reserves, we're actually talking about it based on your standard of living in terms of what you would actually spend.

"You can extend that out even longer once you break down your spending down to essential and discretionary spending with buffers in that six to 12 months to know that you'll quite comfortably see this period through."

He says the data feeds coming through to him indicate that, outside their investments, the income of 20%-30% of households has taken a hit and "that's the rainy day you should have always been thinking about".

Lloyd Edge, buyers agent and director of Aus Property Professionals, says investors should use the pandemic to review their strategy and where they want to be in the future.

"If people have got properties and they've got a lack of cash flow, I'd be thinking about how to turn these properties into having a more positive cash flow [to weather future economic crises]," says Edge.

This might include ways to add value to your property portfolio. "I'm quite big on dual-income properties and properties where you can have up to three incomes," he says.

"You can particularly achieve this on cheaper properties in cheaper areas. You can get a large block and build a house on it as well as a duplex out the back. A duplex plus a house at the front has three incomes from the one property purchase."

Kingsley says there is a small percentage of property investors who look for an edge or ways to accelerate their strategies, which carries a bit more risk – things like value-adds, subdivisions or short-term stays such as Airbnb. In his view, these people aren't necessarily what you'd call traditional, safe property investors.

"People who may have been attempting those strategies at this time or gearing themselves a little more aggressively would be challenged at this point," he says.

"You're taking a calculated estimate in terms of: 'I want to subdivide this lot and I want to spend $1.5 million and put duplexes on it and my estimated return is 20% with margin.' As opposed to: 'I buy that property, I'm going to get a 4% yield on it, leave it how it is and in a decade's time hopefully it's worth considerably more than I paid for it.' "

Edge makes it clear that diversification in your investment portfolio is also necessary. He'd consider adding equities to take advantage of the markets when there are buying opportunities.

The Switzer Financial Group survey of 3000 Australians in May showed property is no longer one of the most favoured investments – 10.5% would invest in property right now, compared with 62.7% in shares, 10.1% in term deposits and 16.4% in "other".

Edge says there's value in the property market if you go looking.

"There's a shortage of stock in the Sydney market, although investment prices haven't dropped as much as some people were expecting," he says. "Some of the better value and some of the better deals investors are getting are in regional areas and possibly there are better opportunities for negotiation on price there."

He adds, though, that existing property investors can become obsessed with what properties haven't performed well in the current market.

"Some markets have dropped in value more than others and there are markets where the rental demand hasn't been so good, or you might have bought in lower socio-economic areas where the rental demand hasn't been so great and hasn't been good for the portfolio," says Edge. "You should be assessing whether these properties are good for the long term."

An investor himself, Edge says you need to ask whether it's time to move forward to buy better properties. Properties that have been performing well are likely to have equity on them and that will be able to help you move forward, he says.

If you're ready to buy a property but are holding off until Covid-19 is behind us, you may miss opportunities. There are people who do try to time the bottom of the market, but "that's really hard to do", says Edge.

He says signs that property markets are on the up include more people selling more and more people attending open homes in specific areas.

Perils of partnerships

Stuart Wemyss says that investing in property with family or friends as a partnership will pool and likely increase your borrowing capacity, but it's risky. For example, if one partner stops making repayments on a loan, the remaining partner is responsible for making all repayments.

Typically, Edge advises against investing in property with friends and family without proper consideration. He says co-investing should be set up as a business partnership and it should be treated strictly as such.

Kingsley says property investments that are a joint venture should always be entered into with a clear line of sight, especially in terms of the exit strategy.

He says joint ventures can end poorly because often there's no written contract, and it's done on a handshake or verbal exchange between a couple of mates or siblings. It then becomes a problem when circumstances change for one party – that usually ends in the asset being sold earlier than it should be.

"In the event that one party is to cancel or to get out of that joint venture, then there's got to be an economic punishment equivalent to the opportunity cost that's going be experienced by the other party," says Kingsley.

"If one party gets out, they only get out what they originally put in and nothing more. If the other party is then forced to sell, then they should pick up any losses from that joint venture."

Another common scenario is that one of the investment partners is in a relationship and all of a sudden they want to get serious about their own property and become impatient.

"I'm of the view they [joint ventures] are riskier than what they are in terms of a good outcome for the customer," he says.

"They really need to stress-test why they're doing this, how long is the venture going to be for, and have it legally documented so that they go into it with eyes wide open."

The experts have all seen investment partnerships work well and others fail. It comes down to each party knowing what they're contributing and how the workload is to be shared.

"You need to approach the partnership with the premise that it's likely to fail and that you'll have to do everything possible just to make it survive," says Wemyss.

"If you do this, you'll probably have a good chance of making it work. Partnerships can be very rewarding, but the majority require a lot of toil and truckloads of patience."

Move on after a divorce

Rebecca Jarrett-Dalton, founder of mortgage broker Two Red Shoes, says that unfortunately handling divorce and mortgages has become an increasing part of her Sydney-based business. And if you believe expert forecasts, there'll be more of these cases as a result of Covid-19.

She says there's no one-size-fits-all approach to working out how a mortgage will be handled in a divorce. However, the most important thing to do is talk through solutions with a professional before making the final agreement. (See tips, next page.)

This can include calling your bank's or lender's hardship team straightaway and letting them know what's going on, and they can advise you on your options. She says couples may decide to split the funds in their individual accounts but freeze any joint accounts such as the home loan redraw.

Often she finds clients have already made an agreement, but if they haven't "we can plant the seeds" for better solutions that the divorced couple might be thankful for in 10 years.

Talking to a professional adviser can also help both partners financially in the long term. For example, it may be beneficial to take on the family home when you factor in the stamp duty costs or real estate agency fees of going into a new property. She's seen cases where people have avoided $60,000-$80,000 in costs.

Anna Hacker, national manager at Australian Unity Trustees Legal Services, says if the divorce is amicable, there are lots of things that can happen because people are talking to each other.

"They can negotiate with a bank if they've got separate finances at that point. I've seen people that have continued to have the mortgage together and it's not that uncommon," says Hacker.

She says financial institutions won't always focus on both names on the property title and it becomes trickier if one person is remaining in the property.

There are many cases where people continue living under the same roof, too. If that's the case, there's less of a need to deal with the property immediately.

When couples are not communicating properly or there's more tension in the room, Jarrett-Dalton says this is when poor financial decisions can be made.

"There might be one partner who gives up and says, 'I'll give them everything,' and they get out of there. That can mean passing over all the assets or they'll take on all the debt just to get out of the situation," she says.

The "do whatever it takes" attitude is not always the best one because there might be better options, even if it means taking over the other person's responsibilities. "Someone might be walking away with a car and feel they've got the better deal. But they're not doing it with eyes wide open," says Jarrett-Dalton.

Hacker says there are also situations where assets are tied up with businesses. The business may have a loan that was guaranteed by the property or the property was security and that becomes difficult to untangle. Financial stress might have led to the end of the relationship.

"Suddenly there's a debt on a house that there wasn't before because of an issue with a failing business. One party might be bankrupt and the other isn't, and it's really hard to settle anything there." she says.

And divorce cases occur in all age groups and scenarios. Jarrett-Dalton says first home buyers pop up more than people might imagine.

"Those first six months of making repayments when you've got to manage your finances on a tighter budget can be very stressful and we can see some couples come undone taking out that first mortgage," she says.

"I've got an example where a couple had been together for some years, saved really hard to get their first home (one party more than the other). Once they got into the house, both parties then had to match their savings and the contribution to the home loan and it wasn't long before that didn't work for them any longer and six months later they were selling.

"It's a shame and a wasted opportunity and here they are coming out of it with no equity and a tougher time to start again." (See case study, page 39.)

Traditionally it can be a

Top tips for managing divorce and a mortgage

- Communicate with your lender, let them know what's going on and maintain repayments as best you can, but if you're struggling, contact its hardship teams as soon as possible.
- Without blocking your spouse from accessing money, perhaps quarantine some funds separately (some for each of you) and turn joint accounts and redraw to "two to sign" to avoid assets being removed.
- Keep civil communication whenever possible, it won't help to inflame matters.
- Avoid the temptation to give away assets or take on disproportionate share of debt "to get it over with".
- Draw up a list of assets and liabilities (right down to furniture, superannuation and credit cards) and try and divide these amicably and fairly – the more you can do together the more you can save longer term.
- Get good legal advice. It doesn't have to be expensive, especially if you've already got a good idea of the asset division. There are benefits in keeping the family home, if possible, in terms of stamp duty savings – which your legal team can assist you with. And if you can't do this, then use the remaining assets wisely to build for your future, as opposed to short-term gains like a car or a holiday.

Source: Rebecca Jarrett-Dalton

Investors remain confident

A joint survey in May by the Property Investment Professionals of Australia and the Property Investors Council of Australia, which attracted 1877 responses from across the country, found the coronavirus had not changed the intentions of 80% of investors over the next six or 12 months.

CASE STUDY

Getting back on your feet after a divorce

Belinda and Scott* purchased their first home together in 2016 and within months the relationship was feeling the strain of the new finances. What worked well on paper in budget terms wasn't working so well in reality.

In the divorce, Belinda decided to pay Scott out. She received the benefit of no transfer duty and as the property's value hadn't increased a lot she used a family pledge via her parents to assist her buying out Scott.

Using her DIY skills and new-found free time, Belinda has renovated the kitchen and bathroom. She has also let out her spare room to a boarder to help pay the mortgage. With the improved value of the property and extra repayments, it won't be long before she can stand on her own without the guarantee, but either way she has a growing asset.

Source: Rebecca Jarrett-Dalton. *Names have been changed.

tougher time for women, and the mortgage broker is often asked what it means if, all of a sudden, their name is on the property title or the mortgage becomes solely in their name.

It can be challenging for women financially because often they've been out of the workforce and their skills might not be up to date, or perhaps they're part-time workers. They usually have the primary caring role or have to sacrifice the caring role to go back to work and put the kids in daycare.

They usually have to manage the childcare fees, and they perhaps have lower income. While there might be some income support such as the family tax benefit or child support payments, not all lenders like to consider these. "So they might have additional income that would help support a loan, but it isn't considered by every mainstream lender. It can be more challenging to find where they'll fit."

Jarrett-Dalton adds that women in their senior years can also find it challenging. They might not have as much super if they've had employment gaps. And banks now look for property exit strategies in the post-retirement age.

Passing on property

In April, comparison site Finder released a study of more than 1000 Australians which showed that 20% were prepared to create a will when they bought a property. Only 7% would create a will as the result of a divorce.

Australian Unity's Hacker says there have been cases where, even after many years of divorce, a person passes away and another person – because there wasn't a proper property settlement – may still be able to challenge the will.

"We will always say to people, 'Were there other relationships, how was that settled, and is there a skeleton in the closet that's going to come out later that we need to account for and explain why you haven't provided for that person?'," she says.

A common scenario is that, for a range of reasons, couples may not have wanted to finalise the property settlement at the time of divorce.

"There are many cases where we go to do someone's will and they'll say, 'Oh, I actually own that property but my ex-wife is still living in it and I've had nothing to do with that property since – we just agreed that's what will happen'," she says. "In this day and age it's probably less common, but we're talking about people who separated 20 to 30 years ago."

If you find yourself in this situation, Hacker says you should make it a priority so that it can be covered off in the will. It can be further complicated if people don't want to go through the expense of settling property. And if there's a new partner in the mix and you need to provide for them, it becomes even more complicated.

In terms of passing on your property to family, Hacker says you can give it to whomever you wish, but it's best to have a discussion about it early.

"Most people will have an idea about who they'd like to pass the property on to. It might be they'll pass the family home to the daughter and the investment property to their son," she says.

However, parents need to think about the different tax liabilities or other issues that may arise by giving one child a principal place of residence and another child an investment property that will have capital gains tax attached to it, which will be payable at a later date. Normally there would be detailed instructions on how to manage that.

"Let's say you have two $500,000 properties but one has $100,000 of capital gains, therefore after tax it's worth less than $500,000. You might have a calculation to give that child more to cover that capital gain to make sure it is equal," she says.

"On the other side of it, when people inherit those properties, they very much know their sibling received more than they did and are very keen to make sure it's equalised. Unless it's in the will, you can't necessarily just do it."

She advises having flexibility in your will. A common way to do this is to leave it in a wish – "it is my wish that if my daughter wants the property, she has the right of first refusal", for example.

The wishes are really important because it's what you're meaning to do. Are you meaning for it to be equal or are you meaning for it to be not equal. And it's always better to have the conversation with beneficiaries because they might not want the assets or there might be a better way to split them.

To exclude someone in a will is more difficult and Hacker says if someone is insistent on exclusion they really should provide detailed explanation – often an affidavit – of why that person wasn't provided for.

"If someone was to challenge, the affidavit can be used in court. A statement could be used as well but an affidavit is something you have to swear by. It's serious and has weight in court," says Hacker.

She points out laws are different from state to state on who can challenge a will and it's always important to make sure you get advice if there's any concern.

Hacker says people sometimes want to pass on their house to a charity, especially if it is valuable, or if it is an emerging charity as it could be a good place for a headquarters.

However, these cases are not always an easy "in specie" transfer. The main issue is whether the property is something the charity wants.

"There was a case a couple of years ago where someone had these intentions of passing on property but then had really specific requests in the will about what was to happen and it had to go court, where the charity said, 'Well, we already have a property that does this – so while we appreciate this gesture, it's going to create a financially impossible situation for us to maintain two similar properties for no reason'." *M*

Only the best will do

Next to our family and friends, another relationship that has the power to shape our future is the one we have with our banks, lending institutions and insurers. From our savings accounts to our credit cards, business loans and home loans, our day-to-day lives are inextricably intertwined with the way we transact for work and personal matters.

Even more so as we enter a global recession. Any benefits and concessions we can get from our bank – from fee savings to interest rate cuts – can bring back some of the extra money we lost from the pandemic. It can also help us stay afloat at a time when the economy is shaky.

It is with this in mind that we bring you the 2020 Consumer Finance Awards, a shortlist of the leading financial institutions in Australia. For some categories, we've compared hundreds of products to get to the final three. Some winners are back for the second or third year running, others are in for the first time. In nine of the 14 categories, the top three are completely different from what they were back in 2018-19.

I would like to congratulate this year's award winners for making the cut. They've had to beat hundreds of offerings to make the mark and deserve the recognition. I would also like to thank our data partner Infochoice and Alex Dunnin, Rainmaker Group's executive director research and compliance, for completing the analysis that underpinned this year's finalists. (Rainmaker is the publisher of *Money* magazine.)

If you're already banking with any of our award winners, give yourself a pat on the back. You're in good hands. If this is your first time encountering these financial institutions, grab a cuppa and allow us to make the introductions.

Michelle

Michelle Baltazar, Editor in Chief

AWARDS

HOW WE CHOSE THE BEST

Leading comparison website InfoChoice provided data on a full range of products and services, with analysis and supplementary data provided by Rainmaker Information, to help *Money* bring you these awards.

BANK OF THE YEAR

The winner had the highest overall score among banks that competed across six individual categories. Only full-service banks with a national presence were eligible for this award.

The weightings were:

- Home lender 30%
- Personal lender 20%
- Credit card issuer 20%
- Money minder 10%
- Investment lender 10%
- Business bank 10%

WINNER: SUNCORP

CUSTOMER-OWNED INSTITUTION OF THE YEAR

The winner had the highest overall score among customer-owned institutions competing across six individual categories. To be eligible for this award institutions needed to be listed as a member of the Customer Owned Banking Association and have more than $5 billion in assets.

The weightings were:

- Home lender 30%
- Personal lender 20%
- Credit card issuer 20%
- Money minder 10%
- Investment lender 10%
- Business bank 10%

WINNER: GREATER BANK

CREDIT CARD ISSUER OF THE YEAR

The winner was the credit card issuer that scored the highest average product rankings across the categories of low rate cards, premium cards, transactor cards, transfer balance cards and cards that offer rewards programs.

WINNER: BANK FIRST

HOME LENDER OF THE YEAR

The winner was the major bank that scored the highest average product rankings across the home lending categories of variable loans, fixed loans (over three and five years), basic home loans and home equity loans. Banks had to offer eligible products in at least three categories. Products were ranked according to annual average percentage rates (AAPRs), interest rates and charges available at March 31, 2020.

WINNER: MACQUARIE BANK

NON-BANK HOME LENDER OF THE YEAR

This category used the same methodology as the Home Lender of the Year. The winner scored the highest average product rankings across variable loans, fixed loans (over three and five years), basic home loans and home equity loans. Non-banks had to offer eligible products in at least three categories. Products were ranked according to AAPRs, interest rates and charges available at March 31, 2020.

WINNER: FREEDOM LEND

BUSINESS BANK OF THE YEAR

The winner was the bank that scored the highest average product rankings across the business banking categories of business loans, business transaction and savings accounts for multiple balance amounts and business credit cards. Eligible products were ranked according to interest rates and charges available at March 31, 2020.

WINNER: SUNCORP

INVESTMENT LENDER OF THE YEAR

The winner was the customer-owned institution scoring the highest average product rankings across the property investment lending categories of variable loans, fixed loans (three and five years) and home equity loans. Lenders had to offer eligible products in at least two of the four categories. Products were ranked according to AAPRs, interest rates and charges available at March 31, 2020.

WINNER: POLICE BANK

NON-BANK INVESTMENT LENDER OF THE YEAR

The winner was the non-bank lender scoring the highest average product rankings across the property investment lending categories of variable loans, fixed loans (three and five years) and home equity loans. Lenders had to offer eligible products in at least two of the four categories. Products were ranked according to AAPRs, interest rates and charges at March 31, 2020.

WINNER: TIC:TOC

NON-BANK LENDER OF THE YEAR

The winner was the non-bank lending institution judged by Rainmaker Information to score highest across seven core dimensions: product range, business strength, ability to raise lending capital, innovation, corporate transparency, loan quality and customer depth.

WINNER: LA TROBE FINANCIAL

PERSONAL LENDER OF THE YEAR

The winner was the bank that scored the highest average product rankings across the personal lending categories of unsecured personal loans fixed over three and five years, car loans and debt consolidation loans. Eligible products were ranked according to AAPRs at March 31, 2020.

WINNER: MOVE BANK

MONEY MINDER OF THE YEAR

The winner was the banking product provider that scored the highest average product rankings across the savings accounts attached to personal loans for low, medium and high balances; and term deposits over one, three and five years. Products were ranked according to interest rates and charges available at March 31, 2020.

WINNER: ME BANK

MOBILE BANKING APP OF THE YEAR

The winner was the banking app provider judged by Rainmaker Information to score highest across six core dimensions: security, innovation, ease of access and navigation, quick direct access to account information, features and customer support.

WINNER ANZ

INSURER OF THE YEAR

This category took into consideration home and contents and car insurance and is based on the following weightings:

- Home and contents 50%
- Car insurance 50%

WINNER: BUDGET DIRECT

MARGIN LENDER OF THE YEAR

Lenders were awarded points for positive features, investment menu and gearing capacity (known as LVR) on that menu.

The weightings are:

- Share investor 50%
- Managed fund investor 50%.

WINNER: LEVERAGED

BANK OF THE YEAR
SUNCORP

A quick response to the pandemic challenges, plus reduced fees, have strengthened customer support

WINNER Money MAGAZINE AWARDS 2020 BANK OF THE YEAR

Suncorp achieved a hat trick this year, winning Bank of the Year for the third year straight. It beat finalists **Macquarie Bank** and **Bendigo Bank** for the top spot. Macquarie emerged as a new competitor from last year's top 10 while Bendigo finished as a runner-up for the second time.

Banks were judged on a range of criteria including home lending, personal lending, credit cards, investment lending, business bank and money minding.

According to Suncorp Bank acting chief executive Bruce Rush, staying in pole position is the result of a dedicated focus on its customers. "Both our frontline team and head office staff have a strong culture of customer focus, from customer service to designing products and services," he says.

He says it's vital to always have a competitive offer. Suncorp recently launched a new cashback incentive for people refinancing their loans, and has added $1000 on top of the $2000 and $3000 bonuses for Covid-19 frontline workers.

The pandemic was a time to really focus on customers. Rush says government and industry support, as well as the detrimental impacts of Covid-19, led to an unprecedented number of customers seeking assistance.

"We've moved people around to support that part of the business and also mobilised some of our digital capabilities to make sure forms are easy for customers, rather than making them stay on the phone in peak periods. This has certainly helped our customers."

The team made sure it provided clear, concise and action-oriented information on the website for clients to access easily.

In the early days of the pandemic, branch staff contacted older passbook customers to make sure they could access banking facilities and "that's certainly gone a long way from our customer perspective", says Rush.

Even before this the bank was listening to its customer pain points, and introduced zero monthly account-keeping fees for all for personal and business customer deposit accounts.

"Each year, winning the awards is very important to us to give us a good external benchmark of how we're doing, committing and acting for our customers," he says. "We haven't felt we needed to do any one thing specifically to retain our position but have acted on customer insight and this year we realised our account-keeping fee had reached a significant pain point for customers. We listened and acted on it. It's not about doing something bigger and bigger, it's about being true to our customer-centric culture and acting on what they want.

"The everyday banking piece is a big and important one for us. The product we have is low fee but also full service. The real-time payment, digital capability and the ability to manage money through various accounts are very strong services and we get good feedback on that."

Rush says the next 12 months for all businesses and for all customers will be challenging. "Clearly there will be changes to the way our customers bank and we'll be there to support them," he says.

▼ RANKINGS

1	Suncorp Bank
2	Macquarie Bank
3	Bendigo Bank

LAST YEAR
1

WHY THEY WON
Focus on customer satisfaction and competitive rates.

TOP PRODUCTS
No-fee deposit accounts and a new cashback incentive on loans.

CREDIT CARD ISSUER OF THE YEAR

BANK FIRST

A credit card with low interest rates, plus flexible features, can help keep debt under control

In a category that saw three major institutions collect the top honours in 2019, there's been a huge swing to customer-owned banks in 2020. In challenging economic times it's no wonder that customer-owned banks and credit unions have come to the fore to give their customers credit card offerings that are well priced and stacked with features.

Michael Lawrence, chief executive of the Customer Owned Banking Association (COBA), says shopping around for the best credit cards is the best antidote to high interest rates.

"Cardholders can always start the process by considering a number of key questions: Has my spending behaviour changed? Do I have visibility of all card costs? When was the last time I assessed payments?"

"Clear awareness of your current and future needs will help you make an informed decision when faced with a variety of products."

Winner of the Credit Card Issuer of the Year for 2020 is **Bank First**. It was recognised for its sharp rates for both its Visa Classic and Visa Platinum credit cards, the latter with interest rates from 9.59%. Both cards currently have zero annual fees and 0% interest for the first six months as an introductory offer.

Adam Alsbury, chief strategy and marketing officer, says Bank First is thrilled with the award and always aims to provide a better banking experience to all its customers through better rates, lower fees and outstanding customer service.

"Our credit cards offer all of these features, as well as easy repayment options, up to 55 days interest free and range of exclusive perks on our platinum card," says Alsbury.

He says credit card issuers face increased competition from buy now, pay later services and consumers are increasingly shopping around to find low-rate cards that meet their needs – "and our cards do just that".

Alsbury says being customer owned also means the bank has a compassionate approach to credit control. During Covid-19 it has been "assisting our customers through this tough time with the ability to reduce or defer their repayments".

Reserve Bank governor Philip Lowe told a recent senate inquiry that the financial system has "some very well-priced products for consumers, and one of the problems we have is that people don't take them up. So I encourage people to shop around."

APRA chair Wayne Byres told the same inquiry he is puzzled why more people don't take up these better offers.

In second place, **Community First Credit Union** has some cheaper rates than Bank First – both of its low-rate/basic credit cards go from 8.99%pa. And all three of its low-rate credit card offerings scored inside the top 10 in the basic category. Also of note are the low fees on overseas transactions.

Third-placed **Teachers Mutual Bank** scored 14th for its lowest-cost basic credit card with an interest rate of 11.5% and zero annual fees.

The top three institutions scored the highest average in product rankings across the categories of low-rate cards, premium cards, transactor cards, transfer balance cards and cards that offer rewards programs.

▼ RANKINGS

1	Bank First
2	Community First Credit Union
3	Teachers Mutual Bank

LAST YEAR
n/a

WHY THEY WON
Scored highly for standard and premium credit cards with great benefits for new customers.

TOP PRODUCTS
Visa Platinum credit card has interest rates starting at 9.59% with no annual fees and a 0% introductory rate for six months.

CUSTOMER-OWNED INSTITUTION OF THE YEAR

GREATER BANK

As customers' needs change, their bank has to work hard to maintain an edge over its rivals

WINNER
Money MAGAZINE AWARDS 2020
CUSTOMER-OWNED INSTITUTION OF THE YEAR

Greater Bank has pipped incumbent Bank Australia for the Customer-owned Institution of the Year title. A constant effort to "stay ahead of the game" and to meet the evolving needs and expectations of customers is one reason why it won this year's award, says Greater Bank's chief executive, Scott Morgan.

"The Covid-19 crisis has further galvanised this position as customers turn to us for support during times of financial hardship. We want them to know that we are here for them when they need us most."

This last point is pertinent to Roy Morgan research that shows 90% of customers who bank with these institutions say they're satisfied.

Low interest rates hurt savers but they also squeeze the margins at customer-owned banks, meaning they have to invest in their business to get an edge. This includes ensuring "we are providing competitively priced, quality products delivered in a way that reflects outstanding customer service", says Morgan.

"Whether it be our customer-facing employees that work across our 57 branches across NSW and south-east Queensland or Newcastle-based contact centre, or those behind the scenes developing innovative products or services, each one plays a key role every day in delivering outstanding products and services."

Greater Bank scored highly in the money minder category, which looked at term deposits over one, three and five years as well as the savings accounts attached to personal loans. The bank's Our Best Term Deposit offers 1.25%pa interest for amounts between $5000 and $49,999 over a 13-month term (1.2%pa over 12 months). It bumps up to 1.3%pa over three years and 1.4%pa over five years.

The main point is flexibility. Customers have the option to invest by the month and terms start at one month and go up to five years. Interest can be paid monthly or six-monthly or when the term ends. There are no monthly fees and you can open an account with $1000.

Greater also scored highly in the business bank category, scored above the average in credit card offerings and is more than competitive in home and investment lending.

In second place, **Bank Australia** scored well across several categories including home and personal loans. At the time of writing, the bank's basic home loan starts at 2.85%pa with a 70% loan-to-value ratio or lower. If you're after a few more features (100% mortgage offset and several product discounts) you can get the premium home loan with a 2.63%pa interest rate.

Although Bank Australia has a smaller branch network than Greater Bank, the former dominates the customer-owned sector for making sure your money is invested sustainably. Your home loan won't go into fossil fuels, for example.

Third this year and in 2019, **Heritage Bank** consistently offers its customers good value and service. It also scored highly in the money minder category, as well as for personal lending products and credit cards. Its variable standard personal loan has an interest rate of 11.99%pa and loan terms can be up to 10 years for a range of uses. Its fixed personal loan (up to five years) starts at 8.99%pa.

▼ RANKINGS

1	Greater Bank
2	Bank Australia
3	Heritage Bank

LAST YEAR
5

WHY THEY WON
Competitive across the board but strongest in the money minder and business bank categories.

TOP PRODUCTS
Strong term deposits over one, three and five years in the low-interest-rate environment, as well as great business products.

NON-BANK HOME LENDER OF THE YEAR

FREEDOM LEND

A technology-driven focus on providing just what customers want means interest charges can be kept down

Freedom Lend won the non-bank lender of the year in 2017, 2018, 2019 and now 2020, and each year its runners-up have changed. This year loans.com.au and Aussie have challenged Freedom Lend for the hotly contested position; last year it was HomeStar and Tic:Toc.

According to Freedom Lend CEO Mark Huynh, the Melbourne-based online lender's success has been due to providing tailored solutions to clients and keeping its products as competitive as possible. "We're proactive and listen to feedback to build on relationships with existing customers and build on word of mouth."

Freedom Lend had four products in the top 10 for variable home loan rates of less than 2.8%. It was number three for its three-year fixed-rate home loan and number one for its five-year fixed product.

Huynh established the business in 2015 with the expectation that technology would be able to automate the lending process and form a home loan solution to rival the big providers. "Our group put in long hours and a fair amount of work, but since then it's been good and we've built up from that process."

He isn't daunted by the cash rebates that the big banks are offering at present, saying it is only temporary. "Some providers can offer cheaper rates and that may drop off, but we consistently offer our rate and have our standard offer."

▼ RANKINGS

1	Freedom Lend
2	loans.com.au
3	Aussie

LAST YEAR
1

WHY THEY WON
For the past four years they've maintained a consistently low variable loan rate, currently at 2.49%.

TOP PRODUCTS
Four-year fixed loan at 2.59%; five-year fixed loan at 2.64%.

Freedom Lend offers standard facilities of offset accounts, redraw facilities and a low cost (no ongoing fees), and the offset account comes with a debit account.

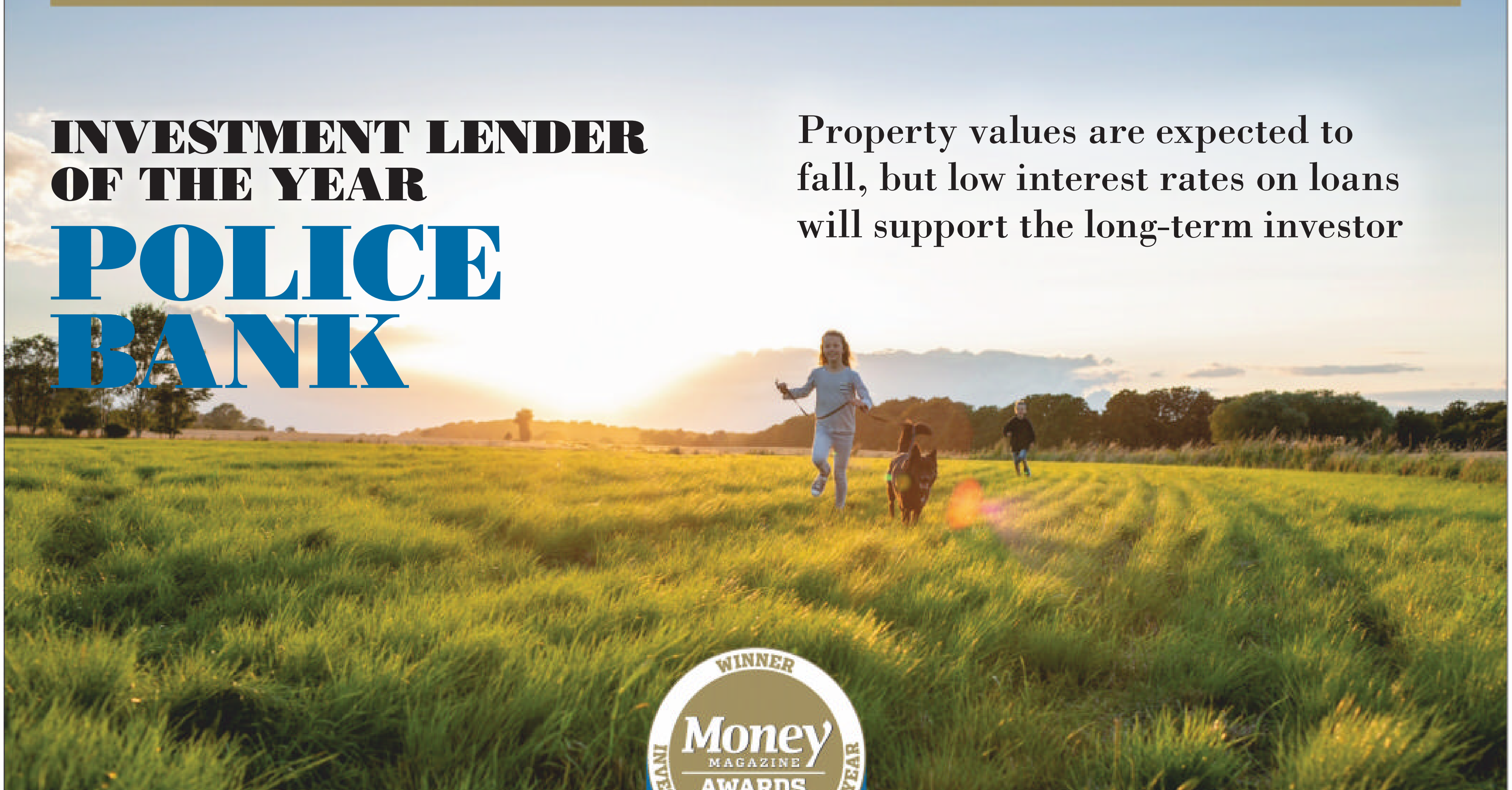
It found its biggest challenges this year to be the compliance and regulatory requirements that have been building up, and these have to be passed onto clients. Forms that were 40 pages are now 80 pages, says Huynh.

While Covid-19 has had an effect on the business, staff working from home wasn't a big issue. "We're all technology driven anyway," says Huynh. "The biggest change for us is that the number of home loan purchases has reduced significantly, as expected, and the tightening of valuations means valuations are lower than customers have been expecting and we have to adjudicate on any shortcomings."

Freedom's products are focused on the essentials and cut out the things that customers don't use, and by simplifying its offering it is able to keep their rates low.

Category runner-up **loans.com.au** has been in the market since 2011 offering competitive rates (currently 2.64% for variable). It operates as a division of Firstmac, a privately owned non-bank lender that has been in operation for more than 40 years.

Aussie, previously known as Aussie Home Loans, is owned by Commonwealth Bank and offers consistently low rates, coming first for home equity loans.



INVESTMENT LENDER OF THE YEAR

POLICE BANK

Property values are expected to fall, but low interest rates on loans will support the long-term investor

WINNER
Money MAGAZINE AWARDS 2020
INVESTMENT LENDER OF THE YEAR

▼ RANKINGS

1	Police Bank
2	IMB Bank
3	P&N Bank

LAST YEAR
n/a

Police Bank has knocked off last year's winner, Newcastle Permanent, to take out Investment Lender of the Year.

Property investors have been hit hard by Covid-19. While they've been able to take advantage of a fall in rates, this has been offset by a widespread slide in rents and the prospect of falling real estate values.

"With the uncertainty around the economic outlook clouding the outlook for property prices right now, and with a real chance that they fall five or 10% before stabilising, investors are a little more wary than they were at the tail end of 2019 in the wake of the RBA cuts," says Police Bank chief executive Greg McKenna.

"But the reality is that as long as investors are discerning in terms of targeting an area or property they are interested in, know the metrics driving their decision to invest in that property and take a long-term view, then the low-interest-rate world that's likely to persist for an extended period post-Covid will be property investment supportive."

There's always a silver lining, too. Our lives have moved online and this has become a key point of differentiation for those seeking investment loans.

"Jeff Bezos and smartphones have revolutionised banking and the trend to digital interactions, and it feels like Covid-19 and the lockdowns have accelerated that trend even faster," says McKenna.

He believes that good service means meeting customers where they want to be met.

"Some customers will want to use our Police Bank branches, but more often than not our members want a digital offering or over-the-phone app, using the internet combined with the personal touch of our mobile banking force and relationship managers.

"Our branches are open and the mobile team will be back on the road or increasingly on Zoom to meet with customers and members when and where they want to be met," says McKenna.

Police Bank currently offers two home loan investment options, both with a variable rate of 3.34%pa and fixed rates from 2.99%pa. The two options vary with their features list – for example, the Customs Value Home Loan has an offset facility and the ability to split the loan between fixed and variable.

Second-placed **IMB Bank** offers variable, principal and interest (P&I) investment home loans from 3.18%pa, with a 100% offset account included. Its fixed rate for one-, three- and five-year terms is 2.74%pa and you can be in advance with your loan repayments for up to 12 months without penalty.

In third place is **P&N Bank**. Its cheapest variable investment loan starts at 3.33%pa with a redraw facility and the option to make interest-only payments for the first five years. Its cheapest fixed-rate loans start at 2.79%pa for a two-year term, but only if your loan-to-value ratio is less than 80%. There are also one-, three- and five-year fixed-rate terms, so it's best to do your homework on the most cost-effective option.

WHY THEY WON
Ranked inside the top 20 banks across multiple categories and outscored its peers.

TOP PRODUCTS
Finished inside the top 10 for its five-year fixed investment loan at 3.36%pa.

PERSONAL LENDER OF THE YEAR
MOVE BANK

Low interest rates, flexibility and quick approval are just what borrowers need at present

According to Reserve Bank of Australia (RBA) data, outstanding personal loans in Australia amounted to more than $163.7 billion as at March 2020. The average variable interest rate for a personal loan was 14.41% while the average rate for a fixed personal loan was 12.42%. That's a lot to pay in interest, highlighting why it is so important to shop around for the best deal.

This year sees **Move Bank** win Personal Lender of the Year, showing once again that great options exist outside the big four banks.

For Move chief executive Therese Turner, success in the personal loan space is all about trust and value. "Now more than ever customers want to work with a lender they can trust to provide straightforward value," she says.

"We're finding people are asking a lot more questions before they make a commitment, to make sure they understand exactly what they're signing up for."

Move Bank rises to the challenge, says Turner, with great rates, no ongoing fees and the flexibility to make extra repayments without penalties. "Our simple online loan application means you can go from application to getting access to your funds within two business days.

"Additionally, as a customer-owned bank, 100% of our profits are reinvested to benefit customers, which means we can offer great value, easy-to-use products and the latest digital banking technology."

Need a new car? Move Bank customers can get a 4.89%pa fixed-rate loan with no ongoing fees, and the flexibility to redraw and make penalty-free extra repayments. And it can all be achieved quickly.

"Probably the biggest issue for consumers at the moment is the ability to get finance without a face-to-face appointment," says Turner. "This has gone from being a matter of convenience to a matter of necessity due to recent social distancing restrictions."

She says this all adds up to great value delivered by fast service.

In second place, **Australian Military Bank** is now offering car loans with interest rates between 3.6% and 7.3% depending on your credit history. The bank's variable and fixed-rate personal loans now vary between 4.85% and 11.9% and again it depends on your credit history. These rates were as at April 28, 2020; however, our awards were judged on data available as at March 31, 2020.

Third-placed **First Option Bank** is currently offering car loans starting at 8.99%pa for a fixed period of up to seven years, and its one-year fixed-rate personal loan is priced at 10.99%pa. Both its car loans and personal loans have an admin fee of $175 and have redraw facilities.

Demonstrating how competitive this category is, none of the top three banks from 2019 features in the top three for 2020.

Comparison website Infochoice says you can find good-value personal loans for under 7%pa, but what is best for you will differ from what is best for someone else because your needs and circumstances are different. And your current bank won't always offer the best rate.

▼ RANKINGS

1	Move Bank
2	Australian Military Bank
3	First Option Bank

LAST YEAR
n/a

WHY THEY WON
Ranked first in unsecured five-year loans.

TOP PRODUCTS
Ranked first in unsecured five-year loans.

Start your adventure

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Scan me

MOVE BANK

Railways Credit Union Limited trading as MOVE Bank. ABN 91 087 651 090 AFSL/Australian credit licence 234536. [1] The comparison rate is based on a secured loan of $30,000 for a term of 5 years. WARNING: This comparison rate is true only for the examples given and may not include all fees and charges. Different terms, fees or other loan amounts might result in a different comparison rate. Fees and charges apply. Rates quoted are correct as at 04/06/2020 and are subject to change without notice. ^ Loan is available for cars up to three years old and excludes private sales. Available only for new lending to MOVE Bank and excludes internal refinance. All rates quoted are per annum. Suitability and assessment criteria, fees, charges, terms and conditions apply.

MARGIN LENDER OF THE YEAR

LEVERAGED

Switched-on investors are getting ready to take advantage of any opportunities that emerge from the volatility

Leveraged, a subsidiary of Bendigo and Adelaide Bank, has dethroned CommSec to claim the Margin Lender of the Year award for 2020.

According to industry researcher Investment Trends and its 2019 margin lending adviser report, an overwhelming majority of stockbrokers (87%) believe their clients can benefit from the use of borrowings to boost investment returns, up from 72% in 2018. Borrowing is even more popular among financial planners – 89% believe it can benefit their clients compared with 82% in 2018.

However, their support for margin lending doesn't necessarily mean these advisers always recommend it.

"Advisers do not expect the local equities market to repeat its strong 2019 performance, prompting more advisers to consider gearing to magnify investment returns for their clients," says John Carver, analyst at Investment Trends.

"While the use of gearing to invest in the advice channel remains below pre-GFC levels (only 21% of planners and 60% of stockbrokers currently recommend margin lending), most advisers consider gearing products as part of their advice process.

"Margin lending remains the most popular option, but there is also appetite for non-margin lending products such as internally geared funds, home loan redraw facilities and lines of credit."

Lily Elliott, head of Leveraged, says customers are increasingly knowledgeable with long-term investment horizons. "They have a plan and they have a better understanding of markets and volatility. We are seeing more customers positioning themselves to take advantage of opportunities in a market environment of low interest rates and what many consider to be undervalued equities."

The customer experience is an increasing focus for the industry.

"Many advisers are open to re-engaging with margin lending, but improved product features are important to convert interest into action," says Carver. "While improved product features are key, margin lending providers must also continue maintaining their high levels of service and support."

This is particularly true when it comes to support from business development managers (BDMs). "A good BDM relationship is among the top three reasons why advisers favour their main provider aside from its good reputation and range of approved shares/funds," says Carver.

Elliott believes much of the success of Leveraged comes from its responsiveness and respect for customer choice. "This approach comes from a long-standing service offering that includes dedicated relationship managers to keep our customers informed, along with great online access and functionality at competitive rates," she says.

This is reflected in its connectivity to most investment platforms, a leading end-to-end online application process, a competitive lending rate and a dedicated service team.

In second place, **Bell Direct** moves up one place in the rankings this year. It was recognised for its comprehensive ASX list, a variable rate of 5.8%pa and its 10% margin call buffer.

Last year's winner, **CommSec**, was noted for its margin lending rates starting from 5.5%pa.

WINNER Money MAGAZINE AWARDS 2020 MARGIN LENDER OF THE YEAR

▼ RANKINGS

1	Leveraged
2	Bell Direct
3	CommSec

LAST YEAR
2

WHY THEY WON
Connectivity to most investment platforms; a leading end-to-end online application process; competitive lending rates.

TOP PRODUCTS
A margin loan with several add-on features and a dedicated customer service team.

HOME LENDER OF THE YEAR
MACQUARIE BANK

Quick turnaround in applications and sharp rates support a wide range of competitive products

Thanks to its quick turnarounds and clever pricing model in home lending, **Macquarie Bank** has become a favourite with brokers.

According to Alex Dunnin, executive director of research and compliance at Rainmaker Information, "not only are they a comprehensive, leading bank with a wide and flexible range of products, some of these are sharply priced to compete hard with a market brimming with leaner, cut-price competitors."

Brokers now look more favourably at Macquarie and are impressed by the clarity it has shown in setting out to whom it will and won't lend.

Mortgage Choice chief executive Susan Mitchell says Macquarie has been the big winner over the past two years. "They rolled out some amazing systems and really put in the time to invest in their processes," she says.

The consensus among brokers is that the bank's digital processes, including those for uploading documents, are the smoothest in the market, and loan approval times are around two days, something the major banks are unable to compete with.

It's for these reasons, according to Ranin Mendis, head of operations at Joust Home Loans, that a lot of brokers on his platform are using Macquarie. "It's become very clever with some of the pricing and loan-to-value ratio (LVR) tiers: it has 60%, 70% and 80% pricing tiers. Not a lot of lenders do that and Macquarie has been offering that since last year," says Mendis.

Currently it's offering a low three-year basic fixed home loan with an interest rate of 2.19% for owner-occupiers with a 70% LVR.

The bank's two main loan products are its basic home loan, which requires a 20% deposit, and offset loan account, which offers customers up to 10 fully transactional offset accounts – this is popular with those who want to segment their savings while still offsetting interest on their loan.

This product also comes with a Macquarie credit card with no annual fee for the life of the loan.

"Our focus is on delivering an exceptional experience when customers bank with Macquarie so we're pleased to be recognised as the best bank home lender in 2020," says Ben Perham, Macquarie's head of personal banking.

"Over the past year, we've transformed our home loan approval process to deliver market-leading turnaround times and are able to approve fully documented home loans in as little as three hours, which means we are giving greater certainty and confidence to our customers.

"We've also continued to develop our award-winning digital banking offering with additions such as Macquarie Authenticator, an app that gives our personal banking customers real-time control to approve or deny transactions and other account activity."

Second is **Adelaide Bank** with its Smart Saver fixed three-year owner- occupied rate of 2.29%. It is also known for its user-friendly products. **HSBC** was also a top three finisher last year and consistently provides low rates – its two-year fixed rate of 2.09% is the lowest in the market.

▼ RANKINGS

1	Macquarie Bank
2	Adelaide Bank
3	HSBC

LAST YEAR
n/a

WHY THEY WON
Well-priced products meant they scored highly across several home lending categories.

TOP PRODUCTS
Three top three-year fixed products with interest rates less than 3%.

BUSINESS BANK OF THE YEAR
SUNCORP

A three-time winner's attention to detail means customers save both time and money

WINNER
Money MAGAZINE AWARDS 2020
BUSINESS BANK OF THE YEAR

▼ RANKINGS

1	Suncorp Bank
2	BankSA
3	Bank of Queensland

LAST YEAR
1

For the third consecutive year, **Suncorp Bank** has won this award, a feat that acting chief executive Bruce Rush attributes to the strong focus on relationships.

"We're on the ground with our customers," he says. "For example, when a customer operating a wholesale business with no retail capability during Covid-19 needed to switch its business model, along with EFTPOS and banking to facilitate that, the relationship manager ensured we got that terminal into the customer's hands to enable them to move very quickly.

"We have a large presence in the agribusiness industry. Clearly the drought we've seen over the past few years has been a challenge for that industry, but our relationship managers look at how they can help them. We have good relationships with our customers and we're well embedded in those regional communities, which sets us apart."

Suncorp is a regular award winner with some sharp products, especially in business banking, according to Alex Dunnin, executive director of research and compliance at Rainmaker Information. He says business services is where Suncorp is strongest. "It has the lowest priced business loans with rates from 2.99% and lots of loan products with a presence in most parts of Australia."

One of the three changes the business bank has implemented recently has been reducing the small business lending rates across the board to ensure Suncorp is in the top quartile in the market.

It also axed transaction fees on business deposit accounts and introduced an advanced wave-and-save merchant terminal fee structure to help business customers reduce transaction fees on their EFTPOS terminals.

Rush says it's important to be clear to customers about what value Suncorp offers them.

"One of the key insights we have seen over a long time is that customers want convenience and we make sure we are saving customers' time, making sure banking can be done as quickly and easily as possible. There's not one thing we have to do – we have to do a lot of stuff and pay attention to the detail.

"We've had a sustained program of work to make things easier and simpler for clients, which means we've been able to offer, consistently over time, new services to clients and this gives us impetus to keep investing."

BankSA and Bank of Queensland were runners-up for the Business Bank of the Year. **BankSA** stands out for having the lowest-cost business credit cards, with rates from 9.99%. At the time of writing its Amplify Business Visa credit card had no fee for the first year ($89 thereafter) and up to 55 interest-free days on purchases.

For larger and more complex businesses, BankSA's Visa Business credit card allows up to nine additional cards, and credit limits can be assigned to each individual card.

Bank of Queensland offers a large range of loan products with fixed rates starting at 3.99% for its Business Term Loan. This loan is appropriate if you're looking to buy a new business or grow your business. The bank is also participating in the federal government's SME Guarantee Scheme.

WHY THEY WON
Sharp products and presence in most parts of Australia.

TOP PRODUCTS
Lowest-priced business loans at 2.99%.

MONEY MINDER OF THE YEAR

ME BANK

With strong competition between banks helping to keep interest rates up and costs down, savers will benefit if they shop around

RANKINGS

1	ME Bank
2	Greater Bank
3	Macquarie Bank

LAST YEAR
1

With the top 12-month term deposits paying just 1.9%, savers, investors and retirees need to shop around to get the best deal. It's especially true when all signs point to these rates not going up any time soon. But if this environment has an upside it's that it forces financial institutions to compete harder, squeeze their margins ever more tightly and innovate. Making this imperative is the fact that just as interest rates have been falling, pressure to lower bank fees has been rising.

ME Bank has again won the Money Minder of the Year award for its combination of competitive term deposit rates and savings accounts that can pay a maximum interest rate of 1.8%, although the regular rate is much lower. Its term deposit interest rates were, meanwhile, in the top five for both three and five years and in the top 10 for one year.

ME pipped the other term deposit products for the title because it had a weighted interest rate of 1.5% across the one-year, three-year and five-year maturity periods, according to data from Infochoice.

"We regularly monitor the competition to keep abreast of any key changes to interest rates. While this is only one factor that impacts our pricing, it's clearly an important input as it reflects the sort of information many customers will look at as part of their savings planning," says Craig Ralston, group executive, customer banking at ME Bank.

Besides competitive rates, it makes earning the 1.7% bonus rate simple. To qualify, account holders only need to complete four tap-and-go transactions each month.

WHY THEY WON
Combination of competitive term deposit rates and savings accounts that can pay a maximum interest rate of 1.8%.

TOP PRODUCTS
Open an online savings and everyday transaction account to receive bonus rate.

And to show its support during Covid-19, the bank gave customers the 1.8% rate in June regardless of the number of tap-and-go transactions they made.

It hasn't been all plain sailing for ME. It was heavily criticised after changing its redraw amounts for more than 20,000 borrowers in April (it has more than 500,000 customers). The bank has since reversed the decision, but not before drawing public ire.

Asked why the bank deserves the Money Minder of the Year award despite the backlash, Ralston says: "ME is still the same bank we always were, but like all organisations we can make mistakes. The mistake we made with redraw was poor communication – not telling customers we were adjusting their redraw limit before we made the change.

"We recognise that we fell short and when it comes to customer trust, we think it's important to own your mistakes – we can do better and we will."

In second place was the customer-owned and aptly named **Greater Bank**, which operates in NSW and south-east Queensland. Savers looking to put money away for more than one year can get interest rates that rank in the top 10 over one, three and five years. However, the shorter-run term deposits, while still competitive, ranked slightly lower.

Their Bonus Saver and Lifesaver savings accounts were market leaders, paying among the highest rates, especially if savers can keep their balances growing.

In third place, **Macquarie Bank** was also top 10 for most term deposits, although in some categories it was just edged out by ME and Greater Bank.

INSURER OF THE YEAR

BUDGET DIRECT

It takes a big effort to stay ahead in the fiercely competitive insurance business, but it has paid off yet again

WINNER
Money MAGAZINE AWARDS 2020
INSURER OF THE YEAR

▼ RANKINGS

1	Budget Direct
2	CGU
3	GIO

LAST YEAR
1

It's a four-peat for **Budget Direct** after another year of relentlessly pursuing low-cost and good-value insurance products for its customers.

Throughout the year Budget Direct achieved two major milestones in its offering. In a win for consumers, the insurer has updated its home and contents product disclosure statement (PDS) to make it easier to read and understand what you're covered for and how to make a claim. Not only has the PDS been tested on customers, with their endorsement, it's been recognised internationally for its high standard of plain language.

In November 2019, Budget Direct also launched its Money Manager app. A free and exclusive tool for customers, the app tracks the income and expenses in your bank and credit card accounts, and allows you to create a budget and set financial goals.

Jonathan Kerr, chief marketing officer at Budget Direct, says the consistent focus on having insurance solved for customers is why it has won *Money* magazine's Insurer of the Year for the past four years.

"It is testament to Budget Direct's ability to provide better-value car and home insurance than the other national insurers," says Kerr. "To win this highly coveted award for four years in a row is an unrivalled achievement and demonstrates that we really do have insurance solved for our customers.

"We're extremely proud of this achievement and the win is great validation of our team's passion and hard work to provide value for our customers."

Alex Dunnin, executive director of research and compliance at Rainmaker Information, says Budget Direct's intense digital focus allows it to be a national brand. "As a primarily digital business it can process claims 24 hours a day and guarantees all repairs to cars and homes nationwide."

He says the insurer constantly reviews and assesses its systems and customer experiences as part of its strategy to stay ahead in the brutally competitive insurance market.

Highlighting the need for insurance, a Budget Direct-commissioned survey of 1000 Australians in September 2019 found that more than 540 of them couldn't cover a $1000 emergency expense. Meanwhile, about 550 participants could only cover living expenses for up to three months.

Of the 8300 reviews on Budget Direct's website as at June this year, more than 6000 rated it five stars, while a further 1600 rated it four stars. It currently offers a 30% discount if you purchase home and contents insurance online.

Earlier this year Budget Direct also launched a Bushfire Recovery Fund with grants of up to $20,000 to assist communities affected by the fires and to repair or replace damaged facilities or equipment that wasn't covered by insurance.

Holding second place for several years in these awards, **CGU** remains an excellent insurer. Dunnin points out the business has been running in Australia for 165 years, is part of the Insurance Australia Group (IAG) and is also noted for its wide range of products, especially its emphasis on insuring businesses, farmers and tradespeople.

In third place for the second year, **GIO** also has a comprehensive policy range and is part of the Suncorp group.

WHY THEY WON
Offers a comprehensive range of products and is routinely among the lowest-cost insurers.

TOP PRODUCTS
Discounts across the board for car and home and contents insurance policies purchased online.


Budget Direct
Four the Record
WINNER Money MAGAZINE AWARDS 2017 INSURER OF THE YEAR
WINNER Money MAGAZINE AWARDS 2018 INSURER OF THE YEAR
WINNER Money MAGAZINE AWARDS 2019 INSURER OF THE YEAR
WINNER Money MAGAZINE AWARDS 2020 INSURER OF THE YEAR
Insurer of the Year.
4 years in a row.
INSURANCE SOLVED™
Budget Direct 20th ANNIVERSARY
budgetdirect.com.au | 1800 112 134
Insurance is issued by Auto & General Insurance Company Limited.
Read PDS available at budgetdirect.com.au to decide if products suit you.
Home Insurance not available in North QLD, NT and North WA.

MOBILE BANKING APP OF THE YEAR

ANZ

Apps that help with day-to-day banking and saving are a hit especially with younger users

WINNER Money MAGAZINE AWARDS 2020 MOBILE BANKING APP OF THE YEAR

Winning the Mobile Banking App of the Year award in 2020 is the culmination of **ANZ**'s transformation as a business and the way it interacts with customers. In 2017, it merged its technology and digital teams as part of its New Ways of Working program, creating a more "agile" workforce.

Darren Baird, digital portfolio lead at ANZ, says today's app is a product of that change. From the outset the newly formed team agreed it would release monthly updates, no matter how big or small, on the proviso it addressed what customers wanted. "We have spent a lot of time paying close attention to what our customers are saying. We surveyed them and held forums and understood what they really wanted and valued in the app," says Baird.

In the past 12 months ANZ has released a feature in its banking app that allows customers to activate their new debit or credit card and add it to their digital wallet or PayID without having to wait for the plastic to arrive.

"This might sound basic, but it was what they were really crying out for," says Baird.

As well as improving its goals-based savings solutions, ANZ has made it possible for customers to download, print and share their paper-based statements through the app. This has proved vital during the Covid-19 pandemic: at its peak, the bank was seeing 55,000 statements downloaded per day compared with the more normal 30,000. The app was seeing more activity than the branch network or contact centres.

ANZ's Spendi feature has also been a winner among its customers, tracking their incidental spending on any given day and any given account. "Some people don't think their Netflix is a discretionary spend, and that's okay, but every dollar you spend is a dollar you haven't saved," says Baird.

The most used feature of the app is the balance check, but again Baird notes that what sounds like a mundane task might be the most important. His team is constantly thinking about how many steps it takes and how to "make sure nothing gets in the way of that task".

He points to a bank balance widget that customers can use on their smartphone home screen so they don't have to log in. You don't have to tap to log into the app if you're using face ID or your thumbprint to unlock your smartphone – "you're straight in and your balance is there".

Last year ANZ announced a partnership with third-party transaction service Look Who's Charging. It sources information about your transaction history so that you can see who charged you, where they're located and their contact details – all within the app.

Last year's winner and this year's runner-up, **ING**, is commended for its simple interface and ease of use while having robust features that are common to most apps. Its round-up feature is also noteworthy, but this is becoming more common, too.

Third-placed **Commonwealth Bank** has the most popular app in the banking sector with an estimated seven million installs. It's highly noted for its security and does score higher with Android users.

▼ RANKINGS

1	ANZ
2	ING
3	Commonwealth Bank

LAST YEAR
n/a

WHY THEY WON
Highly regarded for security and innovation and for its integration with other financial apps, particularly those serving younger audiences.

TOP PRODUCTS
Goals-based savings solutions; tracking of incidental spending and transaction protection.

NON-BANK LENDER OF THE YEAR

LA TROBE FINANCIAL

Would-be borrowers who are rebuffed by the big banks can turn to innovative alternatives

WINNER
Money MAGAZINE AWARDS 2020
NON-BANK INVESTMENT LENDER OF THE YEAR

RANKINGS

1	La Trobe
2	Resimac
3	Firstmac

LAST YEAR
n/a

A new category in the Consumer Finance Awards for 2020, the Non-Bank Lender of the Year recognises the top non-bank institutions that score highest when it comes to factors such as product range, loan quality, the ability to raise lending capital, transparency and innovation.

The winner, **La Trobe Financial**, would be well known to *Money* readers for its mortgage trust investment offerings but perhaps lesser known for its loan products. Cory Bannister, chief lending officer at La Trobe Financial, says the wealth management group started as a home lending specialist when it opened in 1952 and has now served more than 150,000 customers across its entire business.

Its residential home loan starts with an interest rate of 3.59%pa and can be for personal or business/investment purposes. The maximum loan amount is $2 million (with a 75% loan-to-value ratio or less) and, at the smaller end, loans from $100,000 can be approved up to a 95% LVR. You also have the option to make interest-only payments for the first five years before reverting to a principal and interest loan with a 0.40%pa loading to your interest rate.

Bannister says the most popular loan product used by mortgage brokers is its Lite-Doc loan, first introduced in 1990. This loan starts at 4.59%pa, has a broader scope for its use and its verification only requires an accountant's letter or trading statements or business activity statements (BAS). It also has a slightly higher application fee than for regular full-doc loans.

The Lite-Doc Loan largely caters to the self-employed.

Over the past 12 months, and into the future, Bannister says La Trobe is committed to scaling up its financial solutions to "underserved markets". At a time when banks are narrowing their lending, non-banks have an opportunity to step up and assist.

"In the current Covid-19 environment this is a sizeable commitment and is supporting what appears to be a growing market of consumers who banks are turning away; we are continually innovating to ensure gaps in the market are filled," he says.

"Data released recently by the Reserve Bank of Australia has indicated that housing credit growth is at a record low, and on top of this it has been reported that one out of every five customers seeking credit is being declined by the major banks."

During the pandemic borrowers experiencing financial hardship can access a four-month repayment moratorium, interest-only periods and the waiving of some fees and charges, says Bannister.

He adds that borrowers won't have to contact overseas processing centres when taking out a loan and the group prides itself on quicker approvals. "We have accessible loan officers you can speak to who are incredibly responsive and transparent – borrowers can also speak directly to the decision makers," says Bannister.

In second place, **Resimac**'s Prime Home Loan has a variable rate of 2.81% for an 80% LVR or less with a minimum borrowing of $150,000 and loan terms between 15 to 30 years. It comes with 100% offset account and redraw facility. You can make unlimited extra repayments and there's an annual fee of $299.

Third placed **Firstmac**'s ZIP Home Loan has a variable rate of 2.83% for an 80% or less LVR with a minimum borrowing of $250,000 and loan terms of 15 to 30 years. It comes with a redraw facility, a ZIP Visa debit card ($5000 limit) and $500 in upfront fees.

WHY THEY WON
Scored highest across seven core dimensions including product range and loan quality.

TOP PRODUCTS
Lite-Doc loans for residential, self-employed, commercial or parent-to-child borrowers.

NON-BANK INVESTMENT LENDER OF THE YEAR

TIC.TOC

On top of the convenience, a smaller, more nimble online lender delivers low rates and speedy approval

The Covid-19 pandemic sent shockwaves through the global financial system, and non-bank lending is not immune. The Reserve Bank of Australia's April Financial Stability Review highlighted the chance of "extensive" credit and liquidity risks for the non-bank sector.

However, these risks should be somewhat alleviated after the Australian Office of Financial Management (AOFM) was provided with a $15 billion investment capacity to buy (fund) loans from small and non-bank lenders over a 12-month period. It effectively ensures you have the opportunity to borrow through the pandemic.

Non-bank lenders consistently offer exceptionally low rates, typically lower than the big four, thanks to the nature of the cost savings associated with their digital models.

Tic:Toc offers a fixed three-year investment loan rate (principle and interest) of 2.52% and a variable rate of 2.90% (principle and interest).

Both options include free online redraw, and the option of an offset account for an extra $10 a month, with no upfront or ongoing fees.

"There has been a large gap in the market for a complete digital home loan experience," says Anthony Baum, chief executive at Tic:Toc.

"While other financial products have transitioned online, Australians still expect the process of getting a home loan to be expensive, confusing and take weeks for approval. The demand for our fully digital home loan fulfilment experience has grown consistently over the last three years, and particularly so over the last few months with everyone working from home, and consumers becoming more confident about completing larger transactions online."

The digital experience is defined not just by convenience, but also speed of approval. "The beauty of a digital lending process is that its scalable, so while larger lenders struggle to keep up with customer demand, we can maintain same-day or near-same-day approval on more cost-effective home loans."

Tic:Toc plans to use artificial intelligence to further improve the customer experience. "We're also using our customer-facing business as a way to test and validate our explainable artificial intelligence (XAI) technology to help the industry deliver more efficient and responsible lending solutions for their customers as well," says Baum.

Last year's winner, **Freedom Lend**, takes second place in 2020. At the time of writing it had fixed investment loans starting at 2.19%pa with a minimum investment of $50,000. However, if you're chasing additional features like an offset and redraw account, the Freedom Variable loan starts from 2.49%pa.

Catapulting into third place this year is **Adelaide Bank**. For a fixed loan, investors are best checking out the bank's SmartFix product where interest rates start at 2.59%pa and loan terms vary from one to five years. Its SmartFit variable investment loans start at 3.03%pa (principal and interest). Both products have free redraws online and through the app.

▼ RANKINGS

1	Tic:Toc
2	Freedom Lend
3	Adelaide Bank

LAST YEAR
3

WHY THEY WON
Sharp rates, zero fees, free online redraw and an offset at $10 a month.

TOP PRODUCTS
Variable and fixed-rate (principal and interest) investment loans starting at 2.52% and 2.90% respectively.

Stand out from the crowd

STORY DAVID THORNTON

With unemployment soaring, this checklist will boost your chances of finding a role

With more than 800,000 Australians unemployed due to the Covid-19 pandemic, and the ever-present threat of more losses, understanding how to give yourself the best chance of landing a job is more important than ever.

Securing a job involves finding opportunities, tailoring your skills – and, if necessary, undertaking further training – preparing an application and presenting yourself in the best possible light at the interview.

Despite government intervention with the JobKeeper scheme, the pandemic has seen the number of those without a job hit high levels.

Unemployment jumped in April by 104,500 people to 823,300, while the unemployment rate increased from 5.2% to 6.2%. The impact on hours worked was also significant. The total fell by around 9.2% between March and April.

This meant a high number of employed and unemployed people left the labour force – which also means there was a high number of people without a job who didn't or couldn't actively look for work or weren't available for work, says Bjorn Jarvis, head of labour statistics at the Australian Bureau of Statistics' labour statistics.

The number of underemployed people also rose sharply, by 603,300 to a total of 1.8 million, while the underemployment rate rose to a record high of 13.7% (up 4.9%).

1 The search

Before you can prepare for a job interview, you first need to understand what is available.

The federal government's Jobs Hub website is a good place to start. Here you'll find job listings categorised by sector and geography, a list of in-demand jobs and a range of other resources.

Then there are the private job search agencies, including SEEK, Indeed, CareerOne, Glassdoor, Ethical Jobs.

However, while formal job searches are important, so too is informal networking with friends, former colleagues and other connections.

According to research undertaken by the Department of Jobs and Small Business, about 69% of higher-skilled jobs are advertised online, while 62% of medium-skilled jobs and 50% of lower-skilled jobs are advertised online. That leaves a huge percentage of open roles that aren't advertised online, with candidates found through direct approaches or word of mouth.

2 The application

"If you're applying for a job, the first thing you have to have is a comprehensive curriculum vitae. If you don't have that, you can't present yourself well," says Linda Jeffrey, from the Career Development Association of Australia.

It's best to create a generic CV, which can then be tailored to each application.

"The role you're going for will have specific needs, so you need to target those," says Jeffrey.

Much like the way companies carefully word the text on their websites to maximise their hits on Google, you want to align the wording of your CV with the key words in the job ad.

"If you apply online you'll go into a tracking system. Human resources will do a word and phrase search, and on matching they'll list the candidates from best to worst match. If you see a job you like, look at it and be realistic about whether your skills match the job description."

The essential requirements listed in ads should be viewed differently depending on whether the job is in the public or private sector. While less experience than is required may still leave you eligible for many jobs because you can make up for it with other skills or experiences, for some positions, including all those in the public sector, it's more black and white.

"Because the government is an equal opportunity employer, they'll only hire people who at a minimum meet the essential job criteria," says Jeffrey. "There's a lot of work that goes into making applications, so make sure it's targeted to things most likely to get you results."

Even though gaining employment should be the first priority, that doesn't mean you should forget about your career trajectory.

"Redefine your career goals to ensure that you are moving in the right direction towards your ultimate career ambitions," says Nick Deligiannis, managing director at Hays.

A five-year career plan can easily outdate itself, he says. "Add on the rapid changes that the Covid-19 pandemic has brought and it's the perfect time to revise your career plan."

Job seekers should also make sure to highlight transferable skills. "Ask yourself if you can pivot these skills into another industry or job roles that are actively recruiting," he says.

3 The training

The more skills you have in your arsenal, the more employable you are. "Learn a new skill that will make you a stronger candidate in your existing field," says Deligiannis. "Jobs change over time and perhaps there is a certain skill that you lack that employers now look for when they recruit. Or perhaps you could upskill your technology expertise."

He says you should use downtime in the pandemic to bridge any gaps by looking into online and virtual courses, events, conferences and webinars that could enable you to develop these skills remotely.

"There are a lot of state and federal training assistance schemes around currently, so it's worth seeing if you're entitled to them," adds Linda Jeffrey.

However, she says that training should be done, if needed, in a way that complements existing job experience.

"You don't necessarily have to go through an expensive training course," she says. "Often people jump into training, then realise they have no experience so they can't get a job anyway."

4 Stay positive

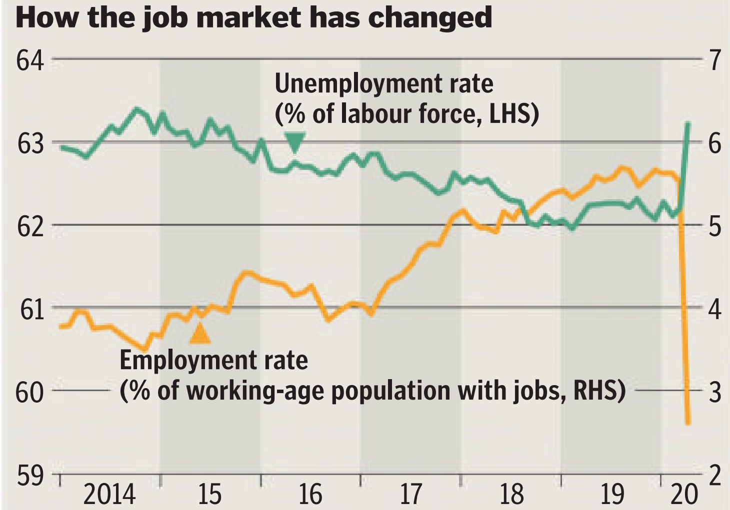
Despite the doom and gloom brought on by the pandemic, the situation isn't hopeless. Many industries have remained unaffected while others have even benefited from changing service demands and social patterns.

Deligiannis says the industries most actively recruiting include:

- Healthcare for nurses and support workers; procurement and logistics for warehouse operatives; and transport and delivery drivers.
- Supermarkets.
- Telephone-based hotline call centre professionals.
- Information technology.
- Mining.

The best way to navigate the job market is to have a positive and flexible mindset. "Labour market information is not that negative. Lots of employers are actively employing, and more will do so as the situation improves," says Deligiannis. *M*

How the job market has changed



Source: OECD

Keep up the support

The Organisation for Economic Co-operation and Development's (OECD) most recent outlook, published in June, encourages Australia's federal government to extend some of its income support measures (such as JobKeeper and JobSeeker) beyond September.

It says the government is also considering more plans to improve individual skills training.

"It could also further promote reskilling and upskilling through adult education and enhance job search programs," says the report. "Expanded loan guarantees … could reduce scarring for entrepreneurs and facilitate a more dynamic recovery."

Banks' compassionate response to hardship helps to make up for past sins

Payment deferrals, interest rate cuts and the suspension of penalties are among the measures introduced to ease customer stress

Big banks are often called our fair-weather friends. They're around during the good times but nowhere to be seen when you need them the most.

But in the past two years, a new pattern has emerged. They are providing more products and services that help the vulnerable and the needy. We saw this early this year when they helped those affected by the bushfires.

Then came a once-in-a-century test that stretched the banking system to the limit. Millions of Australians were caught out in an unprecedented wave of sudden business closures, job losses and stand-downs because of Covid-19.

In what is called compassionate banking, the big four – ANZ, CBA, NAB and Westpac – threw away their usual rulebook on how to manage savings accounts, personal loans, home loans and business loans. The focus shifted away from profits and towards the wellbeing of their customers, including how to relieve them of the financial burden during a pandemic.

If you are banking with one of these major financial institutions, here are 10 ways they are helping customers affected by the bushfires and the coronavirus crisis.

1 PAYMENT RELIEF AND DEFERRALS

According to the Australian Banking Association, the banks have provided more than 700,000 account holders temporary relief in making loan repayments, whether it's for home loans, personal loans, business loans or credit cards. The deferrals are provided for either three or six months, and are open for a review at the end of the agreed period. With an estimated six million Australians out of work or with reduced income, the big banks acted swiftly to provide this urgent relief. For example, ANZ has expanded the six-month repayment deferrals to businesses with loans of up to $10 million, covering 98% of Australian businesses that bank with it.

2 LOWER INTEREST RATES FOR SMALL BUSINESS OWNERS AND HOMEOWNERS

To help more small business owners get back on track, the banks have lowered their business loan rates and relaxed eligibility criteria. ANZ customers saw a 0.15%pa rate cut on variable interest home loans with the bank.

3 ZERO PENALTY FEES

All fees for late payments and other account changes have been waived since March. For example, NAB didn't charge late payment fees on all personal and business cards for three months (since April 3).

4 ADDITIONAL ANNUAL LEAVE DAYS

CBA gave staff an extra leave day to visit bushfire-ravaged areas and offered paid leave to those who are emergency services volunteers.

5 INCREASED INVESTMENT IN ONLINE BANKING PLATFORMS

Thousands of Australians who have never had an online account were automatically provided one, which they could use while social distancing rules and restrictions prevented the use of ATMs, bank branches and cash transactions. The banks opened dedicated hotlines to cater for these customers who, predominantly, were 70 years and older.

6 SCAM ALERT CAMPAIGN DURING COVID-19

New types of scams emerged as criminals took advantage of the spike in online transactions from people who are new to online banking as well as those who have requested early release of their super. The banks have taken part in a nationwide campaign to warn people of these scams and to ensure their online accounts are secure. There's a section on their websites dedicated to educating customers about the existence of these scams.

7 SPEEDY PROCESSING OF INSURANCE CLAIMS

The big banks have drawn sharp criticism for how they manage insurance claims. However, they were quick to process claims during the bushfire crisis. For example, since the launch of CBA's emergency assistance package, the bank has sped up the processing of insurance claims worth almost $100 million.

8 STAFF TRAINING TO SPOT SIGNS OF ELDER ABUSE

Even before the coronavirus outbreak, there were alarming signs of the rise of elder abuse, with many older people with dementia getting into difficulties either from their inability to manage their finances or family members taking advantage of the situation. These days, the big banks have trained staff to ensure they can spot signs of elder abuse from their customers' pattern of business transactions or behaviour when they come to a branch. The same staff are trained on the compliance procedures for alerting authorities and providing assistance.

9 COMMUNITY GRANTS, FINANCIAL AID AND MATCHING EMPLOYEE DONATIONS

The big banks have donated millions of dollars towards the bushfire crisis and some have matched their staff donations. They also offer grants that go towards rebuilding communities, supporting arts and entertainment and providing capital to entrepreneurs and small business owners. Because of Covid-19, some of the grants don't have a deadline and remain open to applicants. Check the relevant bank's website for details.

10 FINANCIAL COUNSELLING AND HARDSHIP ASSISTANCE

There's a huge concern that many people will suffer from depression and other mental health issues due to the financial and emotional distress brought on by the pandemic. While hardship assistance is not new, the big banks have made it easier for affected customers to access financial counselling services, either through their website, contact centres or emails. Westpac donated $500,000 to go towards Financial Counselling Australia to help people affected by the bushfires.

A year ago, none of the big banks made it to the top 10 most trusted brands in Australia, according to Roy Morgan research. The royal commission into the financial services sector exposed, warts and all, the banks' shortcomings. However this year, CBA has re-entered the top 10.

Interestingly, it's the same bank that introduced a complimentary insurance cover called Home Loan Compassionate Care for both new and existing customers, which will provide up to 12 months of mortgage repayments in the event of terminal illness or death of the borrower, spouse and/or any dependants.

"Paying off a mortgage is a long-term commitment, and when a family goes through the hardship of terminal illness or the loss of a loved one, they should not have to worry about their family home," said Angus Sullivan, CBA's group executive of retail banking services, at the time of the launch.

The big banks have a long way to go before they can fully restore public trust after the royal commission and the banking scandals in recent years. A show of compassion during hard times is a step in the right direction.

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

Break those feelgood habits

A few simple but powerful tools can improve your financial behaviour without the usual emotional pain

Creating new habits is hard. Our human nature loves to maintain the status quo, and sees small change as energy sapping and frustrating. Plus, when we attempt to build good financial habits, such as cutting back on discretionary spending, we face a fight against the emotional pain of loss that these cutbacks bring.

My emotional side says, "I like having my coffee each morning from the barista who remembers my name", "I deserve that expensive meal out", "I need credit to get new things that I can't afford and pay off later". In order to gain better habits you often need to lose the old feelgood ones.

This internal struggle of loss versus gain feels like a battle between freedom and restraint. "You can take our lives, but you can never take our freedom" I can hear our reactive nature screaming. The good news is that if we can create good habits, the same status quo mechanism that hates change kicks in to keep our good financial behaviours going strong. The challenge, then, is how we transition good financial behaviours from tasks we constantly think about into more automatic habitual behaviours.

Fortunately, behavioural economics gives us some insight into how we might attempt to do this. Here are three psychological "power tools" you can use to help create better behaviours – use simple rules, nudge yourself and be socially accountable.

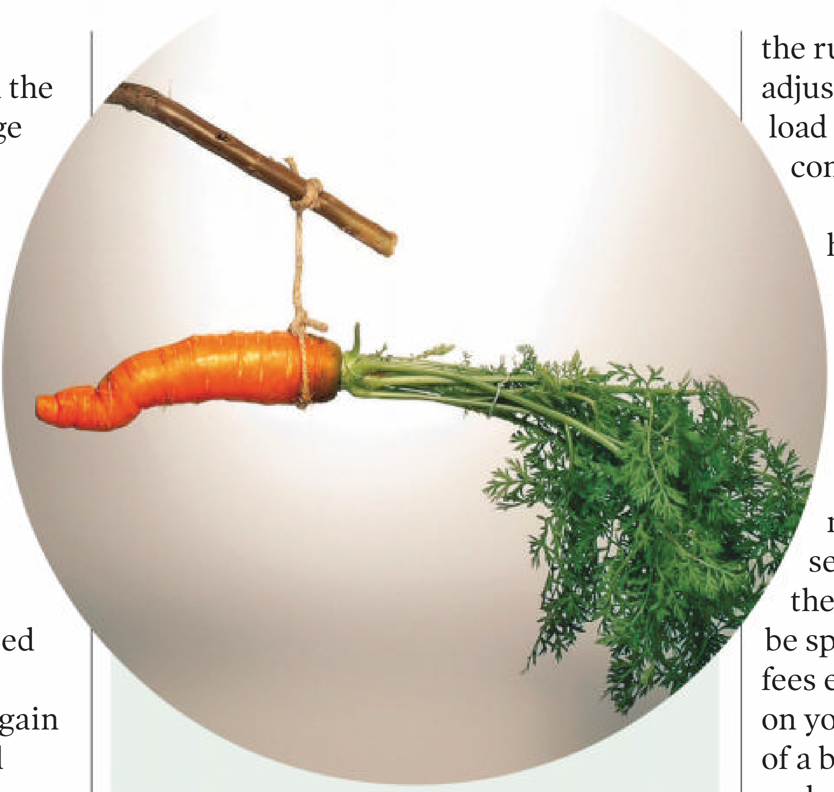
Firstly, using simple rules is powerful, particularly when it comes to the emotionally charged topic of money. For instance, my wife and I talk about any expense over $200, we save or invest at least 20% of our income regardless of our earnings, and we never sell shares simply based on their past performance. These simple rules are excellent for removing emotion out of good decision making. If the rule doesn't work well, you can always adjust accordingly. This reduces cognitive load and helps you increase the clarity and confidence of your decisions.

Secondly, use the power of nudges to help point you in the right direction. Nudges are simple and obvious things in your physical environment that help remind you of desired behaviours. Setting up a calendar reminder at the same time each month to reconcile accounts is a nudge. Splitting your money into separate sub-accounts and naming them according to how the money should be spent (utilities, entertainment, school fees etc.) is a nudge. Setting the password on your bank account log-in to remind you of a big savings goal ... you guessed it ... is a nudge. You're allowing your environment to do the thinking for you, saving time and mental energy in the process.

Finally, use social pressure to hold you accountable. Talk to your partner about desired spending habits and goals, and get them to hold you to account. Create a chat group with like-minded and trusted people to share wealth targets and investment plans. Have a "savings thermometer" on the fridge so the family can see how much you've put aside for a family holiday. These things work because when you deviate from the plan, you need to explain your behaviour to others.

Our brains are amazing – harnessing our mind's own power tools to improve our decisions and create better habits just makes sense (yes, pun intended).

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

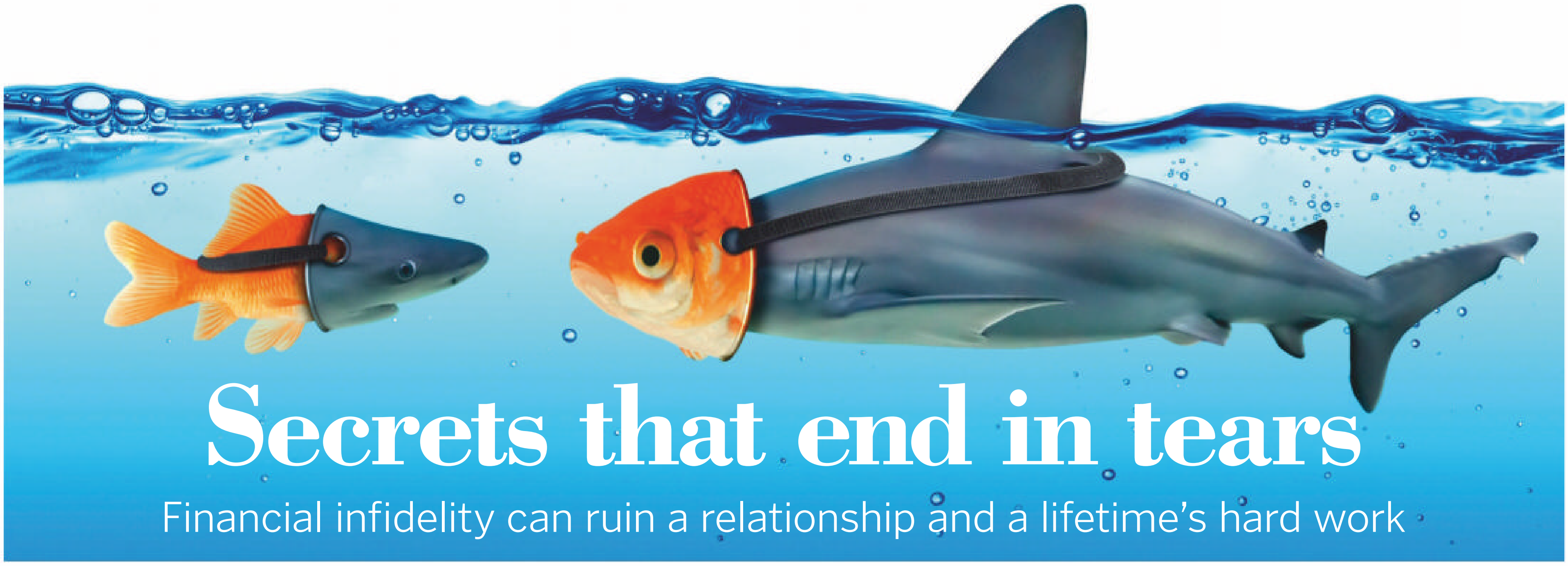


3 psychological power tools for better financial habits

Simple rules. Setting up simple decision-making rules makes dealing with money less emotional and more systematic. This also means that when things don't go well you can blame the rule (and refine it) rather than feeling as if you have to defend your own judgement. Less emotion, better behaviours – it's a win-win!

Nudge yourself. Put little nudges in your environment, such as calendar reminders or account-naming conventions, to help guide your attention to what matters most. Why do the thinking when you can set up your environment to help do it for you?

Tell others. Make commitments to others you trust, and get them to hold you accountable. Social group dynamics and expectations are extremely influential, so get your tribe to help keep you on track and form better financial habits.



Secrets that end in tears

Financial infidelity can ruin a relationship and a lifetime's hard work

My father had a double life. He ran a second family that he kept secret from my mother and his kids for many years. When he finally told my mother the marriage was over, he had obscured his true finances, so it was impossible for her to find out where he hid his money.

Not surprisingly I'd found it hard to trust partners when it comes to money – until I met my husband. I'm not alone. I hear from plenty of women and men, some more financially savvy than my mum, who have been duped.

Often the lies about the finances are uncovered accidentally. One woman I know found her husband of more than 30 years had been conned into sending thousands of dollars to his secret eastern European "girlfriend".

Another thought she and her banker husband had paid off their mortgage and were in a solid financial position. Then she found out he had drawn down on the house and they were mortgaged to the hilt. She later discovered he had lost their self-managed superannuation fund money, too.

Another discovered her husband had not paid his tax for more than 15 years, even though he told her he had been putting in his tax returns. He faced a huge tax bill and even more in fines.

Of course, it cuts both ways in relationships. Women take advantage of men, too. What they all have in common is that lying about the family finances doesn't end well. Trust is violated and often relationships fall apart dramatically.

What scares people is that they are financially exposed even though they haven't made the bad moves. Suddenly all the hard work towards financial security has been for nothing, says the woman whose husband had more than $1 million in unpaid tax and fines.

Inheriting debt from a partner or a past relationship occurs to about 20% of people, according to a 2020 St.George survey of 1500 Australians about family finances. What's more, only half of those have talked about it openly to work through it.

It found that a lack of trust in a partner's money management is quite common, with 24% of Australian couples not trusting their partner when it comes to money. Around 27% say that trusting their partner about managing money depends on the circumstances.

One in 10 people in committed relationships admits they are not open and honest with their partner about debt and their financial situation. Often, they are embarrassed and ashamed about it.

"Being open is particularly important for couples because ultimately, at some point in their lives, their true financial situation is likely to be revealed," says St.George's general manager Ross Miller. "Whether it's problems with credit history when they apply for a home loan, combining household income for a family tax return, or in the unfortunate incidence of getting a divorce, a person's financial situation can rarely stay secret in a relationship forever."

A mistake that people make is not being involved in the family finances. If my mum had been looking at the bank and credit card statements, she would have seen that there were some weird anomalies and perhaps uncovered my father's second family before he hid his money. But he controlled the purse strings.

While it is fairly typical for one partner in a relationship to take financial control, by paying bills, managing cash flow and looking after the assets, ideally there should be transparency about all finances.

Australian women are less financially literate than men, according to the 2018 HILDA survey, and this can result in them handing over financial responsibility to a partner.

But because women typically have shorter working lives but longer life expectancy, taking a back seat with family money puts them at greater risk of financial abuse.

So women need to look at the accounts and the numbers to make sure that all your money is all there.

This doesn't mean you necessarily need joint bank accounts. It is not uncommon for both partners to have individual accounts, or a combination of both joint and individual. You do want some discretion on how you spend some of your money. You just want to make sure that there are no nasty surprises.

Don't ever let anyone bamboozle you or talk down to you about your money. Understanding your debt, managing your bank accounts and knowing where the financial assets are held is a concrete skill you can teach yourself, so don't be put off being involved.

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

Meet the bookkeeper's friend

Affordable accounting software makes life easier for resilient SMEs

For many small businesses, 2020 has unquestionably challenged the resolve of the most resilient, with research accounting software provider MYOB revealing that 58% of SMEs say the Covid-19 pandemic has negatively impacted their business.

But don't be discouraged. Another study by accounting software provider Reckon shows that business leaders with high resilience are far less likely (29%) to consider giving up on their business compared to those with low resilience (70%).

Besides, highly resilient small business leaders are more likely (47%) than average (38%) to use accounting software platforms such as Reckon, Xero and MYOB to help them reach their goals.

Get online or fall behind

Surprisingly in 2020, 41% of SMEs still don't have an online accounting solution, and 24% have no accounting solution at all, according to the MYOB Brand Monitor, March 2019-2020.

As a small business owner myself, the decision to switch to cloud-based software transformed our bookkeeping and saved plenty of coin. Previously, bringing the accounts up to date was a painful fortnightly event involving a bookkeeper and pages and pages of bank statements. Now, checking on outstanding invoices, reconciling payments and scrutinising cash flow and profit and loss is a real-time service easily accessible from a smartphone or desktop.

Many of the accounting software packages also offer the holy grail of bank feeds. Another game-changer for my business, a bank feed is an automatically created list of transactions from a credit card or bank account that is delivered directly to the accounting software. The software program matches the bank feed with a client invoice or an expense. Like some sort of bookkeeping sorcery, with a click of a button the transaction is reconciled immediately.

Once you've determined to leap from spreadsheets and bank statements, the next step involves weighing up the cloud accounting competition, namely, Reckon, Xero and MYOB.

Reckon

If you're starting an SME, Reckon One Basics is a $7-per-month package that allows you to undertake several activities such as enter payments and expenses, track and report GST, reconcile bank statements, check cash flow in real time and create budgets.

The rub with Basics is that it doesn't let you raise invoices or bills or provide bank feeds. However, as an entry point into cloud accounting, Reckon One is up to 75% cheaper than some of the competition. This saving can be significant for a fledgling small business.

Reckon One Essential is the next rung up at $17 a month. This plan lets you create unlimited invoices and bills and provides bank feeds. Once you bring in some employees, you'll need to consider Reckon One Pro, which comes with a subscription of $24 a month.

If you start to expand rapidly and need employee timesheets, there is Reckon One Premium at $36 a month. Also, if a business needs payroll, it can choose Reckon One Payroll for $7. This plan covers payroll for unlimited employees and makes your single-touch payroll (STP) compliance and JobKeeper payments a breeze.

Gaynor Jeffrey, chartered accountant at Db Jeffrey in Mandurah, Western Australia, says Reckon One is suited to small businesses because of the platform's pricing. "Reckon One is very functional and compares well with MYOB Essentials and Xero," she says.

"Its user interface is simple, and when it comes to reporting you can get a lot of information from it. Possibly not as much as Reckon's premium desktop products and Xero. But it compares well to MYOB Essentials. If you're a small business starting out and you're watching costs, I'd recommend the Reckon One range."

Xero

Xero isn't the cheapest service on the market, but the software provider assumes even the smallest start-up will be invoicing clients relatively quickly. Therefore, with Xero's Starter Plan, an SME can send five invoices or quotes to customers each month, enter five bills and reconcile 20 bank transactions. Starter also allows for a payroll of one employee. The monthly subscription is $25.

If you have two people in the business, then consider Xero's Standard monthly subscription of $50. With Xero Standard, your SME can send unlimited invoices and quotes, enter bills and reconcile bank transactions via bank feeds.

For those who've been in business a bit longer, try Xero's popular Premium 5. For $60 a month, a company can send unlimited invoices and quotes. There's also unlimited bill entry, bank reconciliations and payroll for up to five employees, as well as automated employer superannuation contributions. If you want to add employees to the business, the additional monthly fee is $10. For every extra employee, Xero charges $7 each.

Katarina Vencel, from Vencel & Co Accountants in Sydney, says Xero is excellent across the board. However, the experienced accountant has some clients who prefer MYOB's inventory functionality.

"When it comes to comparing the accounting platforms, you should compare price, functionality and what your business requires. For example, if you need inventory management, MYOB is better than Xero," she says.

"SME owners should talk to their accountant and bookkeepers, who can get them even cheaper packages through Xero."

MYOB

Sydney-based accountant Anita Pavlovic, from Anita Pavlovic Business Advisory, recommends clients to choose between MYOB, Xero and Reckon based on several variants. "The lifecycle and nature of the business, as well as whether they are using a bookkeeper, will determine what software I recommend they use. The basics are similar and how you use them often depends on your business experience," she says.

MYOB Essentials Starter is available from $27 a month and is perfect for those launching into small business. Starter offers STP reporting for one employee, allows you to pay a single employee and track and prepare your business activity statement (BAS) and goods and services tax (GST) obligations. Starter also offers 25 bank reconciliations a month.

There are six MYOB plans for SMEs ranging from $27 a month to $70 for AccountRight Premier, which is for businesses that manage multiple company accounts. Apart from invoicing and bank feeds, MYOB Premier also offers Single Touch Payroll and Superstream, job tracking, inventory tracking and multicurrency reconciliations.

"MYOB has been around the longest, and I have used it for over 20 years," says Pavlovic. "MYOB Essentials is easy to use if you're raising invoices and paying bills and is cost-effective. Once you require more complex accounting services, then you'd start to look at MYOB AccountRight."

AccountRight has more bells and whistles than the competitor.

"It's suitable for more complex businesses where you have foreign currency [transactions], are an importer or exporter, or you have [customs] duties, and transactions across different costs centres."

At the time of writing, MYOB was offering 50% off all its monthly plans for the first three months of a subscription. According to a company spokesperson, these discounts will still be available in July.

When choosing the right cloud computing software for your business, there are no right or wrong decisions. Whichever software you go for, it will be an improvement on clunky spreadsheets, as the likes of Reckon, Xero and MYOB will streamline your bookkeeping and let you focus on what you do best, which is running your business.

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

On a mission that puts people first

THERE'S A REASON LA TROBE FINANCIAL IS WINNER OF *MONEY*'S 2020 NON-BANK LENDER OF THE YEAR ... IT'S OPENING DOORS FOR AUSTRALIAN BORROWERS

With a history spanning close to 70 years, a period covering good times and bad, the $11 billion La Trobe Financial is still following its mission to change the lives of everyday Australians through its products and dedicated program of community giving.

First founded by Ray O'Neill in 1952, La Trobe Financial was built on the principle of "people first", coupled with the firm belief that home ownership is the foundation of financial independence.

Seven decades later, La Trobe Financial continues to offer a flexible range of competitively priced home loans, and a suite of award-winning wealth management products.

One area where La Trobe Financial stands apart in the financial sector is the remarkable continuity of its leadership team. Almost 40 years ago, Ray O'Neill handed the reins of leadership to his son Greg O'Neill OAM, who continues to guide the business to this day in his role as president and CEO. Several of the key leadership executive team have served in excess of 15-20 years in the business.

There have been a few other changes along the way. In December 2017, Blackstone, the world's largest alternative asset manager, with over $538 billion of funds under management globally, acquired an 80% stake in La Trobe Financial. The non-bank's values remain the same but the partnership strengthened La Trobe Financial's resources to continue its path of disciplined growth.

Home sweet home

For the past seven decades, one of La Trobe Financial's core values has been to help people from all walks of life own their home.

"We have one of Australia's broadest product suites in the market," says Cory Bannister, chief lending officer at La Trobe Financial. "The range and flexibility of our mortgage products means La Trobe Financial can better serve the needs of customers across every life stage, while also tailoring loans for borrowers who don't fit the lending criteria of the major banks."

Bannister, who has been with the group for 22 years, is clearly driven by a strong sense of purpose. "It is more critical than ever for us to continue our important work, filling any gaps in the $1.7 trillion mortgage market to assist our fellow Australians achieve financial security through property ownership."

Chris Andrews

Cory Bannister

Reflecting on this, La Trobe Financial has continued to evolve in line with changing work patterns in the economy. In particular, Bannister points to the growth of the gig economy, which has seen a massive jump in the number of Australians who are self-employed. It's estimated that 7% of the nation's workforce are now involved in the gig economy.

Yet these are people whose irregular work patterns can make it difficult to secure a loan. "Our willingness to assess loan applications on a case-by-case basis means homebuyers who don't fit the 'typical' picture are not frozen out of the market," says Bannister.

On a winning streak

Money readers will be familiar with La Trobe Financial's unique achievement of taking out *Money*'s Best of the Best Credit Fund – Mortgages award for 11 consecutive years.

It is a record that Greg O'Neill is understandably proud of. "We have a highly experienced team who work hard every day to deliver consistently outstanding results for our mum and dad investors."

Last financial year alone, La Trobe Financial returned $151.8 million in interest payments to investors, an impressive result in today's low-rate environment.

Chief investment officer Chris Andrews, who has been part of the La Trobe Financial team for over a decade, highlights the wealth manager's exceptional breadth of experience as a key factor behind its investment success.

"When you have been in the market for almost 70 years, your investment team and portfolio managers get a very clear sense of the cyclical nature of the economy and asset markets. So our investment style is shaped by fundamentals – not fashion."

Andrews says La Trobe Financial maintains a highly disciplined investment approach.

"This helps us stay grounded even during times of volatility, so that we can deliver performance throughout the economic cycle."

Putting others before self

La Trobe Financial's award-winning Credit Fund,

Greg O'Neill OAM

which invests chiefly in Australian property credit secured by registered first mortgages, is Australia's largest retail credit fund. It has $5 billion in assets under management and 45,000 retail investors. O'Neill is keenly aware that large numbers of Australians rely on him and his team to carefully manage their money. "This is where our value of 'others before self' is so important," he says. "Our entire team is committed to being responsible stewards of our clients' hard-earned savings. We don't follow complicated methods or switch styles. We just use good business disciplines."

It is this commonsense approach that O'Neill believes has seen La Trobe Financial thrive, even during some of the toughest economic times when global giants have failed. "It's proof that you don't need to be big, but you do need to be solid."

Making waves globally

While La Trobe Financial is no stranger to *Money*'s Best of the Best awards, the non-bank is also attracting global attention. London-based *International Finance Magazine* declared La Trobe Financial the winner of its 2020 Best Non-Bank – Australia award, the fourth consecutive time it has won this accolade.

The wealth group backed this up by taking out the award for Australia's Best Investment Management Company for the sixth year running. In the customer-focused style that is typical of its leadership team, Andrews describes the award as a confirmation of their track record of "delivering real value to investors through a transparent approach that has stood the test of time across all economic conditions."

Community causes

Behind the fanfare of awards and accolades, there is another side to La Trobe Financial. This is a non-bank that takes its responsibilities as a corporate citizen very seriously.

The spirit of putting others first doesn't just apply to the way it does business; it also underpins the work of its philanthropic arm, the La Trobe Financial Foundation, started in 1972, and, which has an extensive program of grants, scholarships and charitable-giving to support Australian communities.

Caterina Nesci is the head of foundation and product marketing. It's a role that she is clearly passionate about. "Making a difference to people's lives is part of our DNA at La Trobe Financial," she says.

One of the key pillars of the foundation's giving program is supporting causes that are close to the hearts of staff and customers. This was certainly the case in 2019, when the La Trobe Financial Foundation funded the purchase of six "da Vinci" surgery robots for Melbourne's Epworth Medical Foundation for $5 million.

Additional support was provided in 2020, when the foundation donated $1 million to help Epworth Hospital in the fight against the coronavirus. And in early January, during the bushfires it donated $1 million split equally between the Salvation Army and the Australian Red Cross.

"The foundation has always had an unwavering commitment to making a difference in the lives of others," says O'Neill. "Australians have a reputation for standing behind one another when the chips are down, and it was the foundation's way of thanking our frontline emergency workers, and supporting them in the amazing job they have been doing."

Continuing the legacy

As we all navigate change at an ever-increasing pace, it is reassuring to know that non-banks such as La Trobe Financial are giving consumers the benefit of a wide range of flexible mortgage and wealth creation products while still holding true to long-held values. That's a rare combination in today's market. For La Trobe Financial's customers, it is providing certainty that their money is being well managed even though the times may be uncertain.

Supporting Australians through tough times

In January 2020, Australia experienced some of the worst bushfires in the nation's history.

La Trobe Financial wasted no time in stepping up to the plate with a $1 million donation split between the Salvation Army and the Australian Red Cross to help bushfire-affected communities rebuild.

Borrowers received a direct helping hand. La Trobe Financial extended generous disaster relief to fire-impacted customers – this included paying loan interest and charges for 12 months for those who'd lost their homes.

"We wanted to offer meaningful support to the community, and we were determined to look after our customers during a period that I'm sure all Australians will look back on as a deeply challenging time," says CEO Greg O'Neill OAM.

Hit the refresh button

STORY JULIA NEWBOULD

It needn't cost a fortune to transform your home. These expert tips highlight the cheap and cheerful projects that will do the job

Spending more time at home has given many of us the opportunity to change and refresh our homes or to fix any faults, and this includes taking on interior design projects.

Interior design can range from a deep clean, a decluttering and a lick of paint to remodelling rooms, updating wall coverings, bringing in new furnishings and much more. Starting with a budget can help define the scope of what you can achieve, and how you can get the best value for your money.

Decluttering is a cheap first step

Sally Flower, a KonMari practitioner trained by Marie Kondo, says that if you're selling a property, decluttering is the best place to start. "It's one of the smartest things you can do, both for the costs of transportation [to a new home] and the invaluable improvement at the inspection," she says.

And whether you're ready to sell or not, it's a good tip for when you're thinking about improving the value of a property.

According to Flower, the first thing to do before embarking on your new project is to work out your idea of design. "Understand what your palette is, what talks to you. You can get really lost if you walk into a space, even Kmart, and be caught up in what's being sold to you," she says.

"Before you purchase anything for your home, declutter anything that isn't talking to you and that is not making your home feel like where you are in life right now."

Flower says you could be holding onto things to mark a different stage of your life. "For example, if you've recently retired you might be holding onto all the things you used to take to work – cases, books, stationery. Or if your kids have moved out of home you might have a room full of excess kids' stuff that no one wants. Get rid of it before making changes and really welcome the new environment. Don't be afraid of empty space."

While culling is the name of the KonMari game, Flower says if you have a signature piece that stands out and you're not ready to let it go, don't. Consider hiding it instead.

"It could be a lamp, stool, or pot; you can hide it and then bring it back out. That way you're not buying and putting things in landfill, you're buying quality pieces you rotate around your home and can even rotate seasonally."

Minimalist Joshua Becker talks about the "convenience fallacy": the extra few seconds saved to have something accessible is not worth the visual space it takes. This means clear spaces are worth more than a handy stash of pens on the desk or remote controls on the coffee table. He suggests putting things away until they are needed.

You don't have to purchase things to make the home feel nice and fresh, and don't be afraid to move things around. Think about the flow of the home. Walk in as if you're a guest. How does it make you feel? Does it make you comfortable enough to take off your shoes and relax or is it too cluttered?

Lockdown proved to be the ideal time for people to declutter their homes and discard unwanted items.

This means the savvy bargain hunter can find plenty of treasures online through sites like eBay, Facebook Marketplace and even free "pay it forward" groups, often also found on Facebook.

Depending on your home and your taste, you might easily pick up items that are no longer in vogue for some people but perfect for you.

Roadside rubbish collections, especially in upmarket suburbs, can result in renovating gold. One friend recently found a whole outdoor setting that just needed cleaning before being put to use in her courtyard.

Working in white

Terry Kaljo, founder and chair of Contemporary Hotels, started her business designing for hotels, but now has moved into luxury holiday living.

Paint is the first place to start, she says. "There's always Dulux Vivid White paint. I've worked on painting everything in a room white but then add a few highlights like nice light fittings, which is amazing."

A tip for painting is to avoid anything that makes a place look small. "If you have a really fabulous big room, you could paint it black with a lot of white finishes and that would be chic, but lots of us live in smaller spaces so it's better to think lightness. I love Vivid White, and then you can add paintings and photographs and not have things match."

The next thing to add is something that creates a lot of warmth. "I like to add a softness, whether it's in fabrics, cushions or even a bit of wicker – all those things are inexpensive. Plants are a cheap fix as well."

Kaljo says minimalism is good. During Covid-19, many of us have realised we don't need a lot of items.

"If people want a really good look, it's good to clear the whole room out and have a little think. Have a look at the aspirations of design and consider your lifestyle," she says. "My husband likes a big, ugly, comfortable chair, so that has got to stay. You too will have some things that need to stay."

Once you're in decorating mode you often find you're looking for that perfect addition to your home and sometimes you pick up things when you least expect – driving through country towns or visiting a new neighbourhood.

Sonya Vidic, director at Sonya Vidic Interiors, flips properties in Sydney's eastern suburbs and agrees that the cheapest way to start a spruce-up is by painting a room in a nice fresh white.

How to stick to a budget

1. Do the painting yourself. It's less expensive and you can change the room, not just the walls. Top brand names will cost between $60-$80 for a four-litre tin. For tile paint, and paint for cupboards and doors, expect to pay extra.

2. Use art. You can find large pieces at some retailers, or you can do your own abstract pieces that are on-trend and inexpensive.

3. Shop at budget retailers like Kmart – you can get so much for so little, and it's simple to change decor and soft furnishings like cushions and homewares.

4. Go back to thrifting – with Facebook Marketplace and Gumtree you can pick up amazing things. I found a dining table for $30 and after I spent a bit of time sanding it, people now come into my house and rave about it.

Zoe Gilpin

Opposite page. Sublime sanctuary... Thirty One Degrees, Oak Beach, Port Douglas by Contemporary Hotels and Beach Houses

CONTEMPORARY HOTELS AND BEACH HOUSES

"New light fittings are also a great idea, and you can get them at inexpensive places like Beacon Lighting,'" she says. "As you're coming through the door, a good light fitting is important. Sometimes it's nice to put two pendants over a dining table."

In a bedroom, an easy lift is to style it with fresh bed linen, or a new throw, bedcover or cushions. Vidic is a big fan of Ikea and chainstores where you can buy rugs, curtains and linen cheaply. She insists on good proportions in any styling.

"When I walk into a room I look at what needs to be taken out, scaled down or scaled up. I believe lampshades and lamps should be extra tall because some are so low you're not getting enough light to read and it doesn't balance the room. High lamps add a dimension to the room," she says.

Artwork is important, whether it's your kids' effort or an expensive original, and you can always double-layer frames. Go to a framer and ask for double moulding with white and brown so it adds layers and gives the artwork another dimension.

Design for DIY decorators

Perth-based designer Zoe Gilpin, who runs the DIY Decorator, shares tips online. Her service provides online design boards for DIY home decorators to achieve her vision through their own work.

Working in interior design for 14 years, she decided to start the DIY Decorator in 2015. "Everything I do now is to show everyday people on everyday budgets how to make their house fabulous," she says.

Decorating room by room is more budget friendly, she says. "Work on areas like kitchens and bathrooms first because they are the money rooms."

She always starts the process with a budget first and tries to make it a low one to keep it affordable.

"You have to work on what you can afford, depending on circumstances at the time," she says. "With areas like bathrooms and kitchens, you need to think about how long it needs to last – around 10 years, at least."

Start by sourcing, and that's where you want to spend the most time, says Gilpin. Take at least a month to put lists and pictures together so you're prepared for the project, and the closer you stick to that, the easier it is to stick to a budget.

Spend a few hours online before going into the shops. You're likely to find bargains online before heading out, including kitchen sinks and benchtops," she says.

Then visit stores like Bunnings – each store has its own specials and clearance items and you can find great buys. A friend recently found tiles for $1 a box and managed to tile her whole kitchen for $7.

It's also a good idea to sign up for catalogues and emails from your favourite shops so you find out about sales. Gilpin says bedrooms and living rooms are her favourites to update.

"I'm constantly rearranging my own, and the majority of my clients want those rooms done as well," she says.

Current trends are autumn tones, rust and mustard, and Bohemian styling like cane and rattan, she says. And sofas and couches shouldn't be scrimped on.

"If you get a $200 couch, you'll get a year or two out of it. You're better buying good quality furniture – a good lounge costs around $3000 or more," she says.

She agrees that light fittings and lamps are important to add height to a room.

"A lot of people don't know how to fill space and feel there's something missing," she says.

"One of the things I'm most proud of at home is my kitchen. We decided not to change the layout so we spent two weekends painting (walls, tiles and cupboards) and adding a panel wall from Kmart (1.2 metre easy craft panels, for $480) to give a beach-house look. It was a cheap and easy way to decorate." M

How to avoid common design slip-ups

1. Not measuring before you buy can leave you with an oversized or undersized sofa in your living room.

2. When choosing hard finishes for kitchens and bathrooms (tiles, benchtops), people often choose an on-trend colour and end up not liking it down the track. Decorate with colour but use neutrals for hard finishes that will give a longer life.

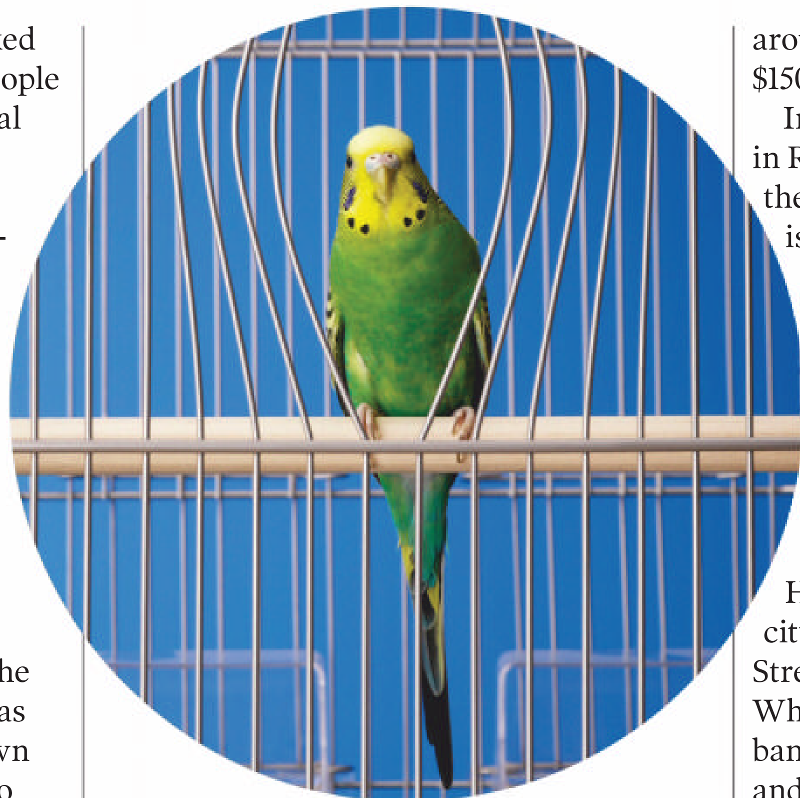
3. Beware of buying on-trend pieces just because you see them in a catalogue or online but then find they're not a good fit for your house or style. It's easy to get excited when an item goes viral, but think first how it will look in your house.

4. Think twice before mixing too many different styles. Zoe Gilpin

CONTEMPORARY HOTELS AND BEACH HOUSES

Escape from the city

Home could be a $100,000 cheapie for workers who are no longer tied to an office



The Covid-19 pandemic has sparked a new wave of inquiries from people interested in moving from capital cities to regional areas, according to real estate agents.

The pandemic has meant a lot of people experienced working from home virtually full time for the first time and many found it beneficial. More than 80% of people say the experience has had a positive impact on the way they think about work-life flexibility and how they manage it, according to a survey by the NBN. Additionally, and critically, 67% say they expect to work from home more after this is all over.

If working from home does become the new norm for many, it opens up the areas where people can live and still hold down a job. It means you might even be able to consider buying a real cheapie for $100,000 or less.

Our desire to live close to work is a major reason our cities are so crowded and house prices are so expensive – indeed, too expensive for lots of us.

Covid-19 has shifted the way people think about where they live and work. If you can live virtually anywhere and still hold down a job, there are places in every state where you can buy a decent home for around $100,000. Contrast that with the median prices in the major cities: Sydney $885,159, Melbourne $686,798, Brisbane $508,386, Adelaide $441,184, Perth $443,669 and Hobart $486,056 as at May 31, according to data from CoreLogic.

In Australia's first heritage listed city, Broken Hill, there are homes for around $100,000. A small home on a 478sqm block in Chapple Lane was on the market for $99,000 at the time of writing, according to realestate.com.au. Recent sales included a three-bedroom home in Patton Street for $84,000 and another three-bedder in Williams Street for $95,000.

Broken Hill is a long way from Sydney – a 13-hour drive and a four-hour plane trip – so it would best suit those who didn't have to visit the office too often. But even if you did have to factor in some commuting charges, consider that your mortgage repayments would be tiny compared with the mortgage on a median house price in Sydney.

If, for example you borrowed $80,000 on a 30-year principal and interest mortgage at 2.65%, your monthly repayments would be $322. If you borrowed $708,127 (80% of the median Sydney price) on the same mortgage terms your repayments would be $2854.

If you prefer to use your cheapie home as an investment, the median rental for a two-bedroom home in Broken Hill was $220 at the end of May, according to realestate.com.au, equating to a jaw-dropping gross return of 11.44% a year. Keep in mind, however, that Broken Hill is labelled a low-demand market.

If you want to be closer to Sydney, there are two-bedroom units in Orange, a regional centre with a strong wine and food culture and a 3.5-hour drive from Sydney, for around $100,000 and several homes in the $150,000 to $200,000 range.

In Victoria, you can buy a "cute cottage" in Rainbow, a small rural town known as the gateway to the Mallee, for $95,000. It is a 4.5 hour drive from Melbourne. The two-bedroom home in Railway Street is rented for $160 a week, providing an investor with a gross return of 8.8%.

Rockhampton, a city in central Queensland known for its beef production, boasts properties around the $100,000, especially in suburbs such as Mount Morgan, Walterhall, Depot Hill and Allenstown. In Rockhampton city there is a four-bedder in Campbell Street for $100,000 at the time of writing. While it's a seven-hour drive from Brisbane, the area is well serviced by rail and air.

In Port Pirie, a seaport 2.5 hours' drive north-west of Adelaide, you can buy a two-bedroom home in Jellicoe Street for $100,000 and there have been recent sales around that mark. The median weekly rental is $183 for a two-bedder, according to realestate.com.au, giving a gross return of 9.5%.

Queenstown, the largest town in Tasmania's west and once the world's richest mining town, boasts some cheapies including a home in Denison Street for $99,900. Indeed, the median price in the area is a mere $91,500, according to realestate.com.au.

In the WA town of Merredin, three hours' drive from Perth, there have been several recent sales at under $100,000, not surprising given the median house price is only $82,500. Available at the time of writing, a three-bedroom home in Endersbee Street is for sale at $99,000.

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.*

The magic of equity

STORY STUART WEMYSS

The value of your present home can be tapped to help you climb further and faster up the property ladder

Many people are at a loss when it comes to financing a property that, on paper, is negatively geared. They're uncertain how they'll make up the cash flow shortfall that often comes with well-located, high-capital-growth property, as opposed to a high-yielding, "pays for itself" rental investment.

On the other hand, some people never even consider starting a property investment career because they believe they simply can't afford it. They think, "How can I possibly pay off my own home while I'm saving a deposit for another one?"

Equity equals opportunity

Equity is often overlooked when it comes to property finance. Equity is the net realisable value of a property – or how much cash you'd walk away with after you deduct sale costs, outstanding debt and capital gains tax from what the investment is currently worth.

However, there's another definition of equity that's relevant when you start talking about using equity as financial leverage – borrowable equity. This is essentially the property's value multiplied by 80% (with 80% representing the amount you can generally borrow without the need for mortgage insurance), minus whatever you owe against the property. For instance, if a property is worth, say, $500,000, you can theoretically borrow $400,000, but if you already owe $300,000 against the property, your borrowable equity will be only $100,000 – the extra amount you can borrow using the property as security.

The true beauty of equity is that it increases over time, isn't taxed like your hard-earned savings are, and can be used to help you climb the property ladder much faster than you can if you save cash to use for deposits on further investment purchases.

So can equity work to increase your borrowing capacity, build your portfolio and keep your cash flow on track?

Deposit power

Many people who consider getting into property investment feel that before they can make a move, they have to work their behind off to repay their home loan and become debt free. This would be a dream come true for most of us, but the reality is it can take a very long time to do it and in the meantime you could miss out on potentially lucrative investment opportunities.

Most homeowners are sitting on a goldmine, with substantial equity in their property, and they don't even know it. Equity is like the goose that lays the golden egg, in the sense that it can build on itself in a variety of ways and continue to grow and work for you.

One way that equity can increase your potential to make even more equity is by using some of the capital you have in your own home as a deposit for investment purposes. It's much easier to rely on the escalating capital in your home, rather than trying to save a deposit from scratch, for two reasons. Firstly, equity is not taxed like income (not until you sell it, anyway) and, secondly, the natural growth in value of a well-placed property will far outweigh any interest you could earn via a savings account.

In other words, if you're keen to build an investment portfolio in property, you're far better off adjusting your mindset to the idea of borrowing more, rather than scrambling to pay off your home.

The key is to buy a good quality asset, then let capital growth work its magic over many years and decades, while you refinance to release borrowable equity that you can use as a deposit. There you have it – a simple way to step up the property ladder.

Loving the leverage

When it comes to equity, the more you have, the more agreeable you'll find lenders will be when it comes to handing over extra borrowings. This is because equity in a property provides them with greater loan security. Using equity in this way is known as leverage and it's an excellent way to gain progress in your property-investment endeavours (see case study).

casestudy

Maximise what you can borrow

Let's say that a would-be investor, William, has a home currently valued at $600,000, with a $300,000 loan – therefore, $180,000 in borrowable equity. William wants to buy an investment property for $700,000, but doesn't have a cash deposit because he's been concentrating on repaying his home loan.

In this instance, the bank will add the total loan amount that William requires and compare it to the total security he'll have. So William's total loan will be his $300,000 existing mortgage, plus $740,000 for the purchase of the investment property ($700,000 plus $40,000 for costs). Of course, we would split these loans out to avoid cross-securitisation, but for the sake of simplicity let's ignore this for a moment. William's borrowing more than the total cost of his new investment property and increasing his overall borrowing to $1.04 million

At the same time, the total value of the property the bank will be holding as security is $1.3 million (William's home, worth $600,000, and the investment property, worth $700,000). The loan-to-value ratio (LVR) is calculated by dividing $1.04 million (total borrowings) by $1.3 million (total security): William's total LVR is 80%.

So although William has borrowed nearly 106% of the new investment property's value (being the price plus costs), the equity in his existing home reduces his overall LVR and provides the bank with ample security.

Buying property that pays

This might all sound promising, but there are several factors that can bring the equity equation unstuck for investors. The most crucial element to being able to access and use equity in property is the actual building of enough capital to generate adequate amounts of the stuff in the first place.

From this perspective, I can't stress enough how important asset selection is. You need to be investing in the highest-quality assets, so that you maximise your chances of enjoying strong capital growth. I discuss this in detail in my book *Investopoly*. Even more importantly, you need to regularly review the performance of the properties you own. You should never settle for second-best, and so you should dispose of any underperforming properties as soon as possible. This is something the vast majority of investors don't do for many reasons: I suspect the primary motive is that they don't want to admit they picked the wrong property!

You should be looking for an average capital growth rate of 4% to 5% above inflation, at the very least. Even a 1% differential in capital growth will result in an almost $500,000 difference in equity after 20 years (on a $750,000 property).

That's why I believe that before you buy an investment property, you should seek professional advice (or at least a second opinion) from a qualified, independent investment property adviser. With so much potential wealth on the line, you'd be silly not to. Purchasing the wrong asset can be very costly in terms of stamp

Top investment risks

The three main risks with property investment are interest rate increases, a depressed rental market (no rental growth) and low capital growth.

The interest rate risk can be addressed by fixing the interest rate on most of the debt. Selecting a top-quality property and engaging a professional property manager will minimise your vacancy and income capital-growth risks. However, the only way to account for potential risks, particularly for an absence of rental income, is to build a buffer into the loan, thereby allowing for a temporary cash flow deficit.

duty, subsequent selling costs and, more importantly, lost capital growth.

From a credit perspective, lenders often consider the location of a property. If people are buying high-capital-growth properties, demand will outstrip supply and that makes lenders feel confident they can realise that asset in a timely manner if required. In other words, if the wheels fall off and you can't make the repayments, the lender knows that they'll probably be able to sell the asset quickly and for a reasonable price.

How do I release my equity?

Once you've come to terms with the idea of using your equity to either start out in property investment or add to an existing portfolio, how do you actually get hold of your equity? What practical methods of refinancing or restructuring are the safest, and what are the pros and cons of using various loan structures to release your equity so it can work for you?

LINES OF CREDIT

There's no denying that a line of credit can be a handy way to access equity, and is often recommended to investors as the easiest option. Many lenders and mortgage brokers suggest that lines of credit are beneficial because they provide borrowers with flexibility in terms of availability of funds, transaction capability and loan repayments, all at home loan rates.

It's true that a line of credit allows investors to withdraw the funds they need (up to the agreed limit) for a number of purposes – such as to put down a deposit or purchase an investment property. However, in my experience, less than 5% of the clients I deal with would benefit from using a line of credit to access their equity. Generally speaking, a line of credit is more expensive than other loans, because most lenders charge a higher interest rate for them. There are many other loan products that allow you to access equity without having to pay any interest at all, until you use the money. This is of great benefit if you intend to use your equity for a deposit on an investment property, as you'll need to set up the loan facility before you make the purchase.

For this reason, I'd suggest that as an alternative to a line of credit, investors should consider a loan with redraw or an interest-only loan with an offset attached. Although a line of credit can be a good option, there are often lower-cost products that allow easy access to borrowable equity.

SECOND MORTGAGES OR REFINANCING

A second mortgage is taken when an investor approaches another lender, with whom they don't have their initial mortgage, to take out a loan against their home or another property they own. For instance, if you were to decide you want to access your equity to put a deposit on another property, you might approach the Commonwealth Bank, when your initial home loan is with Westpac. You'd end up with two separate mortgages from two separate lenders against the one property: Westpac holds the first mortgage and Commonwealth

Bank has to register a second mortgage.

This isn't really a popular option these days, and most lenders avoid second mortgages wherever possible. The secondary bank is uncomfortable with such a set-up, because it knows that the initial mortgagee will be paid out first should anything go wrong – as a result, it will often lend a much lower LVR to obtain a higher security buffer. Therefore, it's not an efficient use of equity.

Generally, these days you'd refinance with the lender who already holds the mortgage on your home and establish a second account with them – this is often called an "internal refinance" or restructure. Alternatively, you'd refinance everything to a new lender and establish two new accounts – often called an "external refinance".

An internal refinance has some distinct advantages. Your existing lender can establish a second loan account just by setting up a new loan agreement. This means they simply rewrite the existing mortgage contract, or create a totally separate mortgage contract, but generally don't need to change the registered mortgage itself, as they already have a charge over that property. They're really just using the equity in it. They would revalue the

property, do the sums to work out how much borrowable equity can be released, then give you access to those funds by establishing a new account (assuming you can afford to borrow the money, of course).

When you establish a second account in this manner, you can opt for either an interest-only basic variable loan or an interest-only package-type loan with an offset facility. The basic variable loan would be fully drawn on the day it's established, and you would then take the money and repay it back into the loan, leaving a small portion outstanding (say, $100), and redraw this money as required for your deposit. With an interest-only package-type loan, you'd deposit the loan funds you can access (let's say, $100,000) into the offset account. Because the loan is offset by the $100,000 cash, no interest is payable until you withdraw the money from the offset to use as a deposit for your next investment.

An external refinance can be advantageous in three common situations:

If your existing lender refuses to match the interest-rate discounts that other lenders are offering and therefore becomes too expensive;

If your existing lender values your property at less than what you think they are worth (and what another lender will value them at); or

If your existing lender has a lower borrowing capacity and therefore is unwilling to approve more lending.

In all cases, these accounts need to be established prior to making an investment-property purchase, so that you can access the necessary deposit from your equity. It's likely that both these options will turn out to be cheaper than a line of credit.

Developing a plan

As with almost everything, investing some time into developing a financing plan can be worthwhile. Most people can't invest without finance, so it's a pretty important thing to get right, and planning can maximise your chances of success. Everyone's plan will be different, depending on their financial situation and goals, but remember the best time to borrow is when you don't need it, so preparing loan arrangements for your next move is an advantage. Some of the things to consider when developing your plan include:

- Establishing loan arrangements prior to starting a family (as you may reduce to one income for a period of time);
- Understanding what stage the property market is at and whether revaluing properties now makes sense (for example, if the property market is very strong, it may be a good time to revalue);
- Considering the type of property you're investing in and your investment strategy (for example, if you have limited equity, then it may be better for you to invest in property that will deliver some immediate equity, or equity in a short period of time – allowing you to leapfrog into another investment property);
- Considering the timing of an owner-occupier purchase and its impact on potential future property investments;
- Making sure your loan arrangements are flexible enough to accommodate any expected changes in your personal circumstances, and the cash flow consequences of these – both positive and negative;
- Being careful about repaying any loans – often it's better to accumulate cash in an offset to reduce or eliminate interest rather than repaying the principal. **M**

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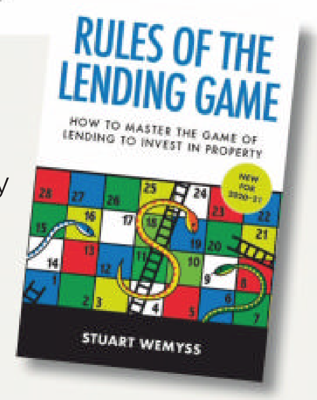


This is an edited extract from *Rules of the Lending Game: How to master the game of lending to invest in property* by Stuart Wemyss (Major Street, $29.95), available now. For your chance to win one of six copies, tell us in 25 words or less how you would finance your next property purchase.

Enter online at moneymag.com.au/win or send your entry to Money magazine, Level 7, 55 Clarence Street, Sydney, NSW 2000. Entries open June 29, 2020 and close on July 29, 2020.

Build a robust portfolio

STORY DAVID THORNTON

A guiding principle should be that the potential for returns needs to outweigh the likelihood of losses

We've all heard the saying – with greater risk comes the potential for greater returns. While this adage holds true for the most part, understanding different kinds of risks and how to mitigate them is more nuanced than taking a pot-luck guess at how much of it you can stomach.

Know what they are

SEQUENCE OF RETURNS

Sequencing risk is when investment market volatility meets with the cash flow coming in or out of your investment portfolio (see figure). When there is no volatility, the sequence in which you receive your investment returns won't matter. Conversely, when there is no cash flow, every dollar of your initial investment experiences every return, be it positive or negative, so again sequence won't matter.

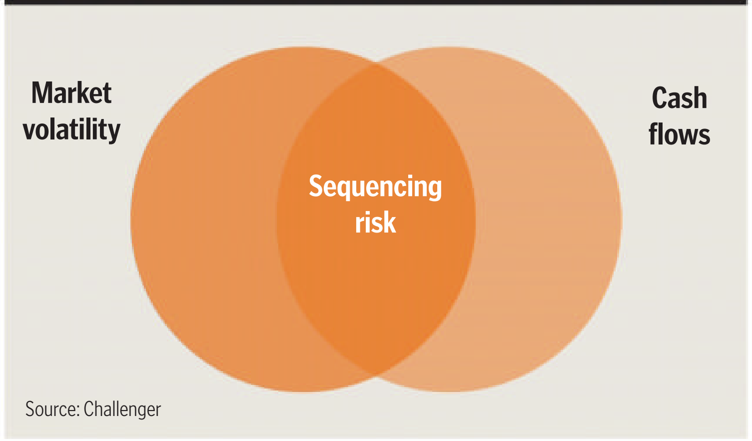
However, when there are cash flows, the sequence will matter as not every invested dollar will experience the return from every period – new inflows miss the earlier returns and outflows miss any subsequent returns. The sequence of returns is a critical risk for investors nearing the end of their working years or in retirement.

"The path of returns [for retirement] is often overlooked

due to a focus on asset class averages and portfolio returns," says Michael Armitage, from the FundlLab consultancy.

"The impact of loss at the beginning of retirement, as principal is also being reduced to fund retirement, conspires to destroy retirement plans. Investors no longer contributing to their savings and drawing down capital as markets fall will quickly reduce the longevity of their assets for retirement."

Volatility and cash flow collide



Source: Challenger

EMOTIONAL RISK

Investors claiming to be long-term often betray their own strategy by succumbing to fear of short-term negative events.

Accordingly, staying the course may be one of the easiest risk mitigation strategies around. This requires ignoring the day-to-day market noise.

"Investors typically do not achieve asset class returns due to poor investment decisions," says Armitage.

"Arguably, portfolios with less volatility and perhaps less headline return will have a higher probability of meeting long-term objectives due to an increased likelihood of investors staying on track and enjoying compounding returns."

ASYMMETRIC RISK

Benjamin Graham, the father of value investing, once said: "The essence of portfolio management is the management of risks, not returns".

It follows that an investment should have greater potential to make a return than it does to make a loss.

Based on this logic, long-term investors should look for where the potential for returns outweighs the risk of losses, or what's known as an asymmetric risk profile.

"This is something that is intuitively well understood but not necessarily expounded upon," says Kristian Walesby, chief executive at ETF Securities Australia. "When people talk about volatility risk, for instance, they forget that often you have long periods where the risk is positive or the risk is negative."

Walesby points to the example of tech stocks.

"Despite being mathematically risky, because they have high propensity for price change, they're asymmetric over five years because that risk was skewed towards positive returns," he says.

This positive risk weighting is predicated on both the long-term performance and the intuitive understanding that the technologies these companies are developing are fundamentally changing the world and are here to stay.

Portfolio construction

With an understanding of the different forms of risk, an investor can then start thinking about building a portfolio that best weighs risk with investment outcomes.

Building a portfolio should be an exercise in mitigating risk, not eliminating it altogether.

It starts with the investor setting out what they want to achieve from their investments. That could be a certain lifestyle in retirement or the ability to live in a desired house or suburb.

The next port of call is to construct a portfolio that meets those goals.

Most experts agree that portfolio construction is about the types of assets and their relative proportions being more important than the differences between assets of the same class and nature.

"When the stockmarket or bond market moves, most assets tend to move in a similar direction," says Damien Klassen, from Nucleus Wealth.

Emanuel Datt, from Datt Capital, says investors should also cap their exposure to any single investment within an asset class.

"This structurally restricts or sets a maximum loss for any given investment in case of failure, and should the asset level risk assessment be flawed, providing a 'fail-safe' for the investor."

Returns can be achieved with a variety of risk profiles.

The barbell approach involves holding the majority of assets (90%) in risk-free or cash-like assets with a relatively small percentage (10%) within extremely high growth, ideally asymmetric positions.

"Within these portfolios an absolute worst-case scenario is a known -10% with the ability to have high level of returns," notes Armitage.

"However, investors within the portfolio holding 100% of medium-risk assets are at risk of ruin if they have measured their level of risk and expected asset class correlations in error."

Walesby likes to use the analogy of managing a soccer team.

"A team that is comprised of entirely average players will likely only generate average returns. On the other hand, a team with expensive strikers will have more upside potential," he says.

To expand on this analogy, high-risk strikers can be risk managed by including dependable defenders that minimise the team's losses.

Investors should view their portfolio as exactly that, an entire portfolio. That is to say, a stock portfolio shouldn't be viewed in relative isolation to the entire investment portfolio.

Take home ownership, an investment class that has become a rite of passage in Australia.

"Most Australians have a house that, if they're under 50, they also have a high degree of leverage to," says Walesby.

"So they are invested ultra-long term in Australian property. They should then, as a matter of course, be considering a range of equities (based on risks) both domestically and overseas and the same for fixed

> "Diversification requires ensuring your capital is exposed to economies outside Australia"

income – trying to build the portfolio so that property becomes less and less the dominant part."

Diversification

Diversification is the most well-known risk-mitigation strategy, and you'll be hard-pressed to find an expert who doesn't recommend it for everyday investors.

The logic is simple: the more "bets" you have, the less likely you are to suffer deep losses.

But it's so much more.

"Diversification is fundamentally one of the most misunderstood themes in investment, as it cannot be viewed solely in isolation," says Datt.

"Many investors believe they are diversified because they invested in multiple equities; without necessarily understanding that the correlation of these equity returns is high. In a nutshell, this means that in markets the equities held will have a high probability of rising and falling in sync."

Datt believes investors should approach diversification as a top-down exercise, investing across asset classes to mitigate the effects of positive correlation, which should theoretically lead to more robust outcomes.

"You need to know what you are diversifying," says Damien Klassen. "In some cases, it is the risk between different asset classes; in other cases, it is geographical risk, or business model risk, or political risk or economic cycle risk. Diversification needs to be a mix of all of them."

The Australian approach to diversification demonstrates this lack of understanding.

"Many do-it-yourself investors believe diversification is holding three or four of Australia's banks, or both of our grocery retailers, or two different miners. This is clearly wrong and misunderstood," says Drew Meredith, from Wattle Tree Partners.

"True diversification requires allocating across multiple asset classes apart from the popular term deposits and high yielding Australian shares."

This means investing in assets that behave differently, be it government bonds, corporate bonds, direct property, infrastructure, overseas shares, hard commodities like gold and even multi-asset or hedge funds made popular by the Future Fund but which performed well during the current crisis.

"Diversification requires ensuring your capital is exposed to economies outside of Australia, some that are growing faster or which are better supported by government policy. It also requires investing into sectors and multi-national businesses that simple don't exist here, like Microsoft, Google or even Walt Disney," says Meredith.

When balanced isn't balanced

While many managed funds claim to be 'balanced', often they're anything but.

Superannuation members hold most of their money in diversified investment options. However, while they are classified as growth, balanced, moderate or conservative, there are no hard rules about how super funds label these options.

> Investors need to understand risk in relation to their financial objectives

"Some funds may have an option they call their balanced option but in reality it has heavy weighting to growth assets, so it's really a growth or maybe even a high-growth option," says Alex Dunnin, director of research at Rainmaker Information, which publishes *Money*.

"This ambiguity may seem absurd to many fund members, but it happens because a super fund may invest into property because it delivers a capital growth return as well as a rental income return.

"As a result, how you split it between growth versus defensive income investing can be very subjective."

The GFC provides an apt case study for why balanced portfolios consisting mostly of risk assets such as shares aren't balanced at all.

"All asset classes fell during the GFC as the markets were concerned with the entire banking system failing," says Armitage.

"In systemic periods, only the safest of government bonds, cash and precious metals have historically provided a 'safe haven'.

"Portfolios that had hoped for various factor-exposure equities, or allocations to infrastructure, credit and property, to provide portfolio diversification benefits were reminded what 'risk-off' truly means."

Fast-forward to the current Covid-19 episode and this exposes similarly flawed investment approaches. In the hope of stimulating the economy, central banks have created zero-interest-rate and negative-interest-rate environments. This has pushed most investors out on the risk spectrum in order to maintain longer-term return objectives.

"We have seen this manifest in the over-reliance on risky assets within 'balanced' portfolios," says Armitage.

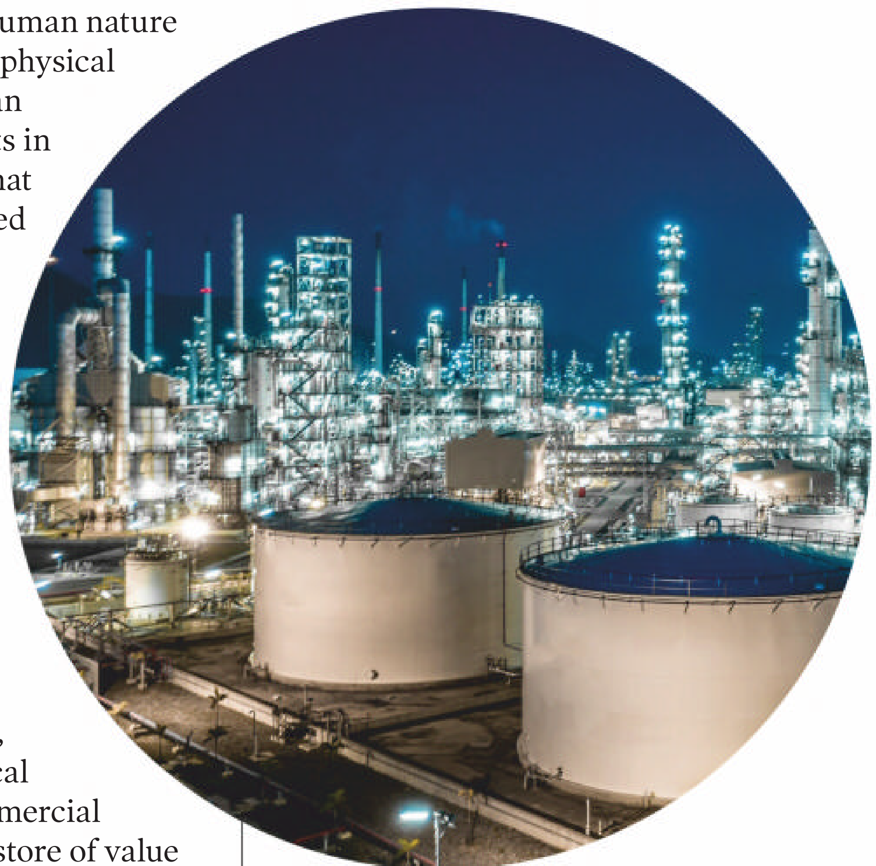
This is why investors need to understand risk in relation to their objectives, and build a portfolio that gives them a fighting chance to achieve their financial objectives come rain, hail or shine. *M*

Meanwhile, in the real world …

Physical assets can be a store of value in troubled times

In uncertain times the human nature is to grasp what is real, physical and enduring. There's an importance in owning assets in our investment portfolios that are tangible, are a time-tested store of value and have utility in some form or another for humans. Yes, I am referring to real assets.

Real assets range from hard commodities such as precious metals to equipment, land, natural resources and bricks and mortar formations. Real assets can be income producing such as tolled infrastructure (roads, ports, pipelines, crude and chemical storage terminals) and commercial property, or could just be a store of value such as gold and silver bars.



Recurring cash flows

These types of assets ought to be seriously considered for long-term investment portfolios as they can be a cushion against negative performance during economic recessions. Their cash flows come in demand during economic contractions, which provides a floor to real asset valuations.

A caveat here is that real assets are not encumbered with a costly debt profile, as lenders can call back the debt, forcing owners to sell in a down market. Thus, for opportunistic investors, recessions can also create opportunities to purchase real assets at attractive terms. Conversely, during inflationary times real assets can outperform financial assets as their revenues are often adjusted for inflation with increasing demand.

Rising inflows

It is for these reasons that real assets have become increasingly popular among the large institutional funds such as pension funds and sovereign wealth funds. According to a study by Willis Towers Watson of global pension assets, the total capital invested in real assets by institutions grew from $23 trillion in 2008 to almost double in 2016 at $43 trillion and, according to Brookfield Asset Management estimates, the invested total is expected to yet again double in the next five years to $80 trillion. So much capital moving into real assets over many years only vindicates the investible characteristics of real assets.

Thus, long-term investors may want to consider an allocation to real assets, for they are a relatively better preserve of value in tougher economic times while delivering steady positive real returns over the long term, which is every investor's dream.

Max Riaz is an investment manager and director at Banyantree Investment Group, with responsibilities across equity and multi-asset strategies. See banyantreeinvestmentgroup.com.

3 FUNDS TO WATCH

1 UBS CBRE Global Real Assets Fund

The fund is the first of its kind anywhere in the world for CBRE, bringing together all four pillars of the real assets universe in a "turnkey" solution for investors. The aim is simple: to better align long-duration asset performance with the long-term horizons of superannuants. With an experienced asset allocation committee rebalancing the actively managed underlying funds in global infrastructure and property, and listed and unlisted funds, the fund is a combination of liquidity and diversity.

2 AMP Capital Core Infrastructure Fund

The fund offers investors the opportunity to invest in a globally diversified portfolio of listed and unlisted infrastructure assets, usually only available to institutional investors. The fund provides diversified exposure to multiple sectors, regions and asset types including airports, water, gas, electricity and transport infrastructure. Competitively, the fund has proven to be an investment solution that has demonstrated significantly lower volatility while achieving comparable returns. AMP Capital was one of the first investors in infrastructure in the 1980s.

3 Franklin Templeton Social Infrastructure Fund

The fund invests in buildings related to social infrastructure in Europe. Further, the fund gives investors a diversified portfolio of impact-investing opportunities that can provide attractive risk-adjusted returns. It seeks an attractive financial return on its assets and social returns, and targets the following sectors: healthcare (e.g., nursing homes), education (further education), housing (social housing), justice and emergency (court houses) and civic (sports facilities).

Think twice before jumping ship

Consider the expenses and responsibilities before moving your precious savings into a self-managed fund

When so much is up in the air, as it is now, people long for certainty. Investment markets are challenging and super earnings weak. That may prompt some people to consider setting up a self-managed super fund to take more control of their super.

According to the Australian Taxation Office, SMSFs have grown massively over the past two decades and now number 600,000. They make up a third of Australia's total retirement savings – $748 billion – and serve 1.125 million members.

Adrian Raftery, who has researched SMSFs extensively and is the principal of Mr Taxman, says SMSFs can be advantageous: they provide greater investment choices, including direct property, as well as tax and estate planning benefits.

"There are a lot of members who buy commercial property because they can run their own business out of that," he says.

But he is quick to point out SMSFs are not for everyone.

The amount of people closing them down is rising, he says.

"Overall, the total number of SMSFs is still rising each year but the rate of growth has declined because of the numbers of SMSFs closing down."

One of the main issues is the cost and time involved in running an SMSF. Aside from managing the investments (the fund can have up to four members) there are many administrative and compliance requirements that need to be dealt with.

That means you will need to call on the help of professionals such as solicitors, accountants and financial advisers at different times. Crucially, you need to do the sums to work out whether the exercise justifies the expense.

SMSFs are often established on the advice of financial advisers. By law they must act in your best interests and disclose all fees upfront to set up, operate and, if necessary, wind up an SMSF.

The Australian Securities and Investments Commission (ASIC) says advisers should be able to show their client how the average annual operating costs of an SMSF compare with those of your current super fund.

"On average SMSFs with balances below $500,000 have lower returns after expenses and tax, and will often be uncompetitive compared to APRA-regulated funds," it notes.

But ASIC says it may be justified where a large asset or inheritance is likely to be

Many large funds offer members the option of making direct investments

transferred to the SMSF or if the trustee is able to undertake much of the administration and investment management to make it more cost effective.

And here's the rub. You may want to do your own thing, but do you really have the time, expertise and ability to run a technically complex structure? Or could it be a case of not knowing what you don't know (see Count the costs, right).

A research paper that Raftery co-authored with other academics, entitled "Who Starts a Self-Managed Superannuation Fund and Why?" and published in the *Australian Journal of Management*, makes for interesting reading.

The research analysed 1000 super members split between SMSFs and other funds. It found SMSF members do not show any greater financial skills than other members "but they do display overconfidence, a higher risk tolerance and a more trusting attitude to financial professionals".

Most started their SMSF at the suggestion of a financial professional.

The research found that most SMSF members expect the benefits associated with control over investments and tax minimisation to outweigh any additional costs and time attributable to the greater administrative responsibilities.

"However, despite their wish to take control of the investment of their savings, few spend time on the operation of their fund, with the median time spent at slightly greater than one hour per week and with most of the operating responsibilities resting with professional advisers," says the report. "These results point to a disconnection between intentions and outcomes for SMSF members."

In other words, while people say greater control and diversification are their main reasons for starting an SMSF, "what we find is they only spend 48 hours a year on it, which is not enough for managing your investments," says Raftery.

"Most of them just open up a bank account and pick a few of the top shares in the ASX: buy BHP, CBA, Rio Tinto and CSL. They are not really taking greater control of their investments and their portfolio is too concentrated."

Significantly, SMSF members rarely benchmark their fund's performance with large super funds, "which leaves outcomes unverified". This means SMSF members are likely to be unaware of how much better or worse off they are by having left a large super fund for an SMSF.

Raftery says people need to be realistic. "Are you financially savvy enough to make the right choices to maximise your returns? And are you on top of the rules? There's a raft of different things in terms of tax and compliance that can have a significant impact on your retirement savings balance," he says.

And while large funds automatically offer their members a minimum level of life insurance, SMSF trustees need to be proactive in seeking out their own cover.

A December 2018 Productivity Commission report, *Superannuation: Assessing Efficiency and Competitiveness*, found costs for SMSFs with more than $1 million in assets are broadly comparable with those of the large super funds.

It found that SMSFs under $500,000 broadly "delivered materially lower returns on average than larger SMSFs", showing the impact costs have on lower balances.

Finally, if you aren't up to the task of setting up and running an SMSF and the costs of outsourcing are too onerous, you could always check what exactly your existing super fund offers. Many of the large super funds offer members the option of making direct investments – all without the associated hassles of running an SMSF.

Count the costs

Some costs applicable to setting up, operating and winding up an SMSF are unavoidable; others are optional and depend on decisions the trustee makes. Unavoidable costs include:

- The annual SMSF supervisory levy (collected by the tax office).
- An annual financial statement and tax return.
- Annual independent audit fees.
- Costs relating to the establishment of the SMSF, including a trust deed.
- The fee for annual actuarial certification (when required).
- The optional costs cover a range of services related to the structuring and administration many SMSF trustees choose to pay. These include:
- Establishment of a corporate trustee, including ASIC fees to establish a corporate entity and the annual corporate trustee fee.
- Ongoing SMSF administration costs, including the cost of amending the trust deed of the SMSF.
- Professional investment advice fees.
- Accounting and bookkeeping fees.
- Investment management fees (these may be unavoidable depending on the type of investments made).
- Costs relating to the winding up of an SMSF, including compliance costs and transaction costs related to realising assets. Source: ASIC

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

A carefully prepared plan with clear goals will put you on the right track for saving and building wealth

Take charge of your future

STORY KATE McCALLUM AND JULIA NEWBOULD

Investing can be intimidating with its jargon, big numbers and fears of losing money – but it doesn't have to be. The key is to have a plan. As one of the women we interviewed for our book, *The Joy of Money*, said: "I spend a lot of time earning money and very little time investing it." Here are some of the key elements of creating your individual investment plan.

Set your financial goals

Setting your personal goals is one thing – these are what are most important to you to achieve in life. They give the motivation – the "why" – for deferring spending now so that you can grow assets for the future.

But before you begin investing, you need to clarify the amount of money you need to save every month or year to give you the best chance of achieving your important goals. Setting out specific financial goals is valuable because:

- You know what you're aiming for.
- You can easily track your financial progress and make changes if you're off track.
- It can help you to focus on your financial decisions and not be distracted by the latest shiny thing.

So how do you set financial goals? Using a table like the one below, write: the amount of money you need; the time by which you need to have this amount saved; then calculate the final column with the help of ASIC's MoneySmart savings goals calculator (www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/savings-goals-calculator).

Ensure you consider inflation – or you may shoot for too low a number and miss out on your goal. When you're calculating the amount you need in future dollars, the amount needs to be higher than if you were calculating it in today's dollars. A simple way to adjust for inflation using the ASIC calculator is to reduce your expected annual return – so, if you assume an annual return of 5% and inflation is estimated to be 2%, then your inflation-adjusted annual return would be 3%.

Here's an example. Catherine, age 52, has three key goals (see table) – and we can use the ASIC calculator to work out her monthly savings target. We will assume an annual return of 5% and inflation of 2%, so a real (inflation-adjusted) return of 3% a year.

The total monthly savings tells Catherine how much she needs to save for each time frame. Once she's achieved her holiday savings in eight years, she can tick that box – and reduce her monthly savings or re-direct into other goals. See Table 1.

Start with your risk "budget"

We believe it's essential when investing to start with your risk budget rather than chasing returns. Your risk budget is based on a few things:

- How long your money is likely to be invested.
- How bumpy a ride you can handle. We call this "journey" risk and it's about your ability to stay invested when your investments dive in value.
- How much you wish to grow your assets for the time you're investing. We call this "destination" risk and it's about having enough money when you need it to afford your goals.

There are many questions you can consider and questionnaires you can complete to assess your risk budget. Here are just a few examples:

- Acknowledging that sharemarkets can lose value in the short-to-medium term (this is the "journey" risk), how big a drop in the value of your investment could you stomach?
- How long will you invest your money? That is, when do you plan to sell your investments so you can use that money?
- How easily swayed are you by the investment opinions of non-professionals (friends, colleagues, the media)?

And it's certainly worth trying out some of the risk profile questionnaires available online – most super funds have questionnaires, so give a few of them a whirl.

It's important to note that rules of thumb abound here. An investment risk measure sometimes suggested is to take 100 (or 110, or 120) minus your age as the figure

TABLE 1: HOW TO SAVE FOR THREE GOALS IN 15 YEARS

GOALS	TOTAL AMOUNT TO SAVE	TIME FRAME	AMOUNT TO SAVE EACH MONTH – FIRST 8 YEARS	AMOUNT TO SAVE EACH MONTH – NEXT 7 YEARS
Holiday	$15,000	8 years	$138.10	$0
Repay mortgage	$150,000	15 years	$659.22	$659,22
Retirement	$300,000	15 years	$1318.45	$1318.45
Total			$2115.77	$1977.67

Source: MoneySmart savings goals calculator. Figures allow for inflation-adjusted return of 3%pa.

The rule of 72

This is an easy mental shortcut to help you estimate how long it might take to double your money. You simply take the number 72 and divide it by the annual rate of return. For example, an investment with a 7.2% compound annual rate of return will take 10 years to double in value. An investment with a 6% annual return will take 12 years; and if you were lucky enough to score an 8% annual rate of return, then you could double your money in nine years. This is pretty exciting stuff when you plug in all the potential numbers.

that should be in shares. However, we don't believe that your risk budget is primarily driven by your age. Instead, it needs to consider a range of factors – most importantly the "sleep at night" test.

Having said that, we believe that there is one question that trumps all others. And that's our first question from the risk budget list (that is, how big of a drop can you stomach).

If, however, an investor can ignore the media noise when investments drop sharply (which they do) they will be able to stick with them regardless. This investor is confident that their assets will recover over time and eventually be more valuable than they were before the dip.

And if an individual is pummelled by the media noise and can't sleep at night, they'll want out. They'll sell – often at a low point – and that turns paper losses to permanent losses. This is the "sleep at night" test.

So here's our risk budget hack. Take a look at the table below, identify the depth of loss in your investments you could stomach in the short-to-medium term, and use that to guide your decision. See Table 2.

What do we mean by risk profiles? You'll often see terms used to describe risk profiles like "aggressive, growth, balanced, conservative". Here's what they typically mean. See Table 3.

There are two key conditions where the best option could be to stay safely in cash: you are unwilling to have any investment losses – even on paper; and your investment time horizon is less than three years.

Different funds may have different names for their portfolios and asset allocations may not be the same as ours. Read the fund's product disclosure statement to find out how money will be allocated for each investment option.

Track your performance

When you invest, even though your focus is on the long run you need to keep tabs on what's going on, and you should adjust when necessary.

If you're diversified into different assets, some of those will have better returns than others over time – which is why you may need to rebalance.

As part of your yearly review, check your investments and see if you need to rebalance. Let's say your shares have increased in value and are now 10% more than your risk budget suggests. That could be a good trigger to rebalance.

TABLE 2: WHAT CAN YOU AFFORD TO LOSE

Worst return over any 12 months	-0.03%	-7.6%	-13.2%	-19.4%	-26.3%
What happens to $100,000	$99,970	$92,400	$86,800	$80,600	$73,700
Risk profile	Defensive	Conservative	Balanced	Growth	Aggressive

Source: Lonsec Research. Period January 31, 2005, to July 31, 2019. Past performance is not a reliable indicator of future performance.

TABLE 3: RISK PROFILE BREAKDOWN

	INVESTS IN	HISTORIC ANNUALISED RETURNS	LIKELIHOOD OF A NEGATIVE RETURN (1 YR IN EVERY X YRS)	THIS IS FOR YOU IF YOU...
DEFENSIVE	80% in cash like term deposits or highly rated bonds	5.68%	164	Want your money safe above all else. You would rather have a low rate of return than risk losing any money at all.
CONSERVATIVE	40% in shares with 60% in bonds and cash	6.45%	10.3	Would like your investment money to have a smooth ride with only small bumps. You are comfortable to have an investment return that keeps you just ahead of inflation.
BALANCED	60% in shares and 40% in bonds and cash	7.10%	8.2	Wish to achieve sound returns and can handle some moderate bumps in the short-to-medium term to achieve these long-term returns.
GROWTH	80% in shares and 20% in bonds and cash	7.67%	6.6	Would like a strong return on your investment and can cope with a bumpy ride.
AGGRESSIVE	100% in shares	8.22%	5.1	Want the maximum return on your investment and are willing to have a very bumpy ride.

Source: Lonsec Research. Period January 31, 2005, to July 31, 2019. Past performance is not a reliable indicator of future performance.

How do you rebalance? It simply comes down to moving your investments so that they stay in line with the amounts you set for your investment risk budget at the start.

For example, let's say you want to have 60% shares and 40% bonds in your portfolio. Two years later, shares have performed strongly and the mix has changed to 70% shares and 30% bonds. You could sell 10% of the value of your shares and invest this amount in bonds.

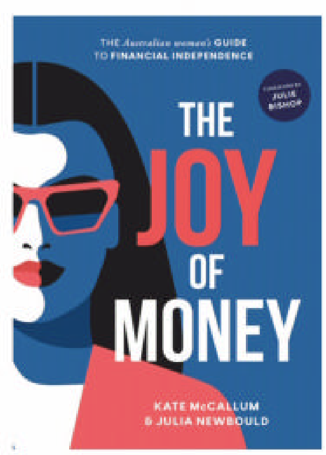
A couple of years after that, your assets have changed again – shares have lost value and you have 50% shares and 50% bonds. In this case, you could sell 10% of the value of the bonds and use this money to buy more shares.

You can rebalance in one of two ways. The best option is to use new money to top up the assets that are underweight (so you don't need to sell any assets).

Alternatively, you can sell some of the assets that you have too much of and put this money into the investments where you have a shortfall.

If you don't rebalance, you could find yourself wandering off track. ***M***

This is an edited extract from The Joy of Money: The Australian Woman's Guide to Financial independence *by Kate McCallum and Julia Newbould (Bauer Media Books, $29.99). Available now.*



Let small players join in

STORY RACHEL ALEMBAKIS

When companies raise extra cash, they need to look after smaller investors too, not just the big end of town

Several ASX-listed companies have garnered cash to support themselves through the coronavirus pandemic via capital raisings, a process that shores up balance sheets but also offers existing shareholders an opportunity to increase their holdings at a discounted rate.

So should you participate in a capital raising? While most sharemarket observers saw capital raisings as a necessary move in an economic crisis, there have been calls to ensure smaller investors do not find their positions diluted. Dilution occurs when you own, say, 100 out of 1000 shares (10%) issued by Company A – and then Company A decides to do a capital raising by issuing a further 100 shares to a fund manager. You would now hold 100 out of 1100 shares (9.09%), meaning you'll get a proportionately smaller slice of profits.

"It is a form of corporate financial ethics," says Mike Robey, a director at the Australian Shareholders' Association (ASA). "The three major things companies should do is be fair to all shareholders, be transparent in the way they go about business and be a responsible citizen in their community, and that includes environmental, social and governance aspects. If companies are not being fair to all shareholders they're, in part, diluting that first principle of fairness."

STRAPPED FOR CASH

To assist companies that need to raise funds urgently because of Covid-19, the regulator ASIC and the ASX are allowing the use of "low doc" offers to be made to investors, even if companies do not meet all the normal transparency requirements. Regardless, it is still best to seek professional financial advice before participating in any raisings.

The ASX has also increased the limit on the size of a placement from 15% to 25% of a company's share base (this applies until July 31). So that these increased placements aren't always giving large institutional investors an upper hand and further diluting small holdings, companies must also make a follow-on proportional (pro-rata) entitlement offer at the same or lower price than the placement. This gives smaller investors a greater ability to participate in the capital raising and buy an allocation (for example, to buy one share for every five shares they already own).

Philip Foo, director of research at proxy voting advisory company CGI Glass Lewis, says the firm would ordinarily prefer a pro-rata entitlement offer that would allow all shareholders to participate up to their allocation.

"If companies elect not to give such an existing

entitlement, and shareholders would like to participate, companies are going to need to justify why they haven't given existing shareholders the opportunity, otherwise they're likely to face criticisms of unfairness," he says.

The raisings have occurred at a time when investors also may be strapped for cash, meaning you're not able to take advantage of discounted offers even if you see value in them.

"If you're a single shareholder, the amount of the placement could constitute a large percentage of your holdings," says Robey. "One of the things you have to do is make sure you're not using up all your money in the first couple of raisings, so that you can't take advantage of future ones."

Robey cites the $3.5 billion capital raising by National Australia bank – it comprised a fully underwritten $3 billion institutional placement and a $500 million share purchase plan at $14.15 each, representing an 8.5% discount.

Even though NAB's retail shareholders make up about 48% of its total shareholding, only 28% took up the offer. "The principle reason was probably that [retail shareholders] didn't have the cash, and the irony is that in order to get the cash they could have sold shares and bought back at a lower price," says Robey.

> "Make sure you're not using up all your money in the first couple of raisings"

RIGHTS TO BE PROTECTED

The ASA believes that companies should ensure fairness by issuing a "pro-rata accelerated institutional with tradeable retail entitlement offer" (PAITREO), which is structured as a renounceable right that individual shareholders can sell if they choose not to take advantage of a discounted capital raising.

"It's a renounceable right – if you can't find the money or if you don't want to add more of that particular stock, you can sell that right," says Robey. "If it's one where you can't participate, you can sell your participation rights and therefore your dilution is absolutely managed."

Vas Kolesnikoff, head of Australia and New Zealand research at ISS Governance, says the structure for how existing shareholders can participate in capital raisings is one key governance issue, but also points to another group of shareholders – executives and founders in particular.

Flight Centre is an example. It raised $701 million through a $282 million institutional placement and $419 million pro-rata non-renounceable entitlement offer, priced at $7.20 a new share, representing a 27.3% discount. As a smaller investor, if you couldn't or didn't want to buy this offer it wasn't available to be traded – and if you were in a position to buy, there was potential that the founders would buy all their allocation ($175 million), diluting your holdings further. The founders bought $25 million and publicly said that buying the full allocation would have annoyed smaller investors.

ISSUES ON THE AGENDA

To address these and other concerns, governance experts and shareholder representatives are looking to the possibility that the full annual general meeting season later this year will have to be held in virtual or hybrid form (some shareholders attend physically and most attend virtually). This has implications for proxy voting and asking boards questions about annual reports.

In March, ASIC announced it would take no action if AGMs for companies whose financial year ended on December 31 are postponed for two months – until the end of July, 2020, rather than May – and will support the use of appropriate technology to hold hybrid or virtual AGMs, where permitted under a company's constitution and provided shareholders are afforded a reasonable opportunity to participate.

How crowdfunding works

Numerous companies approach an equity crowdfunding platform to raise funds. The platform (which must be licensed with ASIC) assesses these companies and ensures they satisfy a range of obligations set under the regulations. These obligations are to limit the likelihood of fraud or misrepresentation and/or ensure that investors understand the risks. Some platforms may also undertake additional diligence on the information published about an offer.

If a company satisfies these requirements, it is eligible to be funded on the platform. Here investors can see the company's offer and are provided with the information needed to make their decision.

A successful raising entails "the crowd" or investors providing funds to collectively reach the company's targeted amount, and as a result, receive part ownership.

Investors in equity crowdfunded companies that then successfully "exit", either through an initial public offering (IPO), trade sale or share buyback at a higher value than what was initially invested, will receive a positive return.

If a company does not raise the minimum target, then the offer is cancelled and the funds are returned to investors.

It's important to note that investing in early-stage businesses is high risk, but there can be high rewards. Investors must be willing to take a long-term view and invest in businesses they believe will benefit from equity crowdfunding.

Source: Ben Bucknell, chief executive at OnMarket

While groups representing various stakeholders in the AGM process recognise the changes brought about by this crisis, they are also engaging with regulators and companies to safeguard shareholder rights to have questions answered, along with other concerns.

Virtual AGMs are giving companies "a whole lot more power they never had before," allowing them to control the context in which questions are asked more tightly than at live events, says Robey.

"One of the things that's quite galling is that virtual meetings ask shareholders to put questions in a week early, or at best two days early," he says. "Very few will take voice questions. It gives them too much ability to censor. Some try not to, but it's the company secretary that's doing the moderating. We would rather that an independent moderator, if possible, is moderating voice questions."

Philip Foo expects that the structuring and conduct of share placements will be a topic of engagement with company boards leading up to and perhaps during the AGM season.

"The question for shareholders, especially those who may not have the ability to participate in a placement, will be, 'Are you happy with how that placement has been handled, has the board justified to your satisfaction why you were not offered these entitlements?', and there will be questions around fairness there," says Foo.

ALTERNATIVE TO SHAREMARKETS

At the other end of the market for raising money, equity crowdfunding platforms are reporting that the number of deals and the amount of capital raised is below projections for 2020.

Equity crowdfunding is a way for companies with less than $25 million in gross assets to raise up to $5 million a year. Retail or smaller investors can invest directly into private companies, up to $10,000 per company a year. In exchange for providing capital, investors receive equity. There is also a five-day cooling off period, where investors can withdraw their bid within five business days (see breakout).

Jonny Wilkinson, co-founder and director of Equitise, says the platform saw three deals close at the end of March and beginning of April and achieve 20%-30% less in funding commitments, which he attributed largely to the uncertainty and volatility in the market.

"Due to the risky and illiquid nature, a lot of people won't make investments because they want the option of holding cash, or to get it in and out quickly with a more liquid investment," says Wilkinson.

Since the passage of the Corporations Amendment (*Crowd-sourced Funding) Act* in 2017, ASIC has licensed seven equity crowdfunding groups: Big Start, Billfolda, Birchal Financial Services, Equitise, Global Funding Partners, iQX Investment and OnMarket.

In the past two years, crowdfunding platforms have been educating sophisticated investors about the role that equity crowdfunding can play, and Equitise says that work continues.

Matt Vitale, co-founder of the Birchal platform, says the Seabin Project, which raised $1.8 million before its campaign closed at the end of March, is helping clean up the rubbish in our oceans.

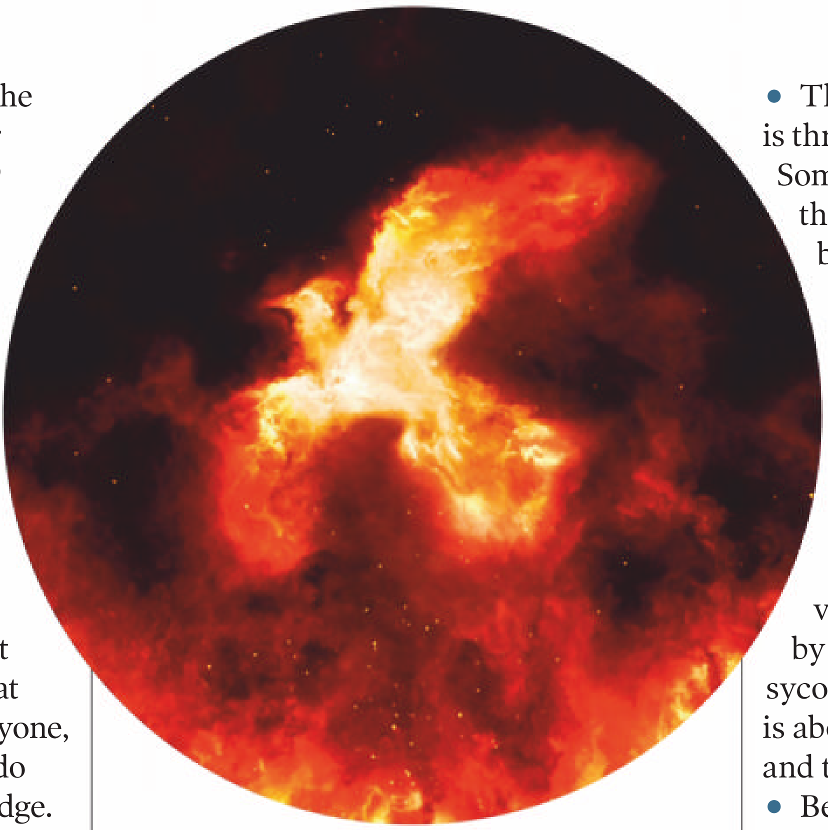
"It was encouraging that people were looking to invest in companies that have higher purpose and longer-term propositions," says Vitale.

"They did have a couple of larger investors that just evaporated. Their max target was $3 million and they'd agree that they felt they had a good chance of meeting that but for Covid-19." **M**

Rachel Alembakis is the managing editor of the Sustainability Report, *a title also published by Rainmaker Group. She has more than a decade's experience covering investment issues for a range of publications in Australia and overseas.*

A list to pin on the fridge

Volatility can be a great opportunity if you understand how to beat the herd



For the *Marcus Today* team and the growth portfolio we manage for investors ($55 million), Covid-19 was not a disaster. The sharemarket volatility proved to be a fabulous opportunity instead. Our Growth Separately Managed Account (as at June 10) has outperformed the ASX 300 Accumulation Index by 26.87% since the coronavirus hit on February 20.

And when the market falls over again we will see another fabulous opportunity beginning. But how did we do it? At the risk of letting out our secret herbs and spices, here are 18 ways to beat the herd. These lessons are not for everyone, and most fund managers are too big to do this, but it is something to pin on the fridge.

- Have the ability and bravery to go to 100% cash. Most fund managers can't, but as an individual investor you can.
- Work with a small team, not alone. You need bouncing boards, other intelligent, engaged people on an assortment of wavelengths. People who are objective, are not easily intimidated and speak freely. Working alone means more mistakes. Too big an investment team constipates the investment process. You need something in the middle.
- Be unemotional. It takes a lot of experience to be truly objective. If you ever "love" or "hate" a stock, you're missing the point. You can't invest on feelings.
- See every moment as an opportunity. Volatility provides opportunity, especially the disasters. This is when you get off the sideline and play harder.
- Don't focus on the long term all the time. Long-term, bottom-up stock picking doesn't work all the time.
- Don't make grand predictions about the future. This is how some investors think the market works – it is not. It's called guessing. React, don't predict.
- Don't ever think or say "it's okay, it'll be all right in the end". It is a professional cop-out.
- Put asset allocation before stock picking when necessary. Sometimes the whole market moves and you have to do something about it no matter the quality of the stocks you hold.
- Stock-pick on themes. There are tides in the stockmarket, lots of them. Swim with the tides not against them. Get the themes right and the stocks pick themselves.
- Watch the herd, don't join the herd. Spotting the herd's change of mood requires you to have your finger on the pulse of the market, all the time.
- Know that at times the quality of the stocks we hold will not make any difference if the market collapses.
- Be decisive. Be bold. Volatile markets are not for the timid.
- Make decisions fast. In a world of algorithms, computer-driven trading and the new one, ETF selling, you don't have as much time as you used to. When precipitous moments come, do something.
- There is never a rush to buy. Confidence is three times harder to generate than fear. Some people embarrassed themselves in the February correction, calling the bottom after a week. Corrections start fast and trend. Believe the herd even when they sell quickly. They are bigger than you are and prone to hangovers.
- Be flexible of mind. Don't get set in your opinion. Don't be a bull or a bear.
- Sell easily. Most investors find this very hard, having been indoctrinated by the sanctimonious "Buffetesque" sycophants into believing that investment is about fundamentals and the long term, and that's that. It's not.
- Being hyper-vigilant. Reassess every setting all the time.
- Be nimble. You can't do that when you run billions of dollars.

I remember a time in the tech boom when Andrew Bell, of Bell Securities, interrupted the morning meeting frenzy of tech ideas and said: "Stop, everyone. Look around you. You [pointing at a young dealer] did $11,000 of commission yesterday. A year ago you were selling mobile phones. And you, you just employed a dealer's assistant. A year ago you were a dealer's assistant. So just stop and look around. It doesn't get to look any better than this in the stockmarket."

It was the top of the tech boom and the tech wreck was just about to start.

And as the market reverses once again, the time has come to do something. This is where so many fund managers and investors go wrong. When the going gets tough, they do nothing.

Marcus Padley is a stockbroker with MTIS Pty Ltd and the author of the daily sharemarket newsletter Marcus Today. *For a free trial go to marcustoday.com.au.*

Back an old nag named self-interest

STORY GREG HOFFMAN

With a federal election on the horizon, investors should not underestimate the political factor, especially in a pandemic

Imagine for a moment that Australia wasn't led by upstanding model citizens with an eye solely on the welfare and prosperity of our country no matter the political impact. Imagine that we were led by deeply self-interested politicians. People supremely focused on maintaining political power.

In this fanciful scenario, what would they be thinking come September? That's the date the current JobKeeper payments are set to end (13 fortnights from their introduction on March 30).

Would it not be tempting to extend stimulus measures another three months or even more? What might that do for an ambitious polly?

It would underwrite a more positive Christmas trading period for the retail sector (around 17% of the Australian economy). It would also turbocharge the December quarter GDP numbers. And, for our fictional politicians, allow them to point to year-over-year growth from the bushfire-impacted December 2019 quarter.

Roll forward to March 2021 and the economic data for that quarter is quite likely to be better than the Covid-19-impacted March 2020 quarter. The same goes for the June 2021 quarter. So, in the second half of 2021, these politicians would have three strong quarters of comparative economic growth to point to. Might that be an appealing scenario for them to construct for themselves come the second half of 2021 when they'll be in campaign mode for the 2022 federal election?

We all hope that our real-life Australian politicians are not cynical enough to make calculations solely on a political basis. Yet, as Jack Lang told Paul Keating: "Bet on self-interest, it's a horse that's always trying."

POLITICAL BLIND SPOT

When I was growing up, the main topic of conversation around our family's dinner table was business, not politics. And I'd say I discuss politics somewhat less than the average Aussie.

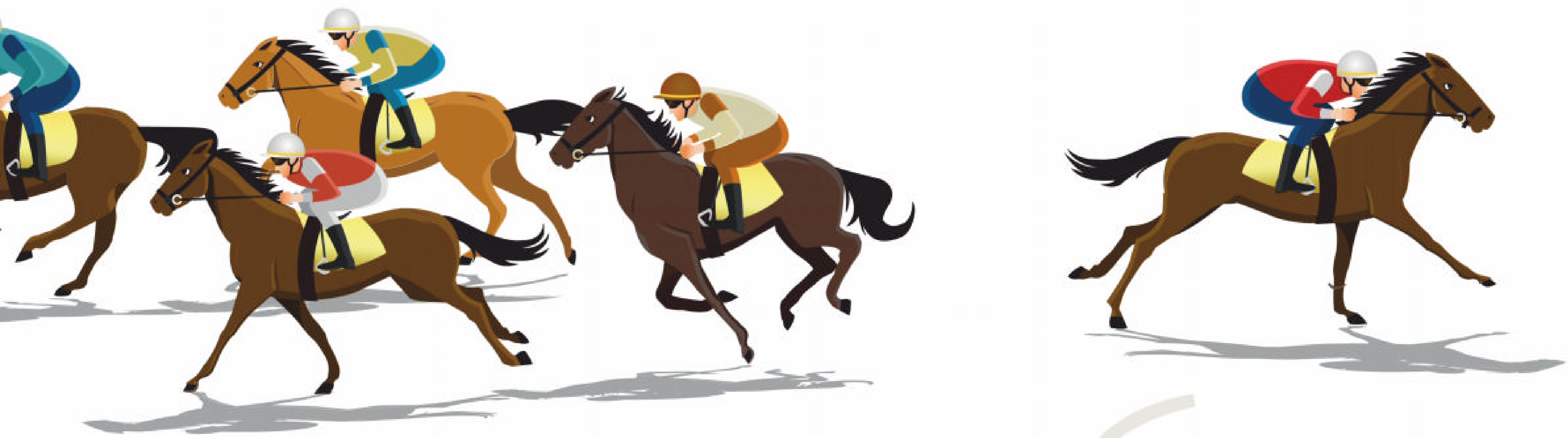
This may have led to a blind spot. Early in my investing career I underestimated the impact government decisions can have on the economy, individual sectors and companies. And I didn't think deeply enough about the political imperatives driving those government actions. I suspect some investors may be suffering from the same blind spot at the moment.

The government's JobKeeper program and its impact has been a central talking point among the economically conservative investors I tend to associate with. I sent a message to one of these greybeards on the Monday of the June long weekend noting an incredible influx of tourists around where I live in the Blue Mountains, west of Sydney.

"It definitely doesn't feel recessionary here," I wrote. "Of course, there will almost certainly be a technical recession but I'm more interested in confidence (consumer and investor). And it is rebounding strongly."

His reply: "You are seeing the first half of early release super and JobKeeper windfalls being spent. Second wave of super coming in July. When super dries up and JobKeeper stops, party will be over."

This was consistent with what I'd heard from other smart, sceptical types.



It's certainly true that the government has taken extraordinary measures to support the economy (sensibly, in my view), from the JobKeeper and JobSeeker payments to allowing the early release of superannuation and a range of other measures to soften the blow delivered by a global pandemic.

It's possible that come late September, the Australian economy will be mostly carrying on under its own steam. It's also possible – perhaps more likely – that it won't be. But the implicit assumption of those who believe the "party" will end at that point is that the government will abruptly remove its stimulus measures no matter what. This column's thought experiment provides a different perspective.

THE POLITICS OF PROPERTY

Another area where I'd previously underestimated the political factor was in my assessment of the Sydney property market. I'd been wary of it for a long time, concerned about its seemingly high valuations and fragility should something go wrong with the economy. I could (and have had, at times) make rational arguments supported by numbers and data to back up my concerns.

As Reserve Bank of Australia (RBA) governor Philip Lowe said in a speech to the AFR Business Summit last year, "Australians watch housing markets intensely, perhaps more so than citizens of any other country".

The housing market has become pivotal to the economy. Apart from the people the sector employs directly and indirectly, property prices are a huge determinant of consumer confidence. For many Australians, their home is their largest investment. Not to mention those doubly exposed by owning one or more investment properties. Many small business owners also use their homes as a source of collateral to borrow against to invest in their business.

With this set-up, what is the impulse from our governments and central bank if they see the property market taking a turn for the worse? They understand the importance and they're able and prepared to take action to avert a savage downturn.

Recently we've seen the RBA doing its bit to support the property market and economy by reducing the official cash rate to a record low 0.25%. The federal government has also been leaning into the challenge, announcing its HomeBuilder program, which gives eligible Australians $25,000 to build or substantially renovate their homes. I make no judgement on these measures or their potential long-term consequences. I simply use them to illustrate the impact governments can have to temper market forces, at least in the short term, that may be pushing in a politically unpalatable direction.

OTHER POLITICAL POTATOES

Investors have also been put on alert in recent years in regard to other issues that might have meaningful impacts on them. The refund of franking credits became a surprisingly hot potato in the 2019 federal election and, to a lesser extent, so did the potential taxation of trusts.

Then there was the royal commission into misconduct in the banking, superannuation and financial services industry last year. Shock waves were sent across the mortgage broking industry when Kenneth Hayne's recommendation was unequivocal: "The borrower, not the lender, should pay the mortgage broker a fee for acting in connection with home lending."

> **If you're counting on the economy to fall off a fiscal cliff this year, it may pay to think again**

This was a simple recommendation and one that I've heard no serious objections to outside the mortgage broking industry. The share price of Mortgage Choice fell from $2.50 in December 2017 to a low of 80 cents soon after Hayne's report dropped in February 2019. Yet the mortgage broking industry was able to effectively mobilise and lobby the government not to accept that powerful recommendation and Mortgage Choice's shares had virtually doubled by October that year.

Australia's relatively strong financial footing compared with many other nations affords our government the means to offer significant financial support when it desires. That position, combined with that old nag, self-interest, may well see Australian consumers and companies benefiting from government largesse beyond the currently envisaged September 2020 end date.

So if you're like some of my pessimistic friends and are counting on the economy to fall off a fiscal cliff later this year, it may pay to think again.

Greg Hoffman is an independent financial educator, commentator and investor. He is also a non-executive director of Forager Funds Management (not involved in Forager's investment process).

Land down under still on top

The quarterly numbers aren't pretty but Australia is doing far better than the rest of the world

It's been a long time between drinks, but in the drink the Australian economy is heading.

Technically we're not there yet but federal treasurer Josh Frydenberg did not opt for a stay of execution and acknowledged that Australia's 29-year recession-free run is over. He also acknowledged that this is the treasury department's view.

Frydenberg's statement came after the Australian Bureau of Statistics (ABS) released its March quarter 2020 national accounts report that showed the economy contracted by 0.3% in the first three months of the year.

But unlike in the years 2000, 2008 and 2011, when Australia dodged a recession – defined as two consecutive quarters of negative growth – this time there's no escape.

"Clearly, with this once-in-a-century pandemic, the impact on the economy has been very severe, the impact in the June quarter will be even more severe," says Frydenberg.

The details of the national accounts underscore the fallout from the pandemic – and subsequent restrictions and lockdown measures imposed by nearly all governments on planet earth.

Had it not been for the 1.3% contribution from imports, Australia would have been grieving a much worse March quarter. Then again, that contribution was because of the 6.2% drop in imports over the March quarter due to frozen international supply chains and domestic businesses in lockdown.

What mattered big time, though, is Mighty Mo's rescue packages – more specifically, his JobSeeker and JobKeeper schemes and, of course, the RBA's monetary policy accommodation.

So much so that, while the June quarter national accounts will certainly confirm a technical recession in the domestic economy, Australia remains better than all the rest.

Using the same metric – quarter on quarter growth rate – Australia's 0.3% contraction in the three months to March 2020 is top of the pops compared with the US (-1.3%), the Eurozone (-3.8%), Germany (-2.2%), France (-5.3%), Italy (-5.3), Japan (-0.9%), the UK (-2.0) and China (-9.8%).

This justifies the RBA's positive outlook for the domestic economy. It says it is possible that the depth of the downturn will be less than earlier expected.

"The rate of new infections has declined significantly and some restrictions have been eased earlier than was previously thought likely," it said. "And there are signs that hours worked stabilised in early May, after the earlier very sharp decline. There has also been a pick-up in some forms of consumer spending."

The gradual relaxation of restrictions around the world should help underpin a shallower contraction/growth rebound in the domestic economy starting in the September quarter.

More so, given Mighty Mo's recently announced HomeBuilder initiative, a $25,000 grant for homebuilders and renovators, which should support construction and the property market. Add the wealth effect from the recovering stockmarket for extra oomph and happy days will be here again.

However, just as RBA governor Philip Lowe cautioned, "even as the recovery gets under way, there will still be a shadow cast by the pandemic".

I think the good gov meant shadows.

There's the threat of a second wave, there's renewed sabre rattling between the US and China and there's Beijing's beef with Canberra for instigating an independent investigation into the origins of the coronavirus.

Beijing has already banned beef imports from four Australian abattoirs, put an 80% customs duty on barley, is looking at thermal coal import restrictions and has advised its citizens against touring the land down under and then possibly preventing potential students from getting Australian diplomas.

Data from the Department of Foreign Affairs and Trade shows China accounted for 30.6% of Australia's total exports in fiscal year 2017-18, more than double that shipped to Japan, which is the second biggest market (at 12.7%).

China may lose the moral high ground on Covid-19 but it'll certainly come out on top should the bilateral trade between Beijing and Canberra stop completely, prolonging the recession we didn't have to have.

Benjamin Ong is director of economics and investments at Rainmaker Information.

SECTOR TECHNOLOGY

Plug into the pricing power

Software is a wealth creator for companies that take advantage of life's challenges

Best in Breed's tips so far

SECTOR	STOCK	ASX CODE
Discretionary retail	Kogan	KGN
Consumer staples	Treasury Wine Estates	TWE
Resources	BHP	BHP
Financials	Insurance Australia	IAG
Healthcare	Cochlear	COH
Technology	REA Group	REA

The Covid-19 pandemic, according to Tobi Lutke, chief executive of the $80 billion juggernaut Shopify, caused the online shopping platform to put its 2030 plans into place 10 years earlier, such was the change in the commercial and technology landscape.

Kogan, the online retailer and marketplace, saw its sales double in April and May, compared with a year earlier.

People previously unfamiliar with online shopping or video-conferencing flocked to them in droves. And contactless payments, though already popular, came into their own as retailers asked customers to avoid using cash where possible.

Change, as is often said, is the only constant in life. And that change, driven by circumstance, has taken 2020 by the scruff of its neck. It's not just technology that's changing, of course, but it has, by its very nature, become ubiquitous. It can move quickly and is at the heart of most innovation – it's been prominent in shaping how we respond to the challenges of living with and hopefully eradicating Covid-19.

And technology (in particular, software) has some characteristics that should warm an investor's heart. While barriers to entry might be low (coding isn't exactly a dark art, and there's no lack of qualified programmers), toppling incumbents remains a tall order. The company that can – through skill, luck or both – make headway, brings with it an economic engine that should be the envy of almost every other business.

That's because software, once written, costs very, very little to produce and distribute. If you're making cars, you have a full manufacturing process to serve each new customer. If you're selling software, the customer simply downloads a costless copy of something you've already done.

Or – and this is where it gets better – the customer doesn't download anything at all, but rather gains time-bound access to an online service that requires a regular, recurring (monthly or yearly) payment to maintain. Stop paying, and they can't use the software any more. That makes for some high customer retention.

Take Microsoft Office. Once a one-time-sale product, we now access it as a subscription. And once the software is written, there's almost no cost difference whether the company has 10, 10,000 or 10 million customers. Sure, there are sales and marketing costs, and ongoing development costs – and no one has yet unseated Office after 35-odd years of domination, so it's not as easy as it seems – but if it can get there, and if an investor can jump on the bandwagon early enough in the journey, such a company can prove to be a lucrative wealth creator.

Foolish takeaway

It's not an excitement machine like some others in this area – and the next few months could be volatile – but given its dominance, pricing power, and undeniable business quality, for long-term investors-REA Group is our best in breed.

Of course, it's not all plain sailing. In a pure coincidence, the ASX All Technology Index – billed hyperbolically as Australia's NASDAQ – launched on February 21, the day after the ASX hit a record high.

When it comes to choosing the best, it's hard to look past the "classifieds" trio of REA Group (owner of realestate.com.au), Carsales and Seek. While the economy mightn't be in tip-top shape right now, these companies have a lock on their categories and seemingly endless pricing power.

And while it's not traditional "recurring revenue" – because homeowners only sell every five or 10 years – the true economic goldmine is the lock REA has on real estate agents, who have little choice but to recommend sellers place their listings on the company's market-leading site.

It's those agents who are REA's true recurring customers.

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).

No bargains on this shelf

As stores close and rents collapse, shopping centre landlords face a slow recovery

For a long time, it has been evident that retail shopping giants Unibail-Rodamco-Westfield (URW) and Scentre Group were facing growing online competition. More recently, it became apparent the pair had bigger problems than just e-commerce.

URW had taken on too much debt to finance the purchase of Westfield, and Scentre's management made the dubious decision to remove disclosure on key operating metrics. Then the corona-crisis hit and the already weak share prices were trashed.

If one takes the historical numbers at face value, Scentre is trading at about half its net tangible asset backing with a backwards-looking 10% yield, while Unibail is priced at just a quarter of net assets, offering a 20% trailing yield.

Of course, no one is taking those numbers at face value, attractive as they seem. With venues closed and rent moratoriums in force, retail landlords have been hit hard by the pandemic restrictions and the market is pricing in some carnage. The question is whether it's overdone.

The first bit of bad news concerns rent revenues. Retailers the world over are rethinking their store footprints, with Flight Centre's closure of 800 stores worldwide an example.

Shrinking retailers will lead to increasing vacancies while elevated unemployment and a recession-shaken consumer won't help in-store sales. Landlords will try to entice new tenants to fill the gaps but there may not be much to choose from. It seems inevitable that landlords will have to reduce rents, especially as the accelerated shift to online will drag sales growth down.

While lower interest rates will ease interest expenses, other fixed costs like utilities and wages are unlikely to change much. That entails lots of operating leverage; any decline in rent will be magnified at the bottom line, especially as smaller, specialty retailers will be hardest hit, which is typically where shopping centres make their highest margins.

Lower rents also mean properties will be revalued lower. Each year, independent valuers take into account current rents, growth expectations, interest rates and transactions for similar properties to come up with a theoretical value.

These valuations sit on the balance sheet, feeding into the trusts' gearing ratios (a measure of their net debt to total tangible assets). If gearing ratios get too high, debt covenants may be triggered; in dire circumstances, worried lenders can liquidate the trust.

Most management teams aim for gearing to be well below covenant limits, selling assets or raising capital whenever the relevant ratios get uncomfortably high. This is likely to become a major headache for Scentre and Unibail. Valuations were already under pressure before the pandemic; now they're far worse.

With gearing ratios likely to rise across the industry, there may be a wave of distressed selling, adding to oversupply and placing more pressure on valuations. In worst-case distressed-selling scenarios, prices could plummet.

The survivors will be those able to garner enough support from lenders. With the best assets in the industry, Scentre and Unibail should be able to raise money and debt as needed, but their elevated gearing leading into the crisis (especially Unibail) won't do them any favours.

Of the two, Scentre should emerge in better shape. Its balance sheet was more conservative before the crisis and Australia has fared relatively well compared with Europe and the US, where malls have been shut for extended periods.

But with increasing online competition and a souring global economy, both face a painful period of deleveraging and a future of sluggish growth.

What about those trailing yields? To us, the market has it about right. The current level is too high given the double whammy of lower rents and forced asset sales or capital raisings.

The sensitivity is also a concern. Assuming 35% gearing and that any decline in rents leads to a proportional decline in property valuations while fixed overheads remain steady, if rents were to fall by 30%, cash flow would fall by around 40%.

All of this makes the historical yield deeply misleading. With plenty of time to watch this story unfold, steer clear.

Mickey Mordech is an analyst at Intelligent Investor.

The table on this page contains data and information to help you compare superannuation funds. It showcases MySuper investment options offered by some of Australia's biggest super funds.

MySuper options are default superannuation products that employees choose or are allocated by their employers.

The performance results displayed are the annualised investment returns each MySuper option has delivered after taking account of all taxes and fees. Past performance is no indicator of future performance.

The table also lists each fund's SelectingSuper Fund Quality Rating. Funds that achieve these quality standards are designated AAA. Research was prepared by Rainmaker Information, which publishes *Money* magazine. For more info, see **www.selectingsuper.com.au**.

Top performing super funds: Top 20 MySuper – April 30, 2020

RANKED BY 3-YEAR RETURN

FUND & INVESTMENT OPTION NAME	Fund type	Strategy	1-year return	1-year rank	3-year return (%pa)	3-year rank	5-year return (%pa)	5-year rank	Quality rating
Australian Ethical Super Employer – Balanced (accumulation)	Retail	S	0.7%	1	5.8%	1	5.2%	22	AAA
UniSuper – Balanced	Industry	S	0.1%	3	5.7%	2	6.0%	2	AAA
QSuper Accumulation – Lifetime Aspire 1	Government	LC	0.0%	6	5.6%	3	6.0%	4	AAA
State Super (NSW) SASS – Growth	Government	S	0.5%	2	5.5%	4	5.7%	7	Not Rated
AustralianSuper – Balanced	Industry	S	-1.0%	15	5.5%	5	6.2%	1	AAA
VicSuper FutureSaver – Growth (MySuper)	Industry	S	0.1%	4	5.2%	6	5.2%	23	AAA
Media Super – Balanced	Industry	S	-0.7%	12	5.2%	7	5.8%	6	AAA
First State Super Employer – Growth	Industry	LC	-0.4%	8	5.2%	8	5.4%	16	AAA
TASPLAN – OnTrack Build	Industry	LC	-0.6%	11	5.1%	9			AAA
Mercy Super – MySuper Balanced	Corporate	S	-1.7%	23	5.0%	10	5.6%	9	AAA
Cbus Industry Super – Growth (Cbus MySuper)	Industry	S	-1.0%	14	5.0%	11	6.0%	3	AAA
Vision Super Saver – Balanced Growth	Industry	S	-1.4%	18	4.9%	12	5.3%	18	AAA
NGS Super – Diversified (MySuper)	Industry	S	-1.7%	24	4.8%	13	5.4%	14	AAA
Virgin Money SED – LifeStage Tracker 1974-1978	Retail	LC	-2.5%	34	4.8%	14			AAA
Club Plus Industry Division – MySuper	Industry	S	-2.4%	30	4.7%	15	5.3%	19	AAA
StatewideSuper – MySuper	Industry	S	-2.5%	32	4.7%	16	5.8%	5	AAA
IOOF ESE – IOOF Balanced Investor Trust	Retail	S	-0.4%	7	4.7%	17	4.9%	27	AAA
HESTA – Core Pool	Industry	S	-1.8%	26	4.6%	18	5.2%	20	AAA
Equip MyFuture – Equip MySuper	Industry	S	-1.1%	16	4.6%	19	4.9%	26	AAA
ANZ Staff Super – Balanced Growth	Corporate	S	-2.5%	33	4.6%	20	4.4%	34	AAA
SelectingSuper MySuper/Default Option Index			-2.5%		3.9%		4.6%		

Rankings are made on returns to multiple decimal points.

SelectingSuper Benchmark Indices – Workplace Super

INDEX NAME	Performance to April 30, 2020		
	1 year	3 years (pa)	5 years (pa)
SelectingSuper MySuper/Default Option	-3%	4%	5%
SelectingSuper Growth	-4%	4%	4%
SelectingSuper Balanced	-2%	4%	4%
SelectingSuper Capital Stable	0%	3%	3%
SelectingSuper Australian Equities	-9%	2%	3%
SelectingSuper International Equities	-2%	6%	6%

Source: www.selectingsuper.com.au and Rainmaker Information

DATABANK

WHAT THEY MEAN

Performance after fees: When calculating fees, Rainmaker assumes a member has $50,000 in their account.

Strategy: Some MySuper products invest your superannuation based on age and are known as lifecycle funds (marked LC). The table includes the LC option for 40-year-old members. Non-lifecycle funds are known as single strategy (S).

Rank: Funds are ranked against all MySuper investment options available in Australia.

Indices and averages: To produce these indices, Rainmaker analyses the results of more than 3300 investment options.

SELECTING SUPER AAA QUALITY
INDEPENDENT RESEARCH CONDUCTED BY RAINMAKER INFORMATION

DATABANK

The tables on these pages contain data and information to help you compare managed funds, which are pooled funds managed professionally by investment experts.

Managed funds displayed in these tables are multi-sector or asset class specific. Multi-sector managed funds invest across a diversified mix of asset types spanning equities, property, bonds, cash, infrastructure, private equity and alternatives.

Managed funds are normally set up as unit trusts. You may be able to invest in them directly or through a platform.

Top 5 Multi Sector funds by size

Name	APIR code	Mngmnt fee %pa	Start date	Size ($m)	1-year return	1-year rank	5-year return (%pa)	5-year rank
Vanguard Growth Index Fund	VAN0110AU	0.29%	1/12/2009	$5,248m	-0.9%	39	5.3%	8
Vanguard Balanced Index Fund	VAN0108AU	0.29%	11/12/2012	$4,775m	1.3%	17	5.0%	16
QIC Growth Fund	QIC0002AU	0.50%	17/04/2002	$4,465m	-3.9%	79	3.5%	53
Vanguard High Growth Index Fund	VAN0111AU	0.29%	12/12/2012	$2,622m	-3.2%	70	5.5%	5
Vanguard Conservative Index Fund	VAN0109AU	0.29%	1/10/2001	$2,341m	3.0%	4	4.5%	21
AVERAGE*		0.76%		$440m	-2.4%	118	3.6%	105

Top 5 Australian Equities funds by size

Name	APIR code	Mngmnt fee %pa	Start date	Size ($m)	1-year return	1-year rank	5-year return (%pa)	5-year rank
Vanguard Australian Shares Index Fund	VAN0002AU	0.18%	1/12/2009	$11,874m	-8.9%	63	3.5%	59
Fidelity Australian Equities Fund	FID0008AU	0.85%	11/12/2012	$4,737m	-6.8%	43	4.5%	48
Dimensional Australian Core Equity	DFA0003AU	0.31%	17/04/2002	$2,375m	-12.6%	99	3.7%	56
Bennelong ex-20 Australian Equities Fund	BFL0004AU	0.95%	12/12/2012	$2,230m	-0.9%	9	9.7%	6
iShares Wholesale Australian Equity Index Fund	BGL0005AU	0.20%	1/10/2001	$2,104m	-9.1%	64	3.5%	62
AVERAGE*		0.81%		$457m	-9.5%	138	3.9%	119

Top 5 International Equities funds by size

Name	APIR code	Mngmnt fee %pa	Start date	Size ($m)	1-year return	1-year rank	5-year return (%pa)	5-year rank
Vanguard International Shares Index Fund	VAN0003AU	0.18%	1/12/2009	$14,798m	3.8%	57	9.3%	33
Magellan Global Fund	MGE0001AU	1.35%	11/12/2012	$11,635m	11.2%	17	12.3%	10
MFS Global Equity Trust	MIA0001AU	0.77%	17/04/2002	$5,526m	2.1%	73	9.7%	26
iShares Wholesale International Equity Index Fund	BGL0104AU	0.20%	12/12/2012	$3,985m	3.8%	56	9.4%	30
Walter Scott Global Equity Fund	MAQ0410AU	1.28%	1/10/2001	$3,701m	7.6%	36	12.8%	7
AVERAGE*		0.95%		$637m	1.3%	150	8.3%	101

Top 5 Multi Sector funds by 5-year return %pa

Name	APIR code	Mngmnt fee %pa	Start date	Size ($m)	1-year return	1-year rank	5-year return (%pa)	5-year rank
IOOF MultiMix Growth Trust	IOF0097AU	0.96%	6/07/2015	$585m	1.3%	20	6.6%	1
Macquarie Balanced Growth Fund	MAQ0048AU	0.70%	31/05/1993	$683m	4.5%	2	6.3%	2
IOOF MultiMix Balanced Growth Trust	IOF0093AU	0.92%	7/07/2000	$1,700m	2.2%	10	6.1%	3
BlackRock Scientific WS Diversified Growth Fund	BGL0003AU	0.79%	30/05/2014	$424m	-0.4%	35	5.8%	4
Vanguard High Growth Index Fund	VAN0111AU	0.29%	31/03/1998	$2,622m	-3.2%	70	5.5%	5
AVERAGE*		0.76%		$440m	-2.4%	118	3.6%	105

Source: Rainmaker Information. Data sourced as at April 30, 2020. *Numbers stated here depict averages, other than the Rank column, which is the total number of funds in the category. For any queries on these tables, please contact info@rainmaker.com.au.

These products may be recommended to you by a financial adviser.

The performance results displayed are the annualised investment returns each managed fund has delivered after taking into account taxes paid by the unit trust and investment fees.

Research was prepared by Rainmaker Information and for more information see **www.rainmaker.com.au**

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DATABANK

Top 5 Australian Equities funds by 5-year return %pa

Name	APIR code	Mngmnt fee %pa	Start date	Size ($m)	1-year return	1-year rank	5-year return (%pa)	5-year rank
Selector Australian Equities Fund	DDH0002AU	1.18%	6/07/2015	$51m	-2.8%	17	13.2%	1
Bennelong Concentrated Aust Equities	BFL0002AU	0.85%	31/05/1993	$779m	3.2%	3	13.1%	2
Fidelity Future Leaders Fund	FID0026AU	1.20%	7/07/2000	$584m	-2.2%	14	11.5%	3
Australian Unity Platypus Aust Equities	AUS0030AU	0.76%	30/05/2014	$127m	3.4%	2	10.3%	4
Bennelong ex-20 Australian Equities Fund	BFL0004AU	0.95%	31/03/1998	$2,230m	-0.9%	9	9.7%	5
AVERAGE*		0.80%		$494m	-9.2%	122	4.1%	107

Top 5 International Equities funds by 5-year return %pa

Name	APIR code	Mngmnt fee %pa	Start date	Size ($m)	1-year return	1-year rank	5-year return (%pa)	5-year rank
Hyperion Global Growth Companies Fund	WHT8435AU	0.70%	6/07/2015	$257m	14.1%	9	18.7%	1
Franklin Global Growth Fund	FRT0009AU	1.13%	31/05/1993	$245m	16.5%	2	14.5%	2
Evans and Partners International Fund	ETL0390AU	1.25%	7/07/2000	$55m	9.8%	20	14.0%	3
T. Rowe Price Global Equity Fund	ETL0071AU	1.18%	30/05/2014	$3,095m	11.3%	14	13.9%	4
Intermede Global Equities Fund	PPL0036AU	0.99%	31/03/1998	$116m	15.2%	5	12.9%	5
AVERAGE*		0.96%		$695m	1.0%	128	8.3%	86

Top 5 funds by 1-year performance

Name	APIR code	Mngmnt fee %pa	Start date	Size ($m)	1-year return	1-year rank	5-year return (%pa)	5-year Rank
Fiducian Technology Fund	FPS0010AU	1.36%	1/12/2009	$133m	19.7%	1	18.9%	1
Loftus Peak Global Disruption Fund	MMC0110AU	1.20%	11/12/2012	$89m	16.9%	2	0.0%	
Franklin Global Growth Fund	FRT0009AU	1.13%	17/04/2002	$268m	16.5%	3	14.5%	3
Zurich Concentrated Global Growth	ZUR0617AU	1.11%	12/12/2012	$24m	16.4%	4	0.0%	
Pengana International Fund	PCL0026AU	0.97%	1/10/2001	$42m	15.9%	5	0.0%	
AVERAGE*		0.84%		$560m	-3.1%	366	5.3%	298

Bottom 5 funds by 1-year performance

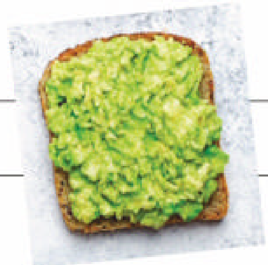
Name	APIR code	Mngmnt fee %pa	Start date	Size ($m)	1-year return	1-year rank	5-year return (%pa)	5-year rank
Auscap Long Short Australian Equities	ASX0001AU	1.54%	6/07/2015	$225m	-33.1%	390	-3.1%	313
Montaka Global Access Fund	FHT0038AU	1.85%	31/05/1993	$46m	-25.2%	389	0.0%	
Vanguard Global Value Equity Fund	VAN0074AU	0.35%	7/07/2000	$7m	-21.3%	388	0.0%	
Lazard Select Australian Equity Fund	LAZ0005AU	1.15%	30/05/2014	$149m	-21.2%	387	1.8%	284
MLC Wholesale IncomeBuilder	MLC0264AU	0.72%	31/03/1998	$333m	-19.8%	386	-2.2%	312
AVERAGE*		0.84%		$520m	-3.2%	390	5.2%	313

WHAT THEY MEAN

Performance after investment fees. Investment returns after investment fees annualised to describe each fund's returns per annum. But if your managed fund achieves a high return and charges you an extra "performance fee", Rainmaker has not taken this into account. Past performance is not an indicator of future performance.

Rank. Funds are ranked against all managed funds in each segment, not just those included in each table.

Indices and averages. Arithmetic average investment returns or average fees for all fund investment options within each category, that is, not fund size weighted.



"I was fascinated by the obscure, bizarre documents that measured Australians' movements"

Bernard Salt

Bernard Salt is Australia's foremost demographer, a futurist, columnist, business adviser and author. He is able to interpret demographic data to show how social and cultural changes reshape the way we live, work and form relationships. His job didn't exist until he created it and now his work has uncovered Australians' yearnings for a sea change and smashed avocado, and his skills are in huge demand during the pandemic.

What was your first job?

As a teenager I had odd jobs like mowing lawns and cutting bushes. Those sorts of jobs were good in terms of meeting other people and dealing with adults who weren't your parents and who wanted you to work and complete a job to a standard. I enjoyed that.

It was great training for my career as a writer with the newspaper – editors are like parents and doing it to a standard means it gets published. My first professional job was as a research officer at the Geelong Regional Commission, a planning and development authority that administered Geelong in the early 1980s. I was introduced to the Australian Bureau of Statistics bulletins on population and I was fascinated by these obscure, bizarre documents that measured the movements of the Australian people on a micro level, and I would study them.

What's the best money advice you've received?

The best advice was given to me by my mother. It was by example in a working-class family – Mum controlled the finances, managed the household budget and raised six children on a working man's wage in country Victoria. Living in a commission house, she did it by writing down every item of expenditure. In my early years of running a household that's what I did. It's a really good lesson for people starting out.

What's the best investment decision you've made?

To buy a house early, at the age of 24. My wife was teaching and I was still studying, but I was working three jobs, and the big thing at that time (1981) was that everyone in our peer group married at age 21 and 22 and we did not go overseas but bought a house. We were raised by people who had lived through the Great Depression and war.

What's the worst investment decision you've made?

I don't know that I've made a "worst" decision, but I don't think the self-managed super fund logic works for everyone. What you're saying is you think that you can deliver a better result than people who are professional at this and have a lifetime's experience of it. I tend to think a good super business is probably safer in a herd unless you are an alpha investor.

What is your favourite thing to splurge on?

Travel. My wife and I travel to Europe every Australian winter (not this year). We have a son in Copenhagen and a daughter in San Francisco, so we come home that way. I'm 63 and I need to be slowing down and I would like to be able to spend more time, particularly in the Melbourne winter, travelling, nothing fancy, and just connecting with the kids.

If you had $10,000 to invest where would you invest it?

I would divide it between my children and put it into an account for each of them.

What would you do if you had only $50 left in the bank?

I would make it stretch until I had more money in the bank and use as required: note every cent and rationalise every cent.

Do you intend to leave an inheritance?

Yes, but it's a macabre calculation. I'll start to give it away to my kids as I see mortality approaching. I don't want to hoard everything and then they get it all. When I look back to my 20s and 30s, that's when you need support.

When did you first realise the great significance of the work you do?

In 2002 I published a book called *The Big Shift* and almost immediately I was asked to speak at conferences and I realised the time and effort to speak and the remuneration far outweighed the time and effort put into consulting. It was a better way for the future.

Finish this sentence: money makes…

Life easier. It's important, but don't let it govern your life or change your behaviour.