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COVID-19 RESCUE PACKAGE

7 ways to stay on track

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3. JOB SECURITY: KNOW YOUR RIGHTS
4. SIFT THROUGH THE INVESTMENT NOISE
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6. TACKLING BIG EXPENSES
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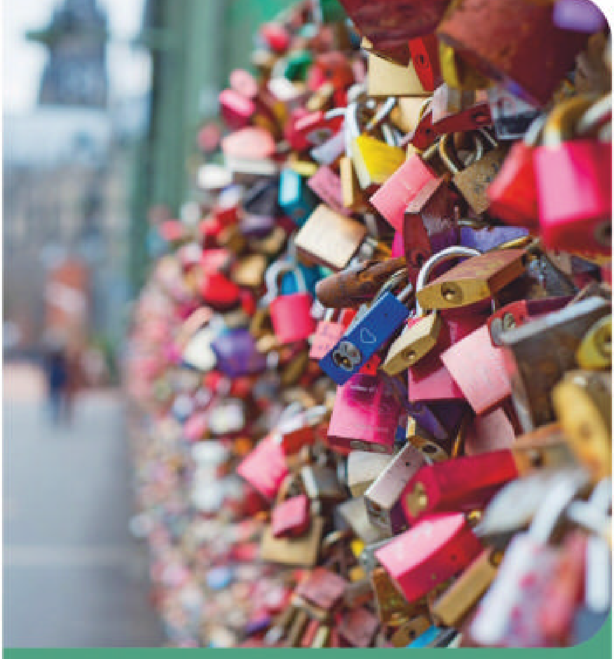

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EDITOR'S DESK

No ordinary lifebuoy

If you're reading this, you've already passed the first test of endurance. Surviving the financial havoc that Covid-19 has forced on all of us requires extraordinary resolve – and a focus on solutions rather than the problems.

Those solutions are in your hands through this special Covid-19 edition. Our cover story (page 34) is a guide to the government concessions and financial aids available to get us through this crisis. What's clear is that the government is having a "whatever it takes" moment. The wheels of the economy must keep turning.

Some forecasts suggest that, thanks to the stimulus package, we are looking at an unemployment rate of 9% next quarter versus a horrific 17% without the government's intervention.

If your property portfolio is your most pressing concern, we've asked the experts this month to provide you with the answers. For those who are fortunate enough to have some ready cash to invest, we also have a special feature on how to choose the right stocks (page 74).

This outbreak couldn't have come at a worse time for pre-retirees or those who intended to withdraw their super savings this year. See Vita Palestrant's checklist in our must-read feature "Make Your Money Last" (page 70) for insights into the action you can take post virus.

Staying afloat over the coming months is not going to be easy. But it is not impossible. History has shown us that people have an infinite capacity to adapt and survive, particularly if we work together.

And on that note, on behalf of the *Money* team, I would like to thank all our nation's frontliners for looking after us. You inspire us every day and we will be forever grateful for your sacrifices.

Michelle

Michelle Baltazar, Editor-in-chief

Feedback

Letter of the month

Putting the personal into finance

Money magazine has really put the "personal" into personal finance for me over the past decade. It's very easy to get glossy-eyed when you read about, or hear people talk about, personal finance, but your relatable magazine has provided me with actionable ways to increase my knowledge of products, budget more effectively and build a financially secure future.

It has been amazing to see the results over the years following a number of small, incremental improvements that I gleaned from your magazine, whether it was changing my mortgage repayments from monthly to fortnightly, investing in equities, writing a will or getting out of consumer debt.

I find the case studies invaluable, paying particular attention to the readers in my age group for actions I should take now but also keeping a keen eye on the older age groups as a road map for the future.

I am very grateful for the power *Money* gives me to control my financial destiny.

Travis

Perceptions of bias

I was less than convinced by Peter's letter (April edition) alleging a bias towards ethical funds on the part of *Money*. The magazine publishes an immense breadth of articles on all manner of strategies. The only bias I have ever detected is towards the best interests of the readership.

As to Peter's view that coal mines are good for poor people, and his anecdotes citing the supposed benevolence of a US oil and gas company he worked for, little more need be said as to who is in possession of a biased perspective.

Patrick

What life is really about

I have been a subscriber to *Money* for a few years now. As a small investor who has made many mistakes along the way, it has been wonderfully validating over time to read and learn from your articles, many of which I share with my children in the hope of giving them a

leg-up as they embark on financial independence in these difficult (and expensive) times.

More importantly, what I love is the human interest element that many of your stories and advice columns include.

"Time that's truly precious" by Marcus Padley (August 2019 issue) not only epitomises the "money isn't everything" maxim, it brought home a very emotive reminder of what life is all about.

Definitely an article to keep for posterity and share with the children when they eventually have their own. Thank you!
Silvia

Win-win for the family

Since moving from the UK to Australia in 2010, I have regularly been reading *Money*, which I initially found in the library. I am writing to share my experience about money matters from reading your magazine.

I have two children. One has graduated and works full time, and the second is still at uni but works full time, so they have money to save. Some of the money has been invested in exchange traded funds and the rest in savings accounts. With the current very low interest rates for savings accounts, recently we found a win-win solution for us as a family.

I have a mortgage of around $300,000 with $55,000 in an offset account. I told them to move some of their money into our offset account, which has increased to $80,000. I promised I'd pay them back at 3.69% (the mortgage rate), instead of the 1%-2% they got from savings accounts.

So I will have less interest to pay to the bank through my mortgage and my children will get more interest from the money in our offset account.
Sastra

Prize worth winning

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What's a positive you've found about self-isolation?

JULIA NEWBOULD
Julia, *Money's* editor-at-large, says: "Slowing down, staying home and appreciating the little things and making contact through Zoom and FaceTime with friends and family have all been positives of self-isolating, as well as seeing and hearing the neighbours more and feeling more connected to my community."

DEBBIE DUNCAN
A senior sub-editor at *Money*, Debbie says: "A major positive has been getting off that treadmill and stopping to smell the roses. It's allowed me to look at my life through a different lens and opened my eyes to the many things I have to be grateful for. That and not having to wait until the weekend to have a lie in."

BOB CHRISTENSEN
Bob, a senior sub-editor at *Money*, says: "The garden has never looked so good. But the novelty is definitely wearing off and I'm looking forward to getting back to a grass-free, hedge-free, weed-free office environment and working with colleagues."

ANN LOVEDAY
Ann, *Money's* art director, says: "It feels like I'm getting my money's worth out of my mortgage this month. This WFH isolation gig means I have full days to enjoy home, the sunny garden at lunchtime and the pooch by my side while I work. It's a real treat."

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We humans will pick ourselves up, dust ourselves off and adapt

As I write this in early April, the All Ordinaries index has had a nice rally from its year low of 4564 to around 5400. Markets do tend to move as a predictor of the future, so right now they are obviously factoring in the falling infection and death rates in Italy and Spain, cheap oil, a low Aussie dollar and, in particular, the impact "staying at home" is having in Australia. Oh, and of course, billions of dollars of government support.

Like you, I can only listen to the medical experts when it comes to the course of Covid-19, but one thing is for sure. We are learning, as happened with the Spanish flu in 1918-20, that isolation can control the horrible thing. How and when we are able to gradually get people back to work will be a difficult issue for our leaders and no doubt we'll get some more bad moments along the way.

Another thing is for sure. We'll get a solid recession, probably our worst since World War II. But markets know, based on some 7000 years of human history, that we humans will pick ourselves up, dust ourselves off and adapt. Not for one second am I saying the market has seen its lows. In the Great Depression from 1929 until the mid-1930s, the market had a few cheerful moments only to end up falling some 85%.

Could this happen now? Well, sure it could, but it's not likely. The world economies were in pretty good shape as we went into the pandemic. Given we understand how to slow it by isolation, globally scientists are powering away on drugs to lower its impact and, hopefully, developing a vaccine, meaning it is not unreasonable to cast an eye to the future and recovery.

For our own lifestyle, our community and the health of those we love, we would all prefer this sooner than later. But providing we can get by financially until recovery comes, whether you're unemployed, holding your job, a casual worker, semi-retired, a self-funded retiree or on an aged pension, assets such as shares and property will recover.

With the huge sums being poured in to support millions of Australians and in turn the economy, the situation is better for most than in any other crisis in history. Yes, some will slip between the cracks, but so many great people in our community are already out there helping those in need. Unlike the Great Depression, where little of this support existed, it will not be easy, but we will get through.

I'm a pre-retiree and, like anyone else with investments, things are pretty ugly. My shares are, of course, well down. I expect dividends to be cut. Rental returns from property are at risk due to the pressure tenants are under. This means using "bad times money" for a while. Readers will know that for decades I have been banging on about holding surplus cash as a buffer for rainy days, or months!

Growth assets, geared property and so on are great on the escalator up, but pretty crook on the escalator down. The way we minimise being forced to sell good assets at exactly the wrong time is by having a cash reserve. The wonderful Warren Buffett says "you only know who is swimming naked when the tide goes out" and right now the tide is out! We'll certainly see some dud investments, mainly those offering high returns with supposedly low risk.

Last month I said I felt things were too uncertain to invest if you are in the fortunate position of holding some surplus cash, but we are now beginning to get a bit of clarity about the future. We can broadly control the virus with isolation. Many have had it or are recovering and have developed a resistance. Globally, the search for a vaccine is happening with more intensity than at any time in history.

Sure, things can go badly wrong, but the market is not wrong when as it looks forward – it sees a future. Let's not forget many millions of us have money going into super on a regular basis, and nearly all of us will have exposure to shares and property in our funds. This is a great way to take advantage of attractive prices.

If you have a few spare dollars, an easy way to invest is through an exchange traded fund or a professional manager. For investors who like to do their own thing, chat to your broker, subscribe to some online research or do your own thinking.

I have a pretty long list of shares that make sense to me as a long-term hold at around the prices I see today. Readers should note that I hold these shares already either in super or my own name, but they are among the ones I certainly would not sell and I am happy to buy a few more. These are great companies such as Sonic, Macquarie Bank, Woolworths, CSL, BHP and AGL. They all supply essential goods, materials or services and are worth being on a "long-term recovery" list. But, as always, do your own research and seek professional advice if needed.

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

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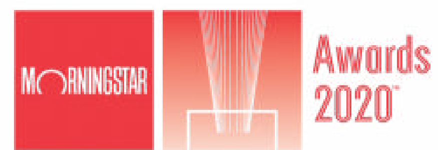

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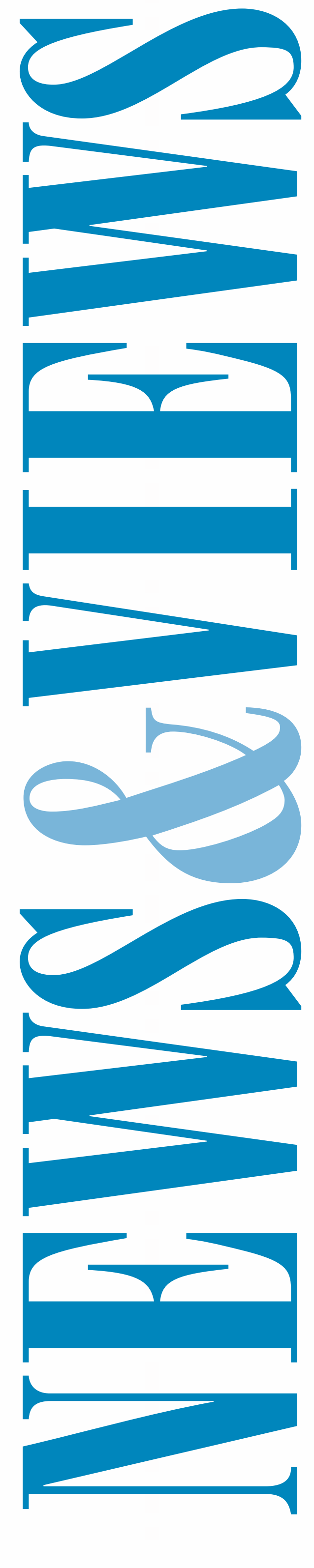


THE BUZZ

Compassionate response can ease the stress

The wide-ranging impact of Covid-19 on the economy can be highlighted in many ways. But two stories on the *Money* website in March drew my attention to some major financial pain points among individuals.

A great summary of the federal government's JobKeeper payment by Susan Hely had received more than 50 comments (as at April 4) – and all of them were questions about whether people qualified for the payment.

We weren't in a position to answer who qualified as the rulebook hadn't been fully written. But the questions reminded me how compassionate we need to be as a nation.

Consider the woman who works casually and was paid cash-in-hand for five years until August 2019, after which she became officially on the books. She will not be eligible because the employer is not recognising her as an employee for the 12 months before March 1, 2020.

Or what about the man who started a business late last year and can't yet confirm whether he's lost more than 30% of revenue in a particular month or three-month period year on year. Luckily, in this case the tax commissioner does have discretion to award the JobKeeper payment to this man's employees.

Reading through the government's fact sheet on JobKeeper, it appears the tax commissioner will hold the lion's share of responsibility for who receives the payment. At the very least we'd ask the commissioner to be tolerant in these trying times.

The second story, also written by Susan, was about what renters could do if they were experiencing financial hardship. It garnered more than 30 comments, mostly from landlords suggesting that they had been overlooked. It was written before the federal government's six-month moratorium on evictions and any announcements regarding help for landlords.

As a follow-up story rightly pointed out, both renters and landlords know the score. Some renters are doing it tough with job losses and other losses of income. Landlords are dually affected having reduced or no rental income while still needing to cover mortgage repayments, tax commitments and repairs and maintenance.

Again, it's here we all need to be compassionate, tolerant and understanding as we adapt to a new world order.

Darren Snyder

CALENDAR OF EVENTS

Tuesday, May 5
RBA interest rate decision

Thursday, May 7
Balance of trade

Wednesday, May 13
Westpac consumer confidence index

Thursday, May 14
NAB business confidence

Thursday, May 14
Unemployment rate

ON MY MIND

Women's super looks bleak

Among the many measures to tackle Covid-19 is the allowance of early access to super: up to $10,000 before July 1, another $10,000 before September 30. Let's consider what it means for women. Hospitality, food and beverage and events industries have now shut down. Women represented 60% of these industries. Women also comprise 57% of the retail workforce. No income equals no super.

Women's super balances are already 42% lower than men's, according to ASFA. If Joanne, for example, is 44 to 49 years old, she would have had only $62,000 worth of super before recent stockmarket losses. In accessing $20,000, one third of her super is gone.

Post pandemic, the super outlook for women is bleak. Before hitting the "withdraw my super" button, review your government entitlements. Apply for financial assistance with banks and utilities. Start applying for jobs; digital, communications and call centres are in demand and home based. If there's no other choice, withdraw the bare minimum – maybe just $3000.

Pascale Helyar-Moray, founder and CEO, Super-Rewards; and director, Australian Gender Equality Council

NEWS BITES

Jane Hume, a Liberal senator for Victoria and former policy adviser at AustralianSuper, has denounced mergers between super funds with similar membership bases, believing it can make them weak. She says smaller funds should instead look to emulate larger funds such as AustralianSuper and Sunsuper. "Failure to diversify fund membership can be as dangerous as failure to diversify investments," she says.

MLC Wealth is waiving licensee fees for all of its aligned financial advisers to alleviate the uncertainty stemming from Covid-19. "Our responsibilities are vastly different to recent memory or what we thought 2020 would bring. I know you're wearing many hats – business owner, adviser, employer, parent, carer and community member – with demands changing daily," MLC Wealth chief executive Geoff Lloyd told them.

Treasurer Josh Frydenberg has moved to protect Australian businesses that have been devalued as a result of Covid-19, with all foreign investment into Australia to now be subject to regulatory approval.

Regain a sense of control

The problem with Covid-19 is that it is affecting every aspect of our lives and, as well posing a serious health threat, there is also a real wealth threat.

In the face of all this, people may start to lose financial confidence. However, along with providing strategic advice, financial advisers can help you regain a sense of control.

Traditionally, advisers help you define your goals and put in place a long-term financial plan to achieve them. This plan does not have to be abandoned in the face of Covid-19, but it may have to be put to one side for a time in order to focus on what needs to be done here and now.

For example, we can help you to make a decision about whether or not to access some of your superannuation early; whether to ask your bank for a mortgage holiday or go on making home loan repayments; or if you are drawing a retirement income from your super fund, whether to reduce the amount you are taking out, especially in light of a volatile sharemarket.

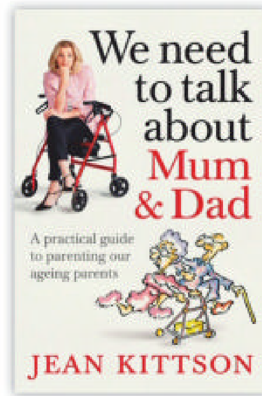
Marc Bineham, national president of the Association of Financial Advisers

87%

of economists predict an Australian recession, though most expect it to be short-lived, according to a Finder survey. In its December survey, 89% said they did not expect a recession in 2020.

NEWS & VIEWS

BOOK OF THE MONTH



WE NEED TO TALK ABOUT MUM & DAD
By Jean Kittson
Macmillan Australia, $34.99

Using her comedic wit, Jean Kittson takes the edge off the difficult issues families face in dealing with ageing parents. She covers living arrangements and whether your parents are suited to a retirement home, nursing home or granny flat, as well as government benefits, medical emergencies, tough discussions with siblings, living wills and other legalities.

Kittson shares her own family stories (including caring for her own 90-something parents), and those of friends. They are illustrated with cartoons from her husband, the cartoonist Patrick Cook.

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APP OF THE MONTH

1 MILLION WOMEN
COST: FREE
OS: IOS 11.0 OR LATER; ANDROID 6.0 OR LATER

Focusing on what we can do to tackle climate change, this app allows you to join in daily actions to cut your carbon footprint and see the collective impact in the world.

You can follow groups around the globe to see what they are doing to help the cause. From a local clothes swap group and no-plastics movement to a compost-sharing street, this app gives you the opportunity to connect with like-minded people.

On signing in, you can create a Ripple Code to encourage others to reduce their carbon footprint and you can follow the results of your influence.

There are tips on the greenest power company, minimising food waste, recipes, ethical banking, what to plant now and cutting energy costs by, for example, running your pool pump an hour less each month.

A bonus is that by reusing, repairing and repurposing you also save money.

JULIA NEWBOULD

TAX TIP

What to claim for working from home

Many people are working from home for an extended period. However, this comes with its own challenges, not least the additional costs that it imposes on employees. So is it possible to claim a tax deduction for any of these extra costs? Happily, the answer is yes.

Your claims can include the work-related proportions of household costs such as: heating, cooling and lighting bills; cost of cleaning your home working area; depreciation of office equipment and computers; cost of repairing home office equipment, furniture and furnishings; small capital items such as furniture and computer equipment costing less than $300, which can be written off in full immediately; computer consumables (like printer ink) and stationery; phone (mobile and/or landline) and internet expenses.

Ideally, you should have a specific room set aside as a home office. If you are using a room with a dual purpose (such as a dining room) or a room shared with others (lounge room), you can only claim the expenses for the hours you had exclusive use of the area.

Keep a diary to work out how much of your household running expenses relate to doing work in your home office. In addition, keep all receipts/invoices. Alternatively, you can use a fixed rate of 52¢ an hour for home office expenses such as heating, cooling, lighting and the decline in value of furniture.

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

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MY MONEY

▶ MORE MONEY STORIES ON P46-59

CYBER CRIME

Team effort needed to beat fraud

The economic and security implications of cyber crime can be devastating, yet because it can't always be visually represented many of us pay little attention when it takes place.

A survey by Experian found that 70% of us have never heard of the high-profile cyberattacks on the Australian National University, PayID, LandMark White, Canva and Puma. Additionally, more than half of the survey group (54%) believed they had never been a victim of cyber crime.

Despite this, almost half of Australians and New Zealanders believe they are responsible for protecting themselves from fraud online, while only a fifth thought that role fell with others, such as their bank.

"Australian and New Zealand consumers have a clear appetite to take control of protecting themselves online, but businesses have a duty of care when it comes to protecting consumer data," says Experian's head of ID and fraud, Karine Smyth. "Whether that's giving consumers access to services to allow them to check whether they've fallen victim to a hack, or simply doing a better job of collecting and sharing information on cyber crime."

Outsmarting cyber criminals will require a collective response, says Smyth.

"If businesses want to authenticate customers less intrusively and create frictionless experiences, a layered approach would need to be adopted, by using data and the application of advanced analytics alongside artificial intelligence and machine learning," says Smyth.

IT'S A FACT

When consumers were asked how they protect themselves online

60% use long passwords with caps, numbers and characters

73% ignore or delete mail from unknown senders

49% regularly change unique passwords or use a password manager

45% use regularly updated security software

Advisers gear up for a busy time

Financial planning firms are preparing for a spike in demand for their services as Covid-19 wreaks havoc for investors.

A poll of 70 financial advisers by the investment management company Allan Gray found 77% think the health and economic crisis will have a positive impact on demand.

"For all investors, these are deeply troubling times with the sharemarket having lost more than a quarter of its value in less than a month," says Drew Meredith, from financial advisory firm Wattle Partners. "They are seeing their nest eggs accumulated over many years disappear before their eyes, and they desperately want advice on what to do."

Investors nearing or in the early phase of retirement are particularly susceptible to drawdown risks – the increased length of time it takes to recoup investment losses after a fall in their value.

"This scenario is particularly pertinent for those investors who are nearing retirement or have just retired and in many instances don't have the option of remaining in or returning to the workplace."

Meredith cautions that many investors near or in retirement who are in large APRA-regulated funds may not know what assets they hold and, even if they do know, they don't know where to get advice.

"The reality is it's difficult for superannuation funds to give personalised advice with fund members running into the millions and typically directed towards websites or phone applications to answer complex questions," says Meredith.

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▶ MORE PROPERTY STORIES ON P60-65

SOCIAL HOUSING

Investors can help the homeless

The Australian Council of Social Services (ACOSS) is calling on the investment community to join forces with the social sector to develop large-scale affordable housing.

"Right now, there is a national shortage of just over 400,000 affordable homes for people who are at risk of homelessness or living on the very lowest income," says ACOSS chief executive Cassandra Goldie.

"Last year Anglicare did research to confirm that if someone was looking for a rental property in which to live and were on Newstart, there were only two properties nationally that were affordable on that income. The main reason is that we have had three decades of declining investment in social housing."

Goldie notes that investors are "in the right rooms" to bring government to the table.

"As investors, you can contribute the private capital that we need to boost the construction of infrastructure that would change the quality of life for hundreds of thousands in the community."

Smashed avo goes out of favour

Contrary to being the "smashed avocado" generation, young Australians are forgoing some of life's luxuries, such as holidays and socialising, to save up for a first home deposit in 2020, according to research commissioned by Lendlease. Such is their determination to own a home, 24% have taken up a side hustle to make it happen.

"Lifestyle still matters, but at the same time they're not throwing away a desire to own a home," says social trends commentator Claire Madden. For millennials, home ownership means much the same as it has for past generations. "Younger generations want a home of their own because it's a marker of independence and security," she says.

Millennials are also willing to give up the dream location to get their foot in the property market. "They're looking at the outer fringes of the city, or in regional areas.

"So for many of them, that means the first step is to buy an investment property and then build up from there."

Life is sweet in regional cities

Victoria boasts the country's three most liveable regional cities – Ballarat, Bendigo and Geelong – according to research by RMIT University on our 21 largest cities.

Ballarat took top gong for access to public transport and public open space. It ranked highly for access to supermarkets, local employment and services, and for housing affordability. Close behind, Bendigo and Geelong scored strongly across all four categories.

Outside the garden state, the most liveable regional cities are Wollongong (NSW), Toowoomba (Qld) and Launceston (Tas).

"One of the key benefits of living in a regional city is that people tend to live close to where they work," says lead researcher Lucy Gunn.

"Ballarat and Bendigo performed well on this indicator, as well as access to public transport, which our research shows has major health and wellbeing benefits because it allows residents the opportunity to be more active.

"The benefit of looking at these liveability measures separately is that you can see where each city is performing well and where improvements can be made."

However, regional cities are also beginning to share some of the less favourable characteristics of bigger cities. Equitable access to key infrastructure such as public transport, healthy food and community services is better in the central, more established areas, but this declines as you move to the edge of the bigger city.

"The good thing about our regional cities is there is still time to avoid the problems that come with our sprawling capital cities," says Gunn.

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INVESTING

▶MORE INVESTING STORIES ON P66-73

FUND RETURNS

Nowhere to hide in big selloff

Covid-19 has exposed vast performance differences across multi-asset funds. Researcher Morningstar looked at the returns of balanced, growth, moderate and flexible multi-asset strategies during the global sharemarket selloff (from February 21 to March 25).

"The dispersion of returns has been surprisingly high despite the seeming homogeneity of these funds," says analyst Edward Huynh.

The report found:

Balanced fund returns varied greatly. The best performer in the category was Perpetual Wholesale Diversified Growth, returning -10.28% due to its underweight to equities relative to the cohort.

While increased growth strategies generally led to worse outcomes, the problem was made worse by poor manager selection. For instance, FirstChoice WS Balanced (-18.39%) had almost identical returns to the Morningstar Growth fund despite the former having lower equity exposure and a higher cash holding.

Conservative funds fared better, yet all lost value despite average defensive holdings of 69%.

Flexible asset allocation funds had fluctuating levels of success in protecting investors from drawdown risk, largely due to equity exposure.

AMP Capital Australian Dynamic Markets, which had the highest equity exposure among the group, was the biggest drag with a 18.9% decline, compared with a 3.8% fall for MLC WS Inflation Plus – Conservative.

Keep a close watch on super changes

As of April 1, anyone under 25 or with a super balance below $6000 will no longer be insured automatically when joining a new super fund.

Rachel Hamlen, from FairVine Super, says it's crucial that super funds make an extra effort to inform their members about the changes.

"We know that 75% of Australians don't open mail from their super fund. Further, commercial emails are often hidden from the primary inbox," she says.

"Ensuring you have the right insurance cover to protect you and your dependents in case the unthinkable happens is more important than ever."

The changes have also drawn criticism in light of Covid-19.

"Losing your super insurance could have catastrophic consequences if you are injured or become ill and at risk of losing your main source of income after not being able to work," says Slater and Gordon lawyer Annemarie Gambera.

"Many people under 25 are studying or working in casual roles in hospitality, retail and tourism, and may need to access income protection or make a workers' compensation claim if they find themselves out of work for weeks at a time if they contract the virus."

Meanwhile, super members should watch for changes to their current life insurance policies.

There are insurers prepared to waive pandemic exclusions for existing members. However, new members who exhibit symptoms of Covid-19, or have recently travelled abroad, or form part of a high-risk group, may be individually assessed and offered modified terms.

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SHARES

▶MORE SHARES STORIES ON P74-85

INNOVATION

'Underdogs' are ready to perform

Crises such as Covid-19 often serve as drivers of innovation. Take the GFC , for example. Despite technology companies suffering budget cuts of 20%-30%, during its worst quarter Salesforce.com, the software company, lifted revenue by 20%. Similarly, Amazon sales grew 14% in its worst quarter despite falls in retail sales.

"In the early days of a bear market, while innovation does gain traction the stocks associated with disruptive innovation tend to underperform," says Catherine Wood, from ARK Invest in the US.

"In a risk-off environment, benchmark-sensitive investors sell innovation-oriented stocks as they seek 'safety' in the benchmarks against which they are measured."

For this reason, Wood believes that innovation-focused portfolios can serve as important hedges against benchmark-sensitive and passive strategies.

"Digital wallets are likely to undermine bank branches and other financial services; autonomous electric vehicles should disrupt traditional autos, ridesharing, logistics, short-haul airlines, and railroads; and collaborative robots could be an answer to labour shortages and social distancing while artificial intelligence and blockchain technology solve supply chain inefficiencies globally and payments infrastructure in emerging markets."

Wood says that the turbulence caused by the coronavirus is giving innovation another opportunity to break into the investing mainstream.

"Unlike their entrenched and bureaucratic competitors, our companies tend to be scrappy, lean, agile underdogs that know how to manage through FUD (fear, uncertainty and doubt). Each of them is contributing to the five innovation platforms evolving today – DNA sequencing, AI, robotics, energy storage and blockchain technology – and offering solutions to the problem."

BUY Equity Holdings Ltd (EQT)

The Intelligent Investor Mickey Mordech

This year's market crash means Equity Trustees will no longer deliver on previously flagged profit growth in the second half.

As markets fall, so do funds under management (FUM), which means around 50%-60% of the company's revenue will be affected. While funds in its private wealth business are mostly locked in, Equity Trustees' corporate business may be impacted by outflows from the underlying funds for which it serves as a responsible entity.

If things stay as they are, accounting profits could halve next year. If say, markets fall a further 30%, coupled with outflows of 20% from the corporate trust business, Equity Trustees could be in a loss-making position.

We're pretty sure it could cut costs and it has $30 million in unrestricted cash against $19 million in debt, none of which matures in the next two and a half years, so there's liquidity to tide things over. But it is a far cry from the profit growth we were expecting before the market's collapse.

Should markets rally it will bolster profits. We've no idea if that will happen in the short term, but in the long term we have hundreds of years of history to suggest they'll eventually head higher. This was a key pillar of our original investment case; if there's any long-term tailwind to bet on, it's the march upwards of global business profits. We expect Equity Trustees to be a long-term beneficiary, but the path will not always be steady, or pleasant, as we are seeing right now.

This is a deep and painful correction, but history suggests it's also a temporary one. We're reducing our price guide to account for the hit to profits, but we think the stock remains attractive over the long term.

RECOMMENDATION

BUY	HOLD	SELL
below $25.00	up to $40.00	above $40.00

BUY at $20.00

Source: Intelligent Investor; price as at March 27, 2020 close of business

COMPILED BY DAVID THORNTON

STORY ALAN DEANS

Law takes a virtual route

Fact file

Dominic Woolrych

Chief executive and part owner of online legal platform Lawpath; age 33; lives in Sydney's Kings Cross.

Formerly a corporate lawyer at MinterEllison. First job was on a whale-watching boat in Sydney; wanted to be a boat captain. Also owns RideShare Training, an online business that trains Uber drivers. Started playing the stockmarket in high school by entering ASX competitions. Pastimes are anything to do with the water, including sailing and windsurfing.

The brutal fallout of Covid-19 has devastated many businesses. But one that is benefiting, at least for the time being, is Dom Woolrych's online legal platform Lawpath.

He says more people than ever are logging on for advice about thorny issues that now confront them. The uptick is even giving him confidence to continue pushing growth plans.

Moves are afoot to launch the platform's first TV and radio marketing campaign mid-year in a bid to boost subscribers further. There are also plans to raise capital and expand into Asia.

"The virus will have an effect because small businesses are struggling," says Woolrych.

"The majority of our clients are small businesses. That said, in the last four days we have had the largest revenues in our history. That's because people are looking for alternatives to traditional legal services. They can't go and visit their lawyer. They can't go and visit their accountant. They are, therefore, looking for virtual or online options, or they are looking for more affordable alternatives because they are pinching the pennies a little. And people are setting up plans with us, getting ready for the tough times ahead."

The core concern is downsizing, including cutting workers.

The plans he refers to is Lawpath's new $69 monthly option, which provides unlimited access to its platform, documents and phone calls with lawyers. Like many online services during the pandemic, particularly entertainment and video services, the new all-you-can-eat offer has hit the right note.

"Some months, subscribers might not even call," says Woolrych. "They might be too busy. But we can do it on a large scale, so we can average out our costs."

It seems Lawpath has hit a sweet spot, putting behind it the trials of its early years. Since launching in 2015, via a start-up incubator

MICHELE MOSSOP

Thinking big ... Woolrych wants a slice of the $150 billion Asian market.

called Pollenizer, it raised $1.8 million in 2016, another $2.3 million two years later and $4.4 million in 2019. The majority came from global legal research firm LexisNexis, online US legal disruptor LegalZoom and the Murdoch family's Macdoch Ventures. It has about $3 million in the bank, although its expansion ambitions will require another lick of capital.

"A couple of years ago, we asked whether we wanted to become a profitable $5 million business or go really big and sacrifice profitability in the shorter term for market share? That's what we have chosen. That's what LegalZoom did, and a lot of the others have done," says Woolrych.

"We feel that we can be Australia and Asia's largest legal platform. We have about 1.5% of Australian small businesses using us now. We feel that we can easily get to 10%. It's definitely not the kind of business to settle down and have as a lifestyle. It's a go big or go home."

Lawpath currently caters to 120,000 small and medium businesses. When it started, its ambition was to replace lawyers entirely, but Woolrych says people have changed the way they interact with the law. There is now room for both.

The platform's online tools let clients draft some of their own documents, set up companies via ASIC and complete certain registrations.

A second tier of the platform is the lawyer marketplace, which consists of about 1000 legal brains who essentially run side hustles. They tend to be regionally based, semi-retired or stay-at-home parents. Some now get all of their work through the platform.

A client might be based in Adelaide, but their legal brains might be sitting in Byron Bay or Geraldton. If their main lawyer isn't immediately available, then a client can be referred to a partner in the same firm who can also access their records and keep the ball rolling.

Most direct advice comes in one of three areas. The first is capital raisings and businesses seeking new investors. Corporate structuring is another, and the third is employment and workplace law. A growing niche is intellectual property, for businesses wanting to protect brands with trademarks or ideas through patents. Woolrych says cost is about a fifth of that of regular channels.

"It's not that lawyers are overcharging. They are not," says Woolrych. "A lot charge really fairly. But this is a self-service platform, and

It's a self-service platform, and users give a lot of data, cutting the time it takes to provide services

users give us a lot of data about themselves that really cuts down the amount of time it takes to provide the legal services."

Lawpath's growth plan calls for it to expand into Asia.

"There are lots of small to medium-sized businesses up there, but they are slow moving online. There are no real competitors for us. The legal industry in Australia is worth about $25 billion. If you add in just Singapore, Hong Kong and Malaysia, then it goes to about $150 billion. It's a huge market."

The current goal is to head north in 2022, with support being offered by LexisNexis.

Woolrych says the intention is to launch first in countries that practise common law, like that in Australia.

They include Singapore, Hong Kong and India. But he adds that it doesn't really matter what type of law is practised because Lawpath's platform should be effective in any jurisdiction.

The biggest challenge would come from using different languages. He says there is already a Lawpath India, a copycat service with similar branding and website.

"It is doing really well. We thought that, when it launched, we needed to sue them and stop them. But we have actually used it for market validation. We can see now that it will work in other countries."

The business's board recently backed an expansion strategy, the plan being to focus on growth for about two years before raising more capital or seeking a stock exchange listing.

There have also been approaches from international players to buy the company.

"It's very tempting," says Woolrych. "There were a lot of times during the early years when we thought it would be easier to go and do something else. But there has been a step-change in the past 24 months, and the business is growing really quickly."

Success is coming by doing a thousand different things right, and through the benefit of word of mouth.

"It helps that people were comfortable using other professional industries, doing their banking and accounting online. Most do them through apps. Now they don't question the idea of accessing legal services online. It also helps that Lawpath has a team of 10 content writers, who write content for the platform to inform and engage users," he says.

Having established a business for side hustlers, it is fitting that Woolrych has one of his own. When he was working at law firm MinterEllison, he started to train Uber drivers in his spare time. That needed to be done by a third party because drivers are contractors, so Uber itself can't do it. RideShare Training is now Australasia's largest such business for Uber.

It's not the kind of business to settle down and have as a lifestyle. It's a go big or go home.

Woolrych operated training centres in Brisbane, Melbourne, Sydney and Perth, but now that is all done online. Rather than pursue that full-time, however, he wanted to stay working with his first love, the law.

When he met his current business partners, Nick Abrahams, Phil Morle and Tom Willis, his roles at both RideShare and Lawpath clicked into place.

Woolrych says that he has invested in shares since turning 18.

"I am a monthly trader. Every time I am paid, I take an allocation and put it into my share trading portfolio. That's been building up for more than 15 years."

The focus for his share trading is only investing in business in which he feels he has a fundamental understanding.

He has always invested in litigation funding businesses. He sees that as being not only a growth area, but also a sector in which he is not gambling with his money. The same goes for Lawpath.

"We have hundreds and thousands of start-ups coming through here each year, and I have definitely seen a trend with those people in spaces or industries that they already understand. They are always far more successful," he says.

Advice that has long stuck with him came from his grandfather, a former admiral in the Australian navy.

"He wasn't entrepreneurial, but he was very impressive and I always received a lot of guidance. He would say that if you found yourself between a rock and a hard place, you could always move the hard place or the rock.

"This week is a really good example. With Covid-19, everyone says things aren't going well, but you just have to keep pushing through. I call it grit." **M**

MICHELE MOSSOP

CASE STUDY

How the Bank of Mum can help

MARTIN OLLMAN

A mother's quest to help her daughter get a foothold in the property market

NAME: Mary
STATUS: Recently retired, she wants to help her 33-year-old daughter, Jess, get into the property market.
QUESTIONS: What's the best way to help my daughter buy a property? What sort of structure will the bank prefer if I contribute to the deposit? What are the tax implications for me if we rent out the house for a few years until Jess moves in? What northern suburbs in Canberra are good value and affordable?
ANSWERS: It is best to wait until Jess is working before she buys a property. This is because the banks will view her ability to service the loan more favourably than if she were studying. The northern Canberra suburbs between Belconnen and Charnwood are affordable, with good services for families. They score highly for lifestyle and convenience.

In 2019, 1.2 million Australian parents helped their kids into the property market, lending an average of $73,522, according to researcher Mozo. They provided $92.3 billion, making the Bank of Mum and Dad the fifth biggest lender after the big four. Typically, parents dip into their savings, delay retirement, or take money from their home equity account.

Mary is wondering how to structure a loan to help her daughter, Jess, who has saved $70,000. But that isn't enough to buy in Canberra's inner north. Options Mary is considering include topping up Jess's deposit and buying a property as a joint co-owner, acting as a guarantor and assisting with repayments, as Jess is about to have a baby. She already has one child.

Mary has recently retired and has a public service pension as well as a super lump sum. Mary has savings to discharge her own mortgage as well as a small number of shares. But she needs to keep some money up her sleeve for emergencies.

Mary wants to find out how lenders would view a loan to Jess and herself? What structure would they typically require?

For collateral Mary owns a four-bedroom house in Canberra. Jess is a linguistics expert and a teacher but intends to study speech pathology in the next couple of years. She is moving in with Mary for a couple of years until she has qualified, the baby is older and she finds a secure job.

"My thoughts are that I will purchase a property in Canberra, where we live, and rent it out to cover mortgage repayments until my daughter can afford the repayments herself. She'll move into it then," says Mary.

Should Jess and Mary buy a home now or wait for two years? What are the tax implications for Mary if she earns income from the house?

What suburbs can Jess can afford without moving too far out of the centre? What is the best option when Jess is ready to move into the house? Transfer the property to her? Or keep Mary's share in her name and stipulate in her will that she takes over ownership?

COMPILED BY SUSAN HELY

Getting a loan will be tough

MARGARET LOMAS

Margaret Lomas is the best-selling author of eight property investment books as well as being the founder and director of Destiny Financial Solutions. She is an investment property adviser.

Mary has obviously worked hard to get herself into a good position, and I wouldn't like to see her compromise this position too greatly at this stage of her life. I always understand the desire to assist children, but our own retirement needs must be considered – after all, Mary doesn't want to become a burden to Jess down the track if her own funds run out.

It is unlikely that a bank will allow Mary to become a guarantor for a loan for Jess unless there is a benefit to Mary. This means that a lender would be looking to see what Mary gets out of this. She would need to gain a benefit: either income and equity from the property or a place to live, which would require Mary and Jess to once again cohabit.

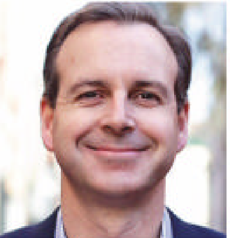
Therefore, as Mary has said that she really wants to provide some independence for Jess, the only likely structure possible would be one where Mary becomes a co-borrower, adds her $70,000 to Jess's deposit, and owns half of the property. She would likely need to receive some form of rent from Jess on her half to satisfy the bank that Mary is getting something out of the arrangement.

In getting rent from Jess, it would also make the loan interest and any expenses tax deductible, as this would be a legitimate investment. In order to do this, though, the rent has to be close to fair market rent – any reduction given to Jess for being family would result in a similar reduction in the ability to claim deductions.

The harder part of this proposal is getting the loan approval. Mary is now in retirement and most likely deriving a pension as her only source of income. Some banks will consider pension income for serviceability, but only if it is incidental to some other form of permanent income from one of the borrowers. If Jess has a job and her income qualifies for the amount she wants to borrow, it will be straightforward enough, as long as Mary can demonstrate income (her pension and the amount of rent Jess will pay her for her half). If Jess is already at uni and has no job, then I can't see any bank approving a loan.

In the event that a bank is prepared to advance a loan, then the area from Belconnen to Charnwood would likely suit. It's closer to the university, has more affordable housing and is really well serviced for families. It scores highly for lifestyle and convenience too and has plenty of easy access to schools and daycare centres.

Charnwood is the more affordable option, and while it scores a little lower for affluence it still has many of the things needed for a young family and is only a nine-minute drive to the university. With property available from the mid $400,000-mark, Jess's loan would be under $400,000 due to the good deposit they would have, and this may be something she would be able to manage, being about $370 a week.



Sit tight, then try again

BEN KINGSLEY

Ben Kingsley is the founding partner of Empower Wealth Advisory and co-host of Australia's property, finance and money management podcast, The Property Couch. He is a property investment adviser, mortgage broker and estate agent in Victoria, NSW, Queensland and South Australia.

It's great for any son or daughter when their parent or parents actively put their hand up to help get their child or children into the property market, especially given the high price of properties in our established cities.

Let's look at some of the options Mary is proposing to help Jess out right now:

Buy a townhouse for around $500,000-$600,000 in her name and then transfer it to Jess's name when Jess can afford the full repayments

Mary has collateral and equity in her own home that will mean she doesn't need a cash deposit, a promising start, but ... well, there are couple of big "buts".

First, can she afford to cover a big mortgage by herself, especially while Jess is studying and has two young children as a single mother? It's very unlikely that a bank will lend her this amount of money based on her defined benefit pension alone.

Furthermore, lenders do very much scrutinise the age of a borrower, in light of offering them a 25- or 30-year mortgage to pay off. This means, if they are even willing to lend to older folk, the banks may make it impossible for them to meet the mortgage repayments. If they only make the loan term 15 years or so, the principal amount needing to be paid each month, in addition to the interest, would be significantly higher than a loan being paid over a longer period.

The other important consideration, even if the lending were possible, is that Mary would have to transfer the title into Jess's name, which would attract a second stamp duty cost in addition to the first stamp duty fee, and this would be at a later date, whereby the value of the property would most likely be greater still.

To put that into context, for a $550,000 townhouse in Canberra, the stamp duty (conveyancing duty in the ACT) is $13,560. This may be less or more, depending on any first home buyer concessions available at a future date.

Top up Jess's deposit to help her buy it herself

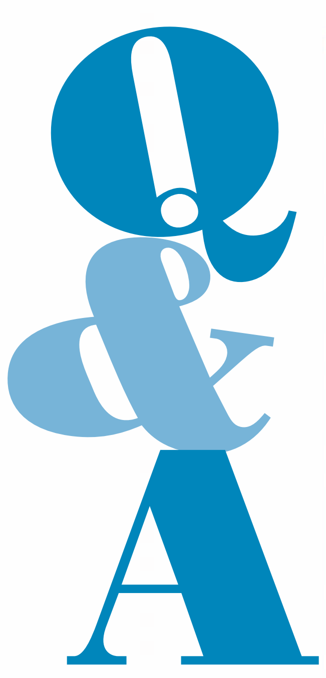
Research suggests that deposits are the number one hurdle for most people to get into the property market, so helping Jess improve her deposit is never a bad thing, as it means she won't need to borrow as much.

That said – and this is the challenge for this scenario – Jess will be studying, rather than working. So, although her deposit is strong, a bank will want to know there is regular income available to service any loan; after all, she will be the sole owner and mortgagee of the property. Unfortunately, given her current regular income, Jess won't be able to borrow any money from a bank.

Buy the property together

Again, with Jess currently on maternity leave with two dependent children and classified as a dependant adult, the banks' lending assessment, without any income coming in from Jess, will be tougher again. So this option is also a no-go. Sorry.

I think, for now, the best bet is to sit tight, allow Jess to get her qualifications as a speech pathologist and once that income is known it will be time, once again, to crunch the lending numbers to see what options might be possible.



Bluey is keen to live in his own apartment, but …

Now is not the right time to buy

Q I am 48 years old, medically retired with a wife and a young child just starting school. My wife does not receive an income as she is not working.

I want to buy an apartment to call our own. I am open to using it as an investment and renting elsewhere. The asking price of this apartment is about $510,000.

I have access to my super of $540,000. I have shares worth $310,000, with $50,000 owing on the leverage account, so $260,000 of those shares are mine and paid for.

I also have $270,000 in a cash bank account. The only bills I have are for rent, food and other normal living expenses.

I do, however, pay $1000 child support every month and I have six more years to go. My medical retirement wage is about $60,000 a year now – a rather large drop, but I have saved a little.

So I don't know what would be the most sensible thing to do here. Can you help me please?

Do I buy and live in the apartment now? Do I buy it as an investment to live in later? Do I use my own money or borrow? I am so confused. I just think I need to get a property under my belt now because I don't want to be old and having to be at someone's beck and call as a renter.

G'day Bluey. I totally agree, you are right to want to own a home. That is really the primary objective. The confusing stuff, such as whether you rent or live in it, is secondary. But the world has changed since you emailed me. That is a shock to all of us. Rarely does everything get turned upside down in a matter of weeks.

Your super will have gone backwards, but the size of this depends on the type of fund you are in. If it is conservative, it won't be much; if growth, quite a bit. Your own shares, and as I write this in early April their value will have gone down by 25% or so. Your cash of $270,000 becomes a very valuable asset, though.

Right now it is hard to make predictions for a day, let alone a month. But in the medium term, say a couple of years, history indicates we should be in a much better place. So I would prefer you left your shares and super alone. Selling in a panicked market has rarely been a good strategy.

Equally, property will not be immune to these enormous job losses. So it seems to me that you may well be in a good position to use your cash to buy an apartment. With interest rates at around 2% on a home loan, a huge deposit and your secure medical retirement pension, a lender should be pleased to help you. I would not be in a rush, though. The world is likely to have many ugly coronavirus-related events in coming months.

In terms of renting or living in the apartment, that depends a lot on where you are renting now and how attractive the rent is on both your current home and an apartment you might buy. The bigger issue is there's no need to hurry to secure your long-term home.

NEED PAUL'S HELP?

Send 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*.

Thanks to a $100k inheritance, Timo has the chance to …

Repair credit history and build savings

Q I am 40, single, with two primary school-aged children. I have been living with $25,000 in debt, which was the result of a default after being out of work for about 12 months. I was desperate at the time, having a two-year-old to care for, and made a poor decision in accepting credit from two banks to get me through those tough months.

I have since found good full-time employment, earning $97,000pa, paid weekly. My essential living costs come to $770 a week and I have managed to pay $10,000 off the debt to the collection agency since finding the new job. I have $60,000 in superannuation, invested in the low-fee balanced indexed option.

I own no assets other than a cheap car and some general household items.

In a month I will receive an inheritance of more than $100,000. I plan firstly to pay off the remaining $15,000 in debt, buy a suitable vehicle for $10,000 and put another $10,000 into an emergency online savings account. From there, I plan to open an IOOF WealthBuilder education bond for my kids.

I would love to use the remaining $60,000 as a deposit towards a home for my family, but I don't know how I will fare, given my credit history and the changes to home loan criteria since the banking royal commission. Should I park the money until my credit file is clear?

Do you see any flaws in these plans, or could you suggest another plan for my situation?

You have really turned your life around, Timo – good on you. I strongly support using the inheritance to clear debt. A relatively cheap car makes sense and all of us need emergency cash, as is exactly the case right now. So $10,000 in an emergency fund is a great idea. In this climate, cash is king. So parking your $60,000 is exactly the right thing to do. If you add regular savings to this, demonstrating your capacity to save, plus paying out all your debts, it will quickly repair your credit history. Equally, until this pandemic starts to come under control, we are in a world of uncertainty.

History shows people with cash are in the best position as the world recovers, which in time it will. You may find yourself in an excellent position to buy a home, but now is a good time to wait and rebuild your credit history and a savings habit.

Whether Lili buys a property or shares …

Time and history are on your side

Q I'm single, 26, and living at home with my folks (bless them). I've been home for a year and a bit now, after travelling and having a good time.

I have a full-time job earning roughly $70,000pa. I put $300 a week into my superannuation (with Sunsuper). I have $50,000 in savings and $40,000 in Newcrest Mining shares from previous employment perks.

At this point I'm unsure what to do with my money just sitting there. Continue saving another year or two for a decent deposit, with the possibility of renting the property out? Or do I invest in an exchange traded fund (ETF) or have a go at the sharemarket myself?

Well, Lili, these strange times may also work out well for you. Shares have dropped a lot since their peak and while the market is hugely volatile and, providing you invest for five years or more, the prices that I see today are attractive. The fate of the market depends a lot on the course of this virus. As you read this, we may know a lot more.

Right now in early April, the peak of the virus still approaches for the US, Australia and other countries. So the timing of people getting back to work is highly uncertain. Personally, though, I can see that over many thousands of years of human history, markets and economies recover. So if you go the shares route, with time on your side, history is on your side. I am pretty relaxed about whether you buy a range of quality shares or go with an ETF. It is really about convenience and diversification. A very low-cost global indexed fund is also a good option.

Obviously, there may also be some good opportunities to buy a property. It sounds as if you are settling down after some great travel. If so, I do like the idea of you owning a place you could rent out. This is a personal choice, and either decent shares or a good property should work well. I can't speak for you, but put me in your position and I would be looking to use a soft property market to buy a well-located place that you may live in one day.

Rachel's lender won't cut her mortgage rate, so ...

Be brutal and threaten to leave

Q Hi Paul. I'm 49, a single parent with regular part-time work, earning $52,000pa. I also want to own my home before I retire.

My mortgage is around $90,000 and the resale value of the home is $340,000. I was stupidly loyal to one of the big four banks for way too long and switched to a community bank, in Tasmania, several years ago to benefit from competitive rates and actual service! Very happy with them.

However, my fixed rate has just reverted to a variable 3.38%. I rang to try to negotiate a lower rate, with nil result. They are offering new customers 3.18%. They have not passed on the Reserve Bank's recent cut and they fobbed me off with "the board will meet in a few weeks and if there is a cut you will be advised". No help at all, really.

I'm not scared to refinance somewhere else. That's why I went to them a few years ago. But do people do that every few years? Is that the best way to get the best rates – change banks after each introductory rate runs out?

I'm really not sure whether to stay and wait and see if they pass on any cut or to go elsewhere. All the good offers seem to be online banking and I'm old school and like to deal with a branch.

I have decent super, to which I salary sacrifice. I have no other debts. I feel as if I do all the right things. I would appreciate any advice.

Well, Rachel, with all the drama around us, one thing is for sure: interest rates on a mortgage will be very low. As I write this in early April, I am already seeing offers of around 2.3%. Loyalty is a trait I love in my family and friends, but sadly it does not work with lenders. You need to be more brutal here. Find a better deal, be prepared to move and tell your lender politely, no matter how nice they are, that if they don't match it you will leave.

But I am also concerned about the security of your part-time work. I hope you are able to keep that work going. Most importantly, stay as safe as you can.

Nurse Da is keen to buy a family home, but ...

Health must come first

Q Hi Paul. I work as a nurse at a hospital on Sydney's upper north shore. My husband and I have two young kids and we are living in a rental unit near the hospital.

We are looking to buy a house. However, if we bought a house we wouldn't have any savings left. If we remain renters, we will live comfortably.

We also receive a bit of passive income from our three investment properties, which we don't own outright but they're all positively geared.

The house we're interested in is a bit far from my work and my two kids love their school, also near the hospital. I walk them to school and walk to work. I work three days a week in the operating theatre.

I'm just concerned that if we bought a house I couldn't just resign from my job to look after the kids. Which way should we go? It's such a big gamble for us.

Da, I think the pandemic, which was only in early stages when you emailed me, has overrun us here. As a nurse, you are far more aware of this than I am. Your health and the health of your family are the only concern right now.

That said, then we can look broadly at your financial situation. As you are thinking about buying a home, I am sure that means you have a good pot of money. This should be left right where it is as an emergency buffer. The vast amount of government support should help to protect many millions of Australians, including the tenants of your three properties, but many landlords may well be in a position where rent falls, has to be cut or, in the extreme, may not be paid due to a tenant in hardship.

As we emerge from this catastrophic situation, and in time we will, then it is back to your question. I would love you to own your own home. When we get through this, I suspect we will have less emphasis on money and more on the value of our own lives, those we love and our community. It may well be that selling one of your properties and taking a less stressful path to home ownership becomes the right course.

But from the *Money* team, all our readers and me, thank you for the vital work you and your health colleagues are doing.

For a conservative investor like Martin, the …

Crash provides a long-term opportunity

Q My wife and I are 38 and we have a seven-year-old. I've read *Money* magazine since high school and my subscription is always a Christmas gift!

We earn more than $240,000 a year, have combined super of $300,000 and have always been fairly smart with how we spend our hard-earned money. We essentially own our home in Sydney, with an offset account neutralising our mortgage, and reduce the loan by $500 a month.

I salary sacrifice $500 a fortnight into super and we have $100,000 in monthly term deposits while we decide what's next. We don't have any further debts. Apart from about $50,000 in renovations to finish off our house, we just want to have somewhere for our money to grow, without a heap of risk/stress. We have enough of that at work!

We've seen others in our family have issues with investment properties, from bad tenants to bad advice leading to falling values, and so we are very conservative.

Finally, we also have $4000 in a kids account and we put in $50 a month. We are keen to know about where next to set us up, and our children, in the long run.

That is great to hear, Martin. I still have great memories of launching *Money* magazine in 1999. I have a large copy of the cover on my study wall. I was the cover shot, complete with no grey hair, and the headline was "Shares, Getting it Right". Goodness, despite recent events shares have delivered great returns over the past 21 years.

This is a great time to hold cash, but also to buy assets at more attractive prices. They are always high in a boom, so this is an unusual chance to buy at better prices. Naturally, to do this you need to believe in a recovery. Here we turn to history. Absolutely terrible things have happened on our planet, such as close to 50% of the population in Europe dying of bubonic plague in the mid 1300s, and various depressions and world wars. So I am backing recovery, but have no idea about the time frame.

Either property or shares will work just fine. This has to be your choice. Historically, the returns are not that far apart, with shares generally doing a little better but with less hassle. You have a property in your home and will have shares in super, so you have a free call based on your personal preference.

With the kids, do what we do. Pop a few dollars into shares or a share fund each year. You will probably need to buy as trustee for them. Wait about 20 years and, like magic, this strategy will work. A major market downturn like this driven by a pandemic is just awful. But for very long-term investors it provides an opportunity to buy great stocks at low prices.

Because Maryke's son has been working overseas, he should …

Check out the six-year rule for CGT

Q Paul, our son is a missionary in Kenya. He and the bank have had an Australian home together for about 17 years – he lived in the home for 11 to 12 years.

He is now back in Australia and has complied with tax rules while in Kenya. However, if he ever sells his home will he have to pay capital gains tax? Or is there any way he can be exempt? Hope you can help.

We can put the pandemic aside for a moment with a CGT issue, but one thing I am sure about, Maryke, is that you would be pleased to have your son back in Australia.

I strongly suggest your son goes straight to his accountant to check out the "six-year rule". You can maintain your family home status if you are away from it for up to six years. Equally, at worst CGT should be pro rata for the proportion of time he has lived there.

But it sounds as if it may be around that six year mark now. He really needs personal advice ASAP.

SMART SPENDING

Travel by the book

As the world isn't open for discovery and adventure right now, this month, **Glenn A. Baker** – two-time travel writer of the year, three-time Rock Brain of the Universe – shares his favourite travel reads

I am drawn to travel books for the same reason I am drawn to travel itself. I want to know something I didn't know before. There are elements of archaeology in raking over the coals of another place and era – and sometimes it takes the passing of years for a work to be fully appreciated.

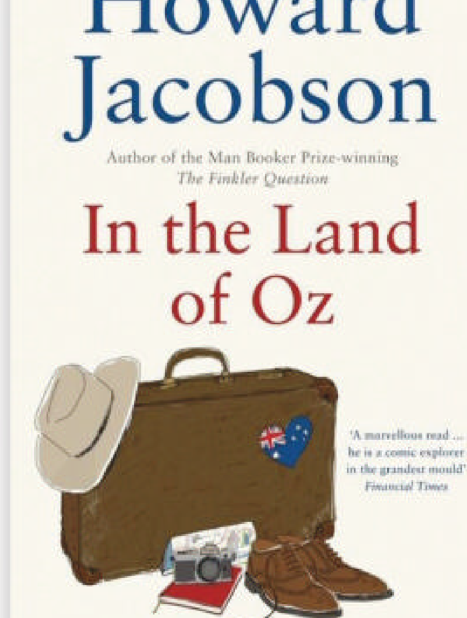
The Snow Leopard
(Peter Matthiessen)
In this account set in Nepal in 1978, Matthiessen looks for an elusive, almost mystical creature spotted only rarely in the Himalayas. It's cosmic poetry on one hand, wildlife on the other.

Slow Boats to China
(Gavin Young)
A former war correspondent for Britain's *Observer* newspaper, Young makes his way with curiosity on crafts big and small to places we know and some we'll never reach. A gentleman of the old school.

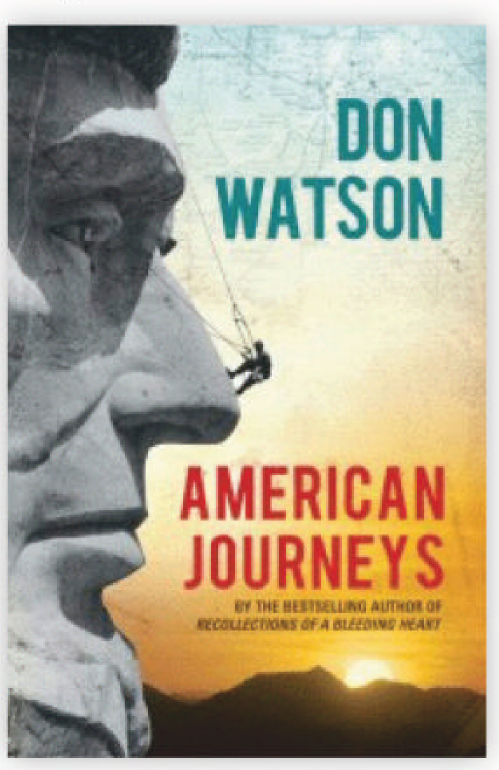
Dark Star Safari
(Paul Theroux)
"All news out of Africa is bad. It made me want to go there ..." opens Theroux, a young Peace Corps volunteer from decades ago who never lost his love of the Dark Continent. The master of travel book writing with journeys through Europe, China, India and beyond.

Venice (Jan Morris)
The doyen of travel chronicles leaving her home in Wales to see cities in another light again. Insights and elegance abound.

The Worst Journey in the World
(Apsley Cherry-Garrard)
The unfathomable terrain of Antarctica. Shake snowflakes and penguin guano from your parka as you venture northward (and occasionally southward). Tales of Shackleton and Scott make you realise that things you endure now don't really compare.



The Marsh Arabs
(Wilfred Thesiger)
Thesiger joins the ranks of Sir Richard Burton, Joseph Conrad and Ernest Hemingway in bringing places Arabic, Iberian and African alive, vividly.



American Journeys
(Don Watson)
An Australian speech writer recently moving through the US by train, displaying admirable insight.

In the Land of Oz
(Howard Jacobsen)
He taught in Australia and, on the way to winning the Booker Prize, has kept alive the quirkiness of the lower continent – often hilariously. File this alongside Bill Bryson and Bruce Chatwin.

DRIVING PASSION

Good value shines through the gloom

After two years of falling sales, the motoring industry was resigned to a tough 2020 even before Covid-19 appeared. First-quarter vehicles sales dropped 13.1% compared with 2019. However, there were a few shining lights amid the gloom as buyers turned to brands offering good value.

One of these is MG, whose idea of buying a classic British trademark for its Chinese-built cars is starting to pay off. Its MG3 hatchback and ZS and HS SUVs helped it achieve a 93% jump in the first quarter, with its 3316 sales more than double those of established brands such as Renault and Skoda.

Another brand synonymous with value is Kia, which recorded a 4.5% jump, led by its Cerato and Sportage models.

Meanwhile, Holden demonstrated how stars shine brightest just before they implode, with a 30% jump in year-on-year sales in March, with buyers seeking fire-sale bargains. The Colorado ute proved particularly popular with 2391 sales, seeing it hit number five on the vehicle sales chart. DAVID BONNICI, WHICHCAR.COM.AU

$29,990-$32,990

MG HS

The Chinese-built medium SUV (above)with the sporty English brand offers good value in terms of pricing and features, with a seven-year warranty. Powered by a 1.5-litre turbo petrol engine, the Mazda CX-5 rival has a classy interior and driver assistance features such as autonomous emergency braking and adaptive cruise control.
Pros: Value; active safety tech.
Cons: Not-so refined ride and handling; fiddly touchscreen controls.
mgmotor.com.au

$21,990-$33,990

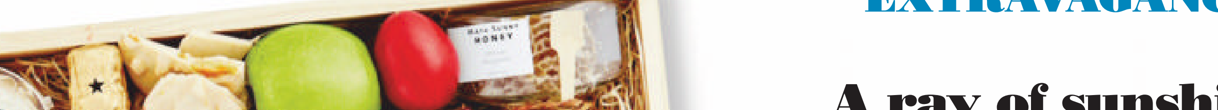
Kia Cerato

Kia's biggest-selling model in Australia, the Cerato small car is available as a hatch or sedan that share a stylish cabin and strong infotainment suite and drive nicely, with all versions featuring autonomous emergency braking and seven-year warranty. Most variants are powered by a willing 2.0-litre engine.
Pros: Comfortable; pleasant to drive; great turbo GT version.
Cons: Less fuel efficient than previous model; hard suspension in the GT.
kia.com

$38,190-$57,190

Holden Colorado Crew Cab

The much-improved Colorado is a well-equipped ute with an excellent 2.8-litre four-cylinder turbo diesel engine. It has the option of dual-range four-wheel drive, and carries and tows big loads well. Despite the truck-like appearance it steers nicely and is reasonably quiet, offering SUV-like comfort
Pros: Engine; road-holding; smartphone connectivity.
Cons: Not so good off-road; uncertainty around Holden closure.
holden.com.au



EXTRAVAGANCE

A ray of sunshine

If you know someone who is struggling during these hard times, the Sweet Luxuries & Moët gourmet hamper is the perfect antidote. Filled to the brim with delectable goodies, fresh fruit and bubbles, it's sure to brighten your loved one's day.

Where: snowgoose.com.au
How much: $339

WINE SPOTLIGHT

2018 Red Knot Cabernet Sauvignon $15

From Shingleback comes another great quaffer. It has the appeal you'd expect from a McLaren red: the supple, fleshy texture is rich and concentrated. Because it's cabernet, there's restraint, some tightness of structure and fine tannins to finish. Dan Murphy's and BWS.

SPLURGE

2017 Yangarra 'Ovitelli' Grenache $50

Peter Fraser is one of Australia's finest winemakers and Yangarra's grenache is among the best produced here. This is superb: from a vineyard planted more than 70 years ago and fermented and aged in ceramic eggs so the fruit is pure and fine. It is delicately perfumed, medium-bodied yet intense and silky smooth, finishing with impressive finesse.

PETER FORRESTAL

SMART SPENDING

SMART TECH

Play your part in the war on waste

European lawmakers have sent a powerful signal about electronic waste that could have vast implications for technology companies.

In late January, a resolution approved in the European parliament called for the mandatory introduction of common chargers for all mobile devices. If new laws are enacted, it could mean the range of different charger types today (micro-USB, USB-C and Apple's lightning) will consolidate into one universal standard. This would be easier for consumers, many think, and would mean less e-waste.

Then in March, the European Commission went further, announcing new pro-sustainability plans including an ambitious "right to repair" for electronic goods. It's a great initiative, since most tech today is difficult or even impossible for ordinary people to ever attempt repairing themselves.

One website, iFixit, argues we need to take back this right to repair and reviews gadgets solely in terms of how easy and practical they are to fix. Here are some of the items with iFixit's seal of approval, meaning they're easier to repair, largely better for the environment and might even end up saving you money.

PETER DOCKRILL

What is it? HP Elite x2 G4 tablet with keyboard (pictured)
How much? $2965
Pros: Tablets are notoriously difficult to repair. After all, attaching a thin slate of glass to a powerful touch-based computer only millimetres thick usually calls for a lot of specialised manufacturing wizardry (and glue). As a result, most iPads get scored 2/10 by iFixit in terms of repairability, but HP's Elite x2 G4 fetches a solid 9/10.
Cons: A powerful Windows 10 hybrid (with a keyboard to boot), but not cheap.
hp.com.au

What is it? Fairphone 3
How much? $808
Pros: Fairphone might not be a brand you're familiar with, but it's made waves in recent years for making sustainable smartphones that are repairable, ethically manufactured and produced with minimal environmental impact. iFixit gave the latest release a 10/10 for repairability whereas, for comparison, Google's new Pixel 4 XL scores only 4/10.
Cons: Difficult to come by in Australia. They're not sold or even shipped here, so you'll need to figure out how to import one, if ethics compel you.
fairphone.com

What is it? HP EliteBook 840 G6
How much? $2345
Pros: HP must be doing something right. In addition to making easily repairable tablets, it also seems to be just about the only company making easily repairable notebooks in recent years, at least according to iFixit's review archive. This EliteBook nabbed a 10/10 from iFixit last year – 10 times the repairability score of most recent Apple laptops examined by the site.
Cons: None, really, but don't let repairability be the only factor that guides your purchasing.
hp.com.au

GIVE IT UP

Australian Red Cross Lifeblood

What is it? Previously known as the Australian Red Cross Blood Service, this organisation's recent name change reflects its growth. Not only does it collect blood but it now facilitates the donation of tissue, organs, breast milk and other life-saving biological products. Someone's life literally depends on your blood. Australia needs 29,000 blood donations every week and it's considered an essential service during the coronavirus pandemic.
Where your blood goes: Your blood can be made into 22 medical treatments. A third of blood donations help treat people with cancer, for example. Your blood type generally determines the best donation for you to make – whether it be blood, plasma or platelets.
How to donate: You can make an appointment online or by calling 131 495. There are some simple protocols to follow before you donate. The donation process involves an ID check, a questionnaire, a finger prick test for haemoglobin, the donation (five to 15 minutes – longer for plasma and platelets) and a short relaxation period (five to 10 minutes).

DARREN SNYDER

WEBFIND

AUSTRALIA.GOV.AU

This is the national website for official information regarding Covid-19. There's access to the self-isolation reporting system and information on key updates, health and prevention measures and financial support. There's also information for education providers, travellers, businesses and employees as well as links to state government information.

CASE STUDY

Robert won't go hungry while the fish are biting.

Is early retirement still on the cards?

I am 30 years old working in a stable government job earning about $120,000 gross. I have about $125,000 in a self-managed share portfolio (ASX traded) that includes some broad international exchange traded funds, $25,000 in an international managed fund, $60,000 in peer-to-peer lending and $100,000 cash. I have no debts and about $1000 a month in outgoings. I add $250pm to my international managed fund, $200pm to P2P lending, $160pm to super and save $1600pm cash.

I have a partner and all finances are kept separate and there is no plan to marry or have children in the near future. I have no immediate plans to buy property, but in the next five years would like to own something. I plan to add another $25,000 to my self-managed share portfolio this year.

Is there something else I should consider to help grow my investment portfolio with the aim of retiring by 60?

Robert

Paul's verdict: Your secure income will buy more investment value

At 30 you have time in your favour

Well, Robert, since you emailed me, a lot of water has flowed under the bridge! It would have been difficult for us to paint this scenario just a couple of months ago, but here we are.

For nearly 40 years, my thoughts on money issues have been based on commonsense, an acceptance that risk and return are a pure money truth and a pretty good understanding of economic history. My focus is also very much on long-term outcomes, where history gives us reasonable certainty. So my advice to you today is not a lot different from what it would have been before Covid-19, but a global pandemic certainly means we need to look at some shorter-term factors.

First, your stable government job is gold. Your secure income becomes a powerful weapon, and the savings from it will buy more investment value today. I am not concerned about your existing investments. The long-term outlook for shares is sound. You have time in your favour and I would strongly suggest you keep adding to your portfolio.

A shorter-term tactical decision needs to be made about your cash. At age 30, adding cash to your portfolio while prices are down makes a lot of sense, so as well as the $25,000 you would add normally during the year, do you add a chunk of your cash? The answer to this is personal. Some may prefer to hold cash reserves during a downturn, and while cash is a terrible long-term asset it is powerful in tough times.

Property is also likely to fall. Some people are saying around 30% is possible. That makes a good headline, but I am not so sure. While the huge leap in unemployment is terrible news, the vast government support packages have never been seen before in a crisis. Also our population is growing strongly, typically by around 350,000 a year. This is after our normal annual death rate of about 160,000 people.

So for our population to be stable this year, we'd need an extra 350,000 or so people to die on top of "normal" deaths. Thankfully, our health experts are not projecting anywhere near this number, so I think it is reasonable to assume our population will be bigger, not smaller. This and jobs are the primary drivers of demand for goods, services and property.

Interest rates are also incredibly low, so while you have no immediate plans to own property I'd suggest you have a think about what your strategy would be if there is a reasonable fall in values in an area you would buy in. If for now property remains a "no", that is fine, you have plenty of time. But in that case, I would suggest you think about dollar-cost averaging some of your cash into your share portfolio.

The part of your portfolio that could also be impacted by the pandemic is peer-to-peer lending. Obviously it won't be a problem if the peer you are lending to is in a secure job like you. But asset values, in particular businesses, may have some really savage downgrades. I would urge caution here and ensure any P2P lending is going to someone offering appropriate security for the times we live in.

As a 30-year-old in a secure job, with no debts and solid assets, the most important thing you, your partner, family and friends can do is to stay healthy. That done, your finances and the actions you are taking have you on track for financial independence by 60, while the drop in value of good assets does present you with opportunity.

I love your photo – if it all turns to mud, fishing may be the way to keep food on the table!

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.

COVID-19: YOUR QUESTIONS ANSWERED

7 STRATEGIES THAT CAN RESCUE YOU

OUR EXPERTS

PAUL CLITHEROE, founder and editorial adviser, *Money*

MICHELLE BALTAZAR, editor-in-chief, *Money*

JULIA NEWBOULD, editor-at-large, *Money*

OVERVIEW **PAUL CLITHEROE**

Well, here we are again. Of course, this is different from the other major downturns in my lifetime, but major downturns have happened throughout history and they always will. Sadly, the truth is we only get clarity with hindsight.

As usual, this one blindsided pretty much all of us. We all started hearing about the virus in China as early as January. Obviously we were all concerned, but would it be like swine flu, Ebola, SARS or MERS? The lives of most people and markets were not greatly impacted by these, though 200,000 died of swine flu.

HIV has killed 25 million to 35 million people – just terrible, but it did not bring the world to a halt.

So Covid-19 is no surprise to anyone. But its economic impact, as the world seeks to save lives, is.

The lessons we have learnt by researching the great tragedies of world wars, pandemics like the bubonic plague and many huge depressions are our guide now and into the future.

The world will recover

First, while far too many will get ill and die, the world will recover. The global population of 7.7 billion grows by around 93 million people a year. Global deaths are not predicted at anywhere near that level.

As we recover we will have a huge population of people who will want to rebuild and move ahead.

So I am unconcerned about longer-term property and share values. The trick is to try to stay healthy so that we and our money see the other side. The rule shown so clearly by history is not to panic and start selling quality assets like shares and property. When our mortgage hit 18.75% in January 1990, Vicki and I had to sell our car, cancel holidays, stay home, have a food plan and stick to a tight budget. The other option was to lose the house. The short-term pain worked. Our home's value rapidly recovered.

Help is on its way

Today the principles are the same, except this is a pandemic and there are huge government packages to keep us afloat. Banks will defer mortgage payments, interest rates are incredibly low. Most workers who lose their job can access quite significant support, as can businesses.

Super savings are available up to $20,000 – but, please, only as a last resort. Retirees living on a pension will still have their secure pension. Self-funded retirees will be at home. No entertainment costs, no travel, no fuel costs. So spending will plunge, which is not good for the economy, but there's no need to panic and sell shares and other good assets.

Never in the history of the many global pandemics and downturns has such support been available.

As a sailor, well used to storms in Bass Strait, one of the world's most nasty pieces of water, I do know that panic leads to tragedy and poor decision making. My advice is to batten down the hatches. Make all the adjustments to your life, your business, the loss of your job and, for most of us, home confinement. Unlike a storm at sea, you can peer into the world from your screen. I'd also suggest you be deeply grateful to be in Australia and, before becoming too depressed about what we see around us, spare a thought for those in less fortunate countries.

We will get through this, as the world has done time and again.

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1 MANAGING DEBT

THE QUESTIONS:

What are your options now if you have a mortgage/rent?
How can you reduce your debt whether you still have a job or not?

The Covid-19 crisis is a dire situation for us all, and at *Money* we realise it could change further between the time of writing this feature and when you read it.

At times like these, though, it pays to turn our focus to better managing our finances.

Fox & Hare financial adviser Jessica Brady says clients have been calling because either they're terrified and want to turn investments to cash or because they see the market crash as an opportunity and want to start investing.

"Others are reaching out to me because their situation has changed and they're navigating their situation from a cash flow perspective," she says. "This is the rainy day that we've all been taught to save for, and I feel for people who don't have a financial safety net or a rainy day fund with a minimum of a few months' expenses."

For those without savings, Brady says it's about understanding what options are available to them.

"If you find yourself in a position where you are unable to pay debt or your cash reserves aren't adequate, you should contact the providers of the debt to see if there are financial hardship conditions," she says. "Some clients believe that this will impact your credit rating. It won't, but even if it did your credit rating can be built back up."

If you have received a large redundancy payment, you'll be tempted to pay down any major debt, but that money may have to sustain you for a long time, so don't put it anywhere it can't be accessed easily, advises Brady.

Trying to negotiate lower rates is another option, as are balance transfers on credit cards that could reduce interest payments for a short time.

While people are able to access super at this time, it is a long-term retirement fund and any money taken out today would have had an opportunity to compound over time and potentially generate a large return. So consider what its value might be in the long term, says Brady.

These are not normal times

This is not the same world we were living in a couple of months ago and we will need to factor that into the decisions we make. For example, borrowers may need to put mortgages on hold and face the extra payments at a later time, says Multiforte financial adviser Kate McCallum.

"Any financial decisions you make today are made in the circumstances you're in. The trick is to make the best decision with what's available to you at any given time."

McCallum suggests that while there's no one-size-fits-all approach, with interest rates so low it's inexpensive to hold mortgage debt and people can consider not repaying their loan any faster than they need to.

"Pay the minimum because you don't want to draw on liquid assets or draw on equities while the market is so down," she says. "For those who are really affected and under strain, it's about contacting your bank and asking them what they can do in giving you an interest break or reductions in the payments. The major banks are already taking that stand."

While there is comfort in being able to put repayments on hold, RateCity's research shows that a mortgage holder could end up paying more than $17,000 extra if the loan period is extended for six months. It will also take 15 months longer to pay off the home loan (modelled on a person who is five years into a 30-year loan with a balance of $400,000).

2 SAVINGS

THE QUESTION:

Most Australians don't have a savings buffer to get them through rough patches (we never anticipated it would get this rough). What can you do now to get by?

For those of us lucky enough to still have jobs, it's clear that the truly unexpected can happen and being prepared as best we can is vital. So, preparation for the next unexpected event should start now.

Money professionals have always emphasised the need to have a buffer fund

to help us through tough times. Three months' worth of expenses is a typical rule of thumb to get through a spate of unemployment, health crisis or other big change.

Covid-19 has meant change may last more than three months and there's a good chance that we might not return to "normal" for a lot longer than that.

Purpose Advisory financial adviser Harry Goldberg says people learn in one of two ways: when they prepare for the future and when they make mistakes.

He says people without cash savings need to take this opportunity to consider their minimum lifestyle expenses.

Different avenues to access money

Governments are offering a range of financial packages. For those who have lost jobs and income, visit australia.gov.au.

If you need to access short-term debt, McCallum suggests using a credit card – but seek advice first. "In normal circumstances you wouldn't carry these expenses on your credit but these are not normal circumstances," she says.

The "family bank" is another option. "It's better than a credit card," says McCallum. "If a member of the family has money in the bank, you could offer to pay them a little more interest than they'd get in the bank and it can work for both parties.

"Sometimes it's the parents lending to the children and sometimes it's the other way around."

Special concerns for retirees

Story Wealth financial adviser Anne Graham says it's important not to panic as any drop in retirement savings could be for a relatively short time.

For retirees, a reduction in income can impact their Centrelink age pension payments and possibly see an increase.

"It won't be dollar for dollar, but it's worth updating Centrelink with current balances of investments and also changes to sources of income," she says.

"If it's a temporary reduction (say rent reduced for three to six months) they could negotiate to have the reduction spread over a longer period. For example, instead of not having rent for three out of 12 months, they could have nine months of rent paid over 12 months."

While income-stream pensions can be reduced, capital will be reduced even faster, so it's an opportunity to cut spending and separate your needs from wants.

"If there are big outgoings, look at whether they can be postponed," says Graham. "Be careful in helping adult children and make sure any help you give is within your means."

3 JOB SECURITY

THE QUESTION:

Covid-19 might be the only time we've heard about standing down workforces. What does it mean and what are your rights?

Peter Bobbin, principal lawyer at Coleman Greig, says an employer has to be clear about the conditions when they stand you down. And as an employee you have a right to have this information.

"To say a person is stood down is just

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10% of what needs to be said," he says. "Are they being stood down with pay or without pay? Does this mean it's still subject to your employment terms? Can the employee do other income-earning activities while in stand-down, particularly if those activities compete with the employment contract?

"We can imply many things but implying isn't clarity and clarity is what's needed legally."

Currently there is some confusion. Most employers are probably trying to do the right thing, but there are many who are trying to take advantage of this situation, according to Bobbin.

"I've heard of at least one employer who is presenting that they'll pay the $750 weekly government benefit to their employees as long as they come back and work full-time. That's a salary reduction for everyone and the employer can't do that. Because these are extreme times it is almost in effect a re-negotiation of employment, where an employer is saying I can't employ you for a full work week but if you're willing to work part time I can pay you on that basis. But what's important for the employee is clarity."

If an employer wants to substantially change the conditions – hours of work or pay rate – this must be agreed with the employee or it is a major change in the employment contract and could constitute constructive dismissal, says Bobbin.

"If the employer says that it's the only way they can keep jobs, and if the employee says that's okay, it's a variation and that's just fine (as long as it's over the award amount) because the outcome will justify the means."

Bobbin expects that because these are extraordinary times, the normal rules, while they fundamentally still apply, will vary. "What might exist today might in weeks and months ahead be varied by some retrospective legislation which is designed for Covid-19."

Hall & Wilcox employment lawyer Alison Baker says standing down is something that an employer can do in accordance with the Fair Work Act, or they may have an enterprise agreement or common law contract with a stand-down provision.

It's mainly set up for situations when no work is able to be done due to such a thing as industrial action, a machinery breakdown or an "act of God" outside the employer's control.

"Stood-down employees are not entitled to get paid salary or wages, but they remain an employee so they retain and accrue their entitlements (though not super)," says Baker. "While they are being stood down they could take annual leave or long service leave if their employer agrees (noting an employer can't unreasonably refuse a request for leave) and if they are being paid leave then super would be payable on the leave."

However, if an employer decides they won't need the employee's role in the future, then the person's role is made redundant, which means they are retrenched because they are no longer needed.

Retrenchment rights

"If covered by an enterprise agreement or modern award there would be a consultation process that the employer would need to follow prior to terminating their employment," says Baker.

At this time, the Fair Work Commission (FWC) has varied some modern awards to allow employers to have greater flexibility in managing their staff, which has included variations to hours worked and reduced notice periods for directing employees to take leave, she says.

"To date the awards are hospitality, clerks and restaurants and there will likely be further applications to vary other awards."

Baker says the FWC on its own initiative will vary awards to introduce unpaid "pandemic leave" and annual leave at half pay. Further agreements between employers and employees can be enacted where they may seek to reduce salaries, providing that minimum wage and award conditions are met, she says.

It is illegal to pay someone less than the national minimum wage of $19.49 an hour, or $740.80 for a 38-hour week – or less than the amount prescribed in an applicable modern award.

4 INVESTMENTS

THE QUESTION:

Interest rates are lower than ever and companies have taken big hits, which means dividends are likely to fall or stop. What can you focus on for your income in the next few months?

Bell Direct market analyst Jessica Amir says investors need to realise that right now volatility is at an all-time high and businesses are going to be under pressure, meaning profits will be tested and dividends are on the line.

But it's not all doom and gloom as there are still a lot of businesses less affected.

"In April $6 billion has been paid out in dividends to shareholders from companies such as Northern Star, CBA, Suncorp, Wesfarmers, Bendigo and Adelaide Bank, Cleanaway, Treasury Wine and Caltex, the last two both significantly underperforming in share price," says Amir.

Just because shares have fallen 30% from an all-time high doesn't mean that companies that have adequate capital reserves with low debt and high repeata-

ble cash flows won't continue to pay dividends, she says.

"The trick is sifting through the market noise and finding those companies which will now sit in that category for the next 12 months. We know that we're heading into a recession, our first in 27 years, so it's more important than ever to find those companies that have what's called a high dividend cover ratio and what that means is they're capable of continuing to pay dividends. You have to weigh up and sift through a lot more than you normally would if you're looking for share price growth and dividends," says Amir.

"There are companies that are doing a bit of both at the moment and they're the more defensive style of companies, and the things we all rely upon regardless of the economy driving towards a slower pace. For example, companies that have been outperforming the market, have got a good dividend cover, surplus capital and regular cash flow are Coles and Woolworths."

Amir says you can also look at stocks that will benefit from the rise of manufacturing and staple products during this time. "Think about the rent collectors who are collecting rents supporting the businesses, Charter Hall, and APN Property Group," she says.

Changing of the guard

Amir says one of the surprises in this environment is that the banks are going to face headwinds and there are going to be more

writedowns. "A lot of our retirees relied mainly on banks, but that has now completely shifted," she says.

Investors should think outside the square for dividends and growth.

"One of Australia top companies is Fortescue Metals. Their dividend and dividend cover is off the chart – around 10% and likely to go up to 18% this year – while other companies are cutting their dividends," she says. "It's getting the best of both worlds as the share price is up around 8.4% when equities have had their worst month since 2008."

In addition to direct equities, Amir suggests exchange traded funds and managed funds traded on the ASX. "Be careful of fees, but some of these pay really strong dividends that beat the ASX 200 companies," she says.

"If you have a look at managed funds, they can be a popular way to build diversification and get a regular dividend or distribution. For example, Pimco has a fixed-interest wholesale fund that generated a return of 8.5% of growth plus a regular distribution."

During this period of uncertainty, researcher Morningstar advocates exposure to industrial names, with both highly defensive revenue that is less sensitive to economic activity and a strong balance sheet.

"We see a number of undervalued opportunities within our Australian industrials coverage amid the current market which possess these desirable characteristics," says Morningstar equity analyst Grant Slade.

"Our rank order of preference is Amcor, Brambles, Orora and Cleanaway Waste Management. Amcor exhibits the greatest natural resistance to Covid-19 with its defensive revenue, balance sheet strength and narrow economic moat."

Security for life

Lifetime annuities have always seemed a safe haven for these times. Angela Murphy, Challenger head of distribution, says that after the GFC there was increased interest in these products.

"What we're seeing from consumers is that they want to know what to do, they're scared of what has happened and what that has done to super balances, but certainly after GFC we found new demand and interest in our products. Customers (often through advisers) who've recently bought into a retirement income stream say, 'When you go through this and have a portion of your portfolio continuing to pay, it makes a really huge difference.' "

Annuities promise a guaranteed return, no matter what happens in the external markets. "When you take out a lifetime annuity, it has an insurance component in it. You then get that payment forever until you die – so if you live to 105, that keeps paying," says Murphy. "That has a big benefit for retirees when one of their concerns is that their money might run out, so with a lifetime annuity you are guaranteed that payment will continue through life. Our products are a balance between the return you can earn and the risk you take."

They pay a little more than government bonds, but much less than equities. Typically people will put in a portion of their money and then take more risk for higher returns with the money they have left, she says.

5 PROPERTY

THE QUESTION:

What happens if property market assets devalue?

People who don't feel comfortable with the risk of shares often flee to the security of bricks and mortar. But property is not

immune to falls in valuations and sales. Amelia Hodge, Australian Property Institute chief executive, says the current fall in prices is not unusual in the property market cycle. "We are good at boom-bust cycles and we will recover," she says. "We're lucky to have the support of government and banks to help with the challenges we're facing."

The property industry has also enacted measures to allow for virtual valuations so the industry can proceed as normally as possible. "The banks are seeing an increase in applications from customers to access equity in their homes to get them through this crisis," says Hodge.

"To that end we've worked hard with the support of banks and professional indemnity insurers and lenders mortgage insurance providers for a new set of valuation protocols, which has allowed virtual inspections to support property valuations.

"It's allowing the valuation community to continue to work and provide risk-based assumptions and value to enable the banks to keep lending."

Balance sheet valuations must be undertaken on the property owned in real estate investment trusts (REITS) and commercial buildings such as retail shopping centres. This also affects the investment bottom line in your super fund.

"A lot of our super money is sitting in these buildings in the city and super funds are also being drawn upon," says Hodge.

In April, the federal government announced a $500 million injection into neo-bank Judo, which works closely with SMEs and provides vital funding to those small to medium businesses whose home secures their loan and lines of credit – and they're using that equity to keep businesses going through this period, says Hodge.

She says the market will start to see pockets where you didn't see a fall in every segment or sector, much like during the GFC and other crises. Residential sales are already seeing a drop in trade. "The property market has seen a large withdrawal of sales – 40% in NSW [in early April] – so what you'll start to see is very low levels of transaction," says Hodge.

There are a lot of expats looking at residential property at the moment. With the Australian dollar so weak there are those with American dollars waiting to buy.

According to property valuer Greg Preston, there are some classes of property that are doing unbelievably well at the moment – such as hotels with contracts with state governments and retail with supermarkets – but these pockets are rare.

One of the key issues is the valuing of any assets, which underpins the economy in any cycle, and with this happening so rapidly it's something we have to come to grips with quickly.

"The GFC happened relatively swiftly but relatively swiftly was over a period of three to four months so you had some time to understand what was happening. But this has all happened over a similar number of weeks," says Preston.

"As long as people can get back to work and the economy can restart, the prognosis is good, but if it lingers longer the economic impacts will be harder felt."

Grant Atchison, Freehold Investment Management managing director, says while earnings from property and infrastructure investments will come under pressure, the underlying assets won't go away.

"The market downturn in the three months to March 31 has meant the value of our listed portfolios has fallen, although less than the ASX 300 A-REIT Index. Freehold's portfolios are managed so as to protect capital in periods of significant market downturns," says Atchison.

"The outlook on direct or unlisted assets, which are not valued on a daily

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basis, remains uncertain. However, it is reasonable to expect they will be significantly impacted by the length of this 'shutdown' period. "We have found experienced investors to be calm and eager to wait out the current downturn and understand when opportunities to invest might arise.

"The way we're approaching it to focus on those with strong physical assets behind them and good balance sheets that continue to pay out. Examples include utilities, gas pipelines and the electricity distribution network."

Atchison says the future of property investment will depend on what changes over the next three to six months. Will we go back to work in offices and start travelling again?

"I think there will be opportunities in segments of our broader universe that gets smashed, but other areas will be better than before," he says.

"The industrials sector, the good old shed, has seen more online shopping, parcel delivery and a need for short-term storage. I suspect if the type of environment continues to exist that area will improve. Office buildings were the mainstay of portfolios for most people and a safe haven with premium tenants, but we'll all be looking at the big corporates and whether they still need as much of it, or whether there will be flexible environments."

Retail property was already in decline but it may become a much more permanent state, says Atchison.

6 BIG EXPENSES

THE QUESTION:

What can you do about the unavoidable big-ticket items that might come up – if your car bombs, or your fridge goes bust, or the hot water system packs it in?

Now is not the time to invest in a big-ticket item unless you are forced to. But the good news for consumers is that there are likely to be an enormous number of sales coming up towards the end of the financial year. But buying new is not your only option, says financial adviser Jess Brady.

"If you need a fridge, for example, you don't have to buy brand new. There are places like eBay, Gumtree and Facebook Marketplace where you might get a good deal," she says. "Even having things repaired can be good and if buying new, ask if there is a payment plan or an interest-free period."

Brady warns that while interest-free periods might seem attractive, people should make sure they are able to make the payments when they come due as the eventual interest rates can be quite substantial.

Financial adviser Kate McCallum suggests shopping around for the best deals. "If you're prepared to step away from a brand name you can often save a lot of money, or buy last year's model," she says.

"The other thing is you can often fix it. Sometimes you get one opinion where a repairer says the answer is no, but a second repairer may find a way and this could tide you over for another six months before the item needs replacing.

"An enduring tip is looking after things like your grandparents did. They will last longer and not need replacing as often. My grandparents cared for things with the view they would last a lifetime: service your coffee machine, fridge, etc, to keep them running well. "Clean your filter on your dishwasher, make sure your dryer always has the lint filter cleaned – it helps your power bill as well as your replacement costs."

7 SMALL BUSINESS

THE QUESTIONS:

How much can you adapt to take advantage of this market? Is there a way you can make it through this time and what are some strategies for one month, three months and six months?

The next few months are going to be a question of survival for most small businesses. As of early April, the government has rolled out a rescue package that is incredibly generous, befitting the stressful time small business owners have faced since the start of the outbreak.

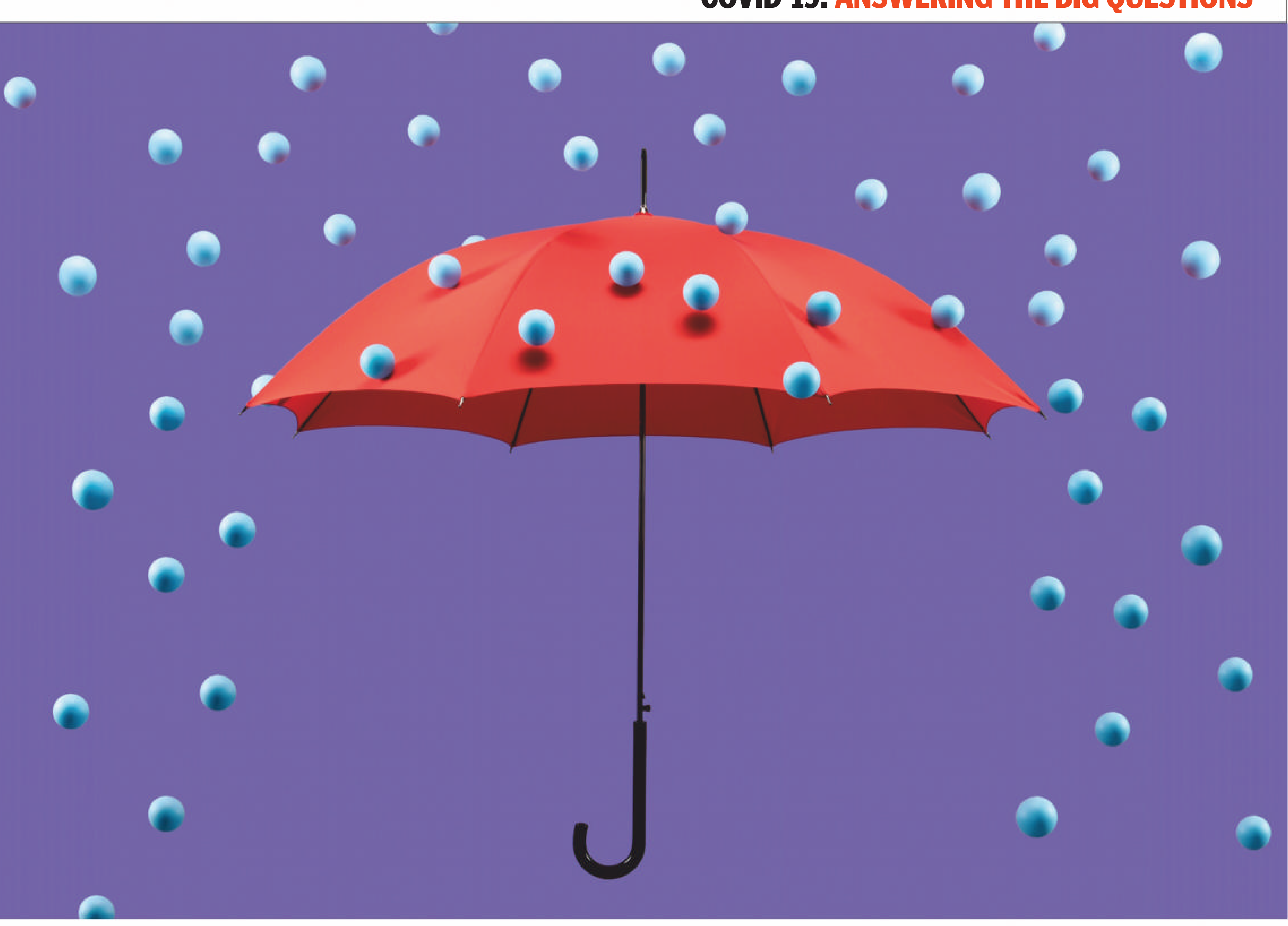
With no template to work with, the rescue package is sketchy on the details. Many of the rules are quite straightforward if you run a cafe or a small manufacturing business but can be quite tricky if you are a services-based company, or one that had unfortunately timed an acquisition or an investment just before the nominated cut-off dates.

The first thing to do, as best and as soon as you can, is to sort out your paperwork. For the most part, you need to show the government what your business looked like before and after March 1 this year. Some of the important calculations you need to do for eligibility relate to this period.

Second, see the website australia.gov.au as your primary source of information on what the federal government is doing for small businesses. Be wary of scammers who are going to spring up in the coming months with false information on officially looking websites and correspondence. The section on "Business and employment information" should answer all the basic questions you have about the various support programs.

The government doesn't expect everyone to understand the minutiae of the JobKeeper program or the newly announced asset write-off rules, so check your state for the free information service dedicated to Covid-19 and small businesses. For example, Service NSW offers a free "Business concierge" phone and email service for small businesses affected by the bushfires and virus.

Here is a checklist of the government



benefits and programs for small businesses:

- **JobKeeper scheme.** This is designed to help small businesses with their wage bills and keep more people employed. Essentially, owners can receive $1500 per employee per fortnight if their business was affected by the outbreak. The government aims to cover wages that need to be paid from March 30 until the end of September. Small businesses don't have to pay superannuation on top of these payments. The government won't release the payments until May (and will backpay $1500 per employee per fortnight from March 30).
- **Cash flow boost.** A $10,000 to $20,000 benefit will go to eligible employers, to a maximum of $50,000 over a certain period. Small businesses do not have to apply for this. You just need to file activity statements (monthly or quarterly) as usual and the cash flow boost comes in the form of credits in the activity statement system. At the time of writing the government was still working out a solution for those that don't lodge an activity statement and the update will be ato.gov.au. The measure is tax free and you don't have to pay it back when your cash flow improves.
- **Increased instant asset write-off.** From March 12 to June 30, 2020 the instant asset write-off threshold for each asset goes up five-fold to $150,000 (from $30,000 before Covid-19). The eligibility has also changed to include businesses with an aggregated turnover of less than $500 million (up from $50 million).
- **Backing Business Investment (BBI).** The government has substantially changed the rules around depreciation deductions for all assets purchased between March 12 and June 30 next year. For example, before March a $1 million business asset with an effective life of six years would have drawn a depreciation claim of $300,000. Under the new rules, the same asset can claim an accelerated depreciation cost of $650,000. Check with your accountant.

Those are the four biggest programs that can help small businesses through the early and toughest phase of the crisis. But there are six other schemes worth checking: changes to commercial tenancy arrangements under Covid-19; energy bill discounts; financial support to retain or recruit apprentices and trainees; additional work-from-home subsidies for both employees and their staff; small business support grants; and a new government division assisting small businesses that want to create products and services to supplement the medical supply chain.

Outside those measures, small businesses are encouraged to beef up their online platforms and adapt their business to existing Covid-19 restrictions. For example, some rural pubs now offer home delivery while some wine companies are selling sanitisers.

Finally, both the government and the private sector are relaxing rules around payment obligations such as tax, superannuation and interest payments in the interim. You can change your GST reporting cycle through your tax agent, vary your PAYG instalments and, in a worst-case scenario, contact the ATO's emergency support infoline on 1800 806 218 if you need urgent assistance. *M*

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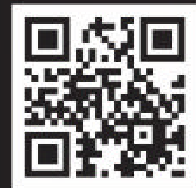

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When trust

STORY JULIA NEWBOULD

Economic exploitation in a relationship can take subtle forms, but the consequences can be devastating

Financial abuse can be a standalone form of abuse, but it's also prevalent in about 90% of domestic violence situations. The truth is that not only is financial abuse common, it can be hard to spot because it occurs in many different forms.

Self-isolation and stay-at-home requirements have exacerbated domestic and financial abuse and, unfortunately, it is difficult to monitor in these circumstances.

But this is a good time to think about how to help in such cases when we can.

According to financial adviser Amanda Cassar, co-founder and director of Wealth Planning Partners, victims of financial abuse might not immediately recognise what is happening, as it can occur gradually over a long period of time.

However, specific behaviours around money are red flags and these could very well alert friends or colleagues that something isn't quite right.

If you have reason to suspect that a loved one is at risk of financial abuse, it is important to take care when expressing your concerns. Avoid criticising their partner or family member as this may only make them more at risk of being abused. Simply point out any patterns that have raised your concern, ask for their views and offer your support.

It can happen to anyone

Financial abuse might be present when there's one partner constantly checking up on another, asking why they spend so much, why the groceries are so expensive and did they really need to buy that item, says Cassar. Or it may occur when one person controls the credit cards.

"I've seen it in every age group, 20s, 30s, 40s and 50s, but more so in the 20s and 30s because they're keen

is betrayed

Older Aussies at most risk

More than 40% of calls to elder abuse hotlines are related to elder financial abuse. The Financial Services Council (FSC) says older women are at most risk, and children abusing their parents is the most common form of elder financial abuse.

Abuse is also common from other relatives, friends, spouses and carers either at the victim's home or in aged care facilities.

- If you have a friend or relative who is a victim of financial abuse and they reject your help, keep checking in on them and direct them to 24/7 support services like **1800 737 732 (RESPECT)**.

to find that one person in their life and keen to settle down, they're still building their wealth and assets and it seems a good idea to do it together," she says.

"One client I saw, who loved her husband dearly, found out when he died that he had gambled away everything, including her super. She was in her 60s and he handled the money and they were wealthy. But what she didn't know until he passed away was that he had access to everything. If he hadn't died when he did, she would have been homeless."

Cassar says she has heard of cases where a spouse didn't realise they were financially abused. One was a woman in her 80s who was always handed cash by her husband, also in his 80s.

"One day he was interstate and had a heart attack while visiting his secret second family – a second partner and child," she says. "His wife never had access to a bank account and didn't realise it had been deliberately hidden from her because she was always financially taken care of."

Another case involved a man working in a fly-in, fly-out job and when he came home from the mines to see his wife and play with the kids he had no idea that she had been siphoning off money he had entrusted to her. He didn't realise he was the victim of financial abuse, says Cassar.

Love's high price

Financial counsellor and educator Lisa Simpson tells people to safeguard their name. "It doesn't matter how much you love somebody, don't go into debt for them," she says.

She says it's recognisable as financial abuse when the debt is in a person's name but there is no benefit to that person.

For example, young girls may take out a phone contract for their partner. "They say it's because he can't get a phone because he has a bad credit report," says Simpson. "They tell me, 'But I love him so much I want him to call me', then he runs up a $3000 bill."

Simpson says often people say their partner (who they have gone into debt for) has money.

"The other day I met a client who has found a new boyfriend. I said, 'Please be really careful,' but she says he's great and he's good with money. Then when I'm doing her budget she says she owes the vet $1000 for his dog."

"I said to her, 'You're the single mum on a pension, why are you paying?' Love is very blind."

10 tips for fighting financial abuse

1 Create a master document of all suppliers such as insurances, utilities, bank accounts, loan information and subscriptions including website/phone/email, log-in details and passwords to instantly access all your financial information.

2 Document via email to a third person all the ways in which you believe you are being financially abused. Be clear and concise as this becomes an important document for future use with banks and courts.

3 Order a copy of your personal credit file and put a monitoring alert on it.

4 Gather all information about your partner's financial situation and document it, email it to a third party or a different email address.

5 Set up a new web-based email address that your partner doesn't know about.

6 Seek professional help.

7 Set up a Dropbox or Google storage folder with a copy of all documents in it, send the link to the professionals helping you.

8 If you are the primary account holder for credit cards and/or utilities, you need to make sure all accounts are paid up to date and find a way to move the accounts out of your name. As the primary account holder, you will be liable for all the debt.

9 Open an account that's inaccessible to your partner, so you have funds to leave if necessary. Have any income deposited into this account and save for your future needs.

10 Depending on the relevant facts, you need to write to all your financial institutions telling them you are being financially abused (use your new private email address only) and put the organisations on notice. This way they will be more accommodating in future if you need to freeze payments or enter into special agreements. Specifically request the organisation provide you with support for financial abuse and make sure it is documented that you have done this.

Source: Marion Mays, financial literacy and wealth mentor

CASE STUDY

How a conman operates

"Intimate fraud" is what Tracy Hall calls the type of abuse her boyfriend of 18 months, Hamish McLaren*, or Max Tavita as she knew him, caused her with his deceit and theft of her superannuation.

Max's life revolved around a complicated web of lies. He told Tracy he was the chief investment officer of an investment company, and conducted many phone calls in her presence where he convincingly discussed financial strategies.

He would drop her at her office in town before heading to his own a few streets away – it turned out it didn't exist.

"We were planning a future together. He appeared to care about me and my wellbeing and because he was in the financial field I had no reason to distrust him. He told me he wanted me to be financially independent and secure. I fell hook, line and sinker," says Tracy.

Now she finds it hard to trust anything.

"Everything was so well constructed. He had pages and pages of detailed documentation which looked legitimate. I believed he had my best interests at heart, but now trust is a hard one. After that experience, I didn't even trust myself, my intuition, my judgements. "

Hall lost all her superannuation – 22 years' worth – by trusting Max to invest it for her. "It was my future and my past," she says.

Today she believes if she had had a financial adviser she would have run it past them. It may have stopped her investing through Max.

Other tips that she says might have protected her include:

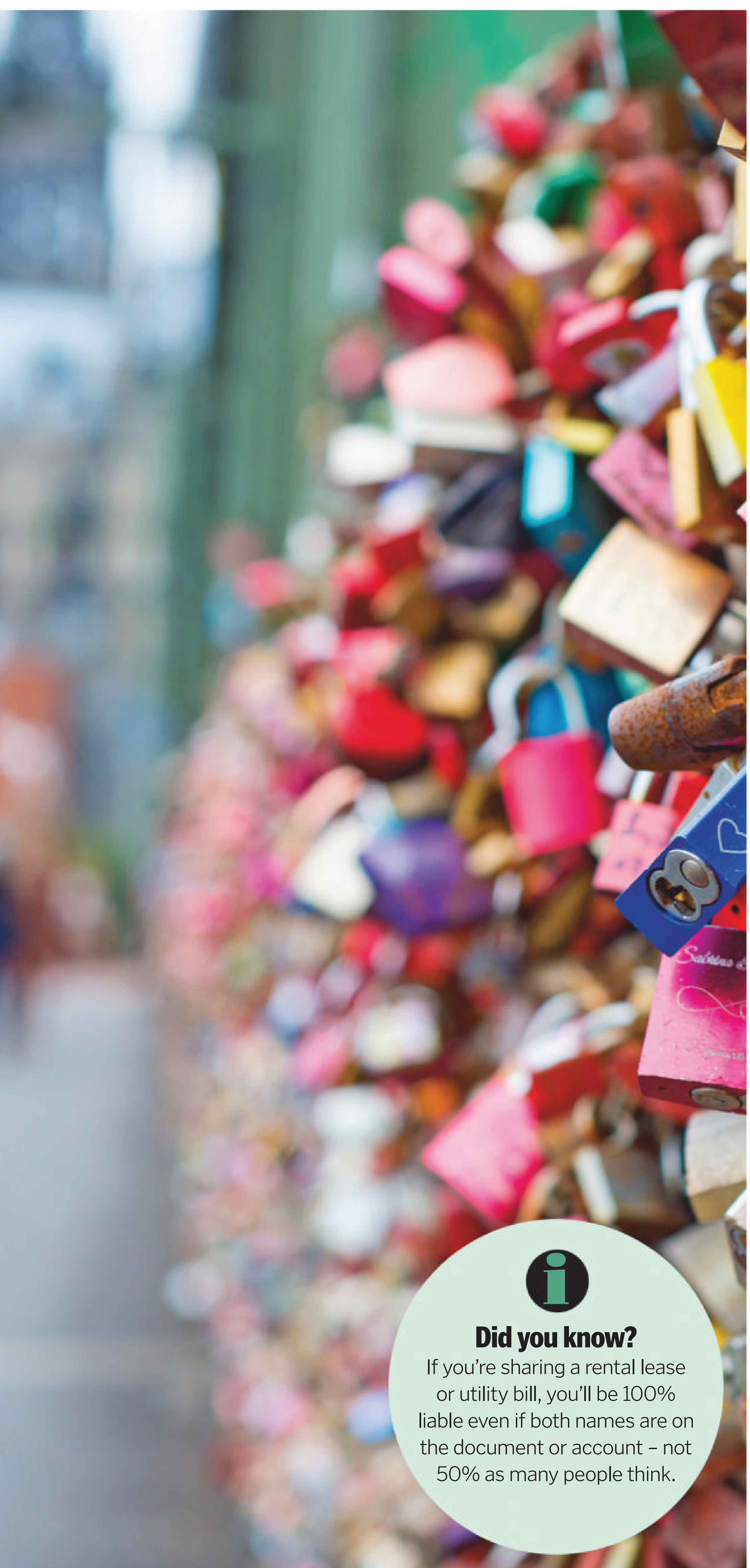
- Be suspicious of anyone without a digital footprint. (While Max had no footprint, there was a footprint under Hamish McLaren. However, Tracy was unaware of this.)
- Never give investment money to anyone who isn't a registered financial adviser.
- Make sure when you invest that the documentation from the provider is clearly in your name.
- Don't mix money and relationships.

However, this is difficult if you are building a life together, which Tracy thought she was.

* The Hamish McLaren (or Watson) story was the subject of a 2019 podcast called *Who the Hell is Hamish?*.

Signs of financial abuse

- A partner who limits employment options, even forbidding particular types of employment or working with other people.
- Forbidding study or the opportunity for the partner to better themselves.
- Withholding money or only providing a small allowance.
- Withholding basic living resources including medication and food.
- Extreme monitoring of purchases, including checking receipts.
- Period poverty: no purchase of sanitary products, which forces women to stay home.
- Threatening to cut off financial support if the other person doesn't meet all demands.
- Hiding money from their partner.
- Not allowing them to have a bank account.
- Racking up debts on behalf of the other person.



CASE STUDY

Acrimonious split

Marion Mays, financial literacy and wealth mentor and founder of Thalia Stanley Group, has seen many cases of financial abuse.

She recently worked with a client, Jane*, a single professional woman in her 40s with children. She worked at a high level in a global business and had a settlement from her divorce. She had embarked on a second relationship with Jack*.

"In a perfect world, a woman like Jane would have her assets in her own name and, after meeting with a finance professional, also have a binding financial agreement (BFA) in place," says Mays.

As a couple in a committed relationship, Jane moved into Jack's home, taking the substantial proceeds of her marriage settlement and putting these funds into his existing mortgage.

"Jane was smart enough to have this deposit legally recorded and she also arranged for the bank to restructure the loan and add her name to both the title and loan," says Mays. "Then Jack suggested that he'd pay the mortgage payments and she could pay all the food, clothing, entertainment, utility bills and debt repayments. Whilst this may have been a dollar equivalent, there were subtleties that she didn't understand."

As Jane was the main credit card holder and Jack a subsidiary, she was ultimately liable for all card expenditure.

Significant issues developed and the couple split up acrimoniously. Jack refused to pay back money owed to Jane and stopped paying the mortgage.

Jane had a stark choice – she either paid the whole mortgage each month or defaulted, allowing the bank to potentially repossess the house. She had exposure to all utilities, credit cards and other accounts.

Now separated for a year, Jane has no money and has to rent an inferior home for herself and her children, and is forced to live week to week on her over-stretched salary while her legal bills mount.

"She thought he was empowering her and yet Jack was actually setting things up to his benefit," says Mays.

These difficulties exist more commonly for people at the higher end of the socio-economic spectrum, where assets are hidden and more sophisticated abuse strategies are implemented.

"For most people who find themselves in a position of financial abuse, there's no knowledge of what to do or where to get help. You need someone who has a high-level skill set like an experienced financial adviser, but often they don't have money to pay them. A debt counsellor will typically not have the sophisticated knowledge necessary to unravel a mess like this.

Mays has also seen situations of abuse extend further, to the point where a spouse attempts to control their partner's future employment.

[*Names changed]

Did you know?

If you're sharing a rental lease or utility bill, you'll be 100% liable even if both names are on the document or account – not 50% as many people think.

Check your health and wealth

STORY
DARREN SNYDER

While the household budget may have taken a hit, it's important to make sure your medical needs don't suffer as well

The proverb "health is wealth" holds great significance in 2020. The Covid-19 pandemic is changing the way we think about these essential facets of our lives, but it's as important as ever to pay close attention to both.

In April, Australia's chief medical officer, Brendan Murphy, said that a lot of people with chronic diseases and conditions other than Covid-19 were not attending their regular medical check-ups.

"Our doctors are very quiet, they don't mind being quiet, but they're very worried that people are so frightened that they're not seeking medical attention. This is a really concerning issue," says Murphy.

"We've set up telehealth facilities so you can have a telephone or a video conference with your doctor or you can go and see your doctor. The risk is fine as long as you ring beforehand and make arrangements.

"Please don't neglect general health conditions at the moment. That is a really important message."

Anthony Fleming, health expert at the Compare the Market website, says Australians are being inundated with information about how to protect their health to curb the spread of Covid-19, but it's also just as important for people to protect their financial health. This includes reassessing your health cover or at least understanding what you're covered for and what it's costing.

"It's crucial that Aussies remain vigilant about what the impacts of Covid-19 could mean for their household budget and take steps now to mitigate risk, find savings and make the most of the help that is currently being offered," he says.

A recent Finder survey of 7145 Australians found that 53% think they're getting good value for money when it comes to health insurance; 21% think they're not getting good value and 26% are unsure. When it comes to household bills, health insurance is the fourth most stressful item behind home loans/rent, energy and groceries, says Finder.

Are you covered for Covid-19?

If you're insured through a health fund, one of your biggest concerns around Covid-19 (on top of your day-to-day health and wealth) is whether you're going to be covered if you catch the coronavirus.

Sheena Jack, HCF chief executive and managing director, says at such a stressful time the last thing you need to be thinking about is whether you're covered, and it's one of the main reasons the insurer decided to cover any Covid-19-related hospital admissions.

Thankfully, most insurers have come to the table and are offering in-patient hospital coverage for people affected by Covid-19, no matter what level of hospital policy they hold. For example, NIB is expanding its coverage for chest, lung, kidney and bladder and other treatments related to Covid-19 across all levels of hospital cover (from basic to gold). It means more than 560,000 members who would otherwise not be covered will now have access to Covid-19 treatment.

But does this additional cover come at an extra cost? The resounding response from insurers is no – and most are offering financial or other assistance packages to reduce or halt their members' costs during the pandemic.

If you're considering accessing any of these packages, it's still critical to do your homework as some offers are extensions of existing policy inclusions. And some packages last for three months and others for six months or longer.

For example, existing HCF members who hold hospital only or hospital and extras cover, and who become involuntarily unemployed through no fault of their own, are eligible to have their premiums covered for up to six months. However, as a result of Covid-19, the insurer has extended this benefit to include not just members who have been made redundant but also those who have been stood down, as well as part-time and casual workers and the self-employed.

Many health funds also postponed an average 2.92% premium increase scheduled for April 1 and postponed it for six months, pending the coronavirus's impact. It would otherwise have cost families about an extra $100 a year, according to Finder.

Further to this, the federal government rebate on private health insurance was due to drop about 1% on April 1. However, this has been postponed until April 1, 2021, to help alleviate the financial pressure on Australians.

Sally Damiani, Bupa's director of customer experience, says premium adjustments occur every April to help insurers cover rising healthcare costs.

"Key drivers of healthcare costs are rising demand for treatment from an ageing population, more chronic illness along with traditional inflationary costs such as wages in the sector," says Damiani.

FACT FILE

In 2018-19, Australians paid more than $24.5 billion in private health insurance premiums, an increase of more than $661 million or 2.8% from 2017-18.

In 2018-19, the amount of hospital benefits paid to consumers by health insurers was about $15.4 billion and the amount of extras treatment benefits paid was about $5.3 billion.

Source: ACCC

Health services in a crisis

Increased demand from Covid-19, alongside strict social distancing protocols, has put pressure on health insurers to be able to offer the same benefits and services their members have come to expect.

Ed Close, group executive, Australian residents health insurance, at NIB, says accessing health services has been one of the insurer's top three concerns during the pandemic.

Customers are asking whether they can still maintain their consultations with a physiotherapist, for example, or if they should still proceed with an upcoming urgent surgery.

Close says any urgent elective surgery can still proceed, as long as it falls into category one surgeries (procedures needed within 30 days); and some category two surgeries (needed within 90 days). Otherwise, all other elective surgeries have been postponed.

"Following the government's decision to suspend all non-urgent elective surgery, we are working to

Where to get tested

Anthony Fleming, Compare the Market's health expert, says if you think you may have Covid-19 and you meet the current testing criteria, public hospitals and GPs can perform free tests.

New drive-through collection centres and respiratory assessment clinics are available across some states too, with tests completed by the patient still in their vehicle, minimising the risk of spreading infection.

For up-to-date Covid-19 information and protocols, visit **australia.gov.au**

ensure customers can continue to receive value from their products. This includes customers being able to claim psychology, counselling, speech pathology, physiotherapy, occupational therapy and dietetic services delivered through telephone or video consultations," Bupa's Damiani says.

HCF's Jack says insurers know all too well this health crisis has altered our way of living for the time being. "However, the reality is that many members will still require hospital treatment for health conditions unrelated to Covid-19 and will have their policy in place to cover this. These include such things as child birth, urgent cardiac care, cancer treatment and accident cover."

NIB's Close is also seeing the necessary shift towards telehealth for general treatment. He says accessing normal providers in a virtual environment is new territory for patients and specialists, but health insurers are looking to assist in any way possible.

Bupa's Damiani points out that when Covid-19 shutdowns start to lift, there will be a high demand for elective surgery and having health insurance will give you the power to choose when, where and by whom you will be treated.

Sophie Walsh, Finder's health insurance specialist, says it's important health funds do whatever they can to encourage Australians to keep their policies, "as the fewer people in the system the more expensive it becomes for everyone else".

She says health funds have adapted well so far. "However, it remains to be seen if this will be enough to stop Australians ditching their health insurance policies, especially with so many people losing their main source of income."

Many people may not be aware their policy has exclusions and they would not be covered

The new order

Before coronavirus protocols were in full operation in March, the Australian Competition and Consumer Commission (ACCC) released its annual report into the private health insurance industry.

For the first time it found that 57% of hospital treatment policies held by Australians now contain exclusions, up from 44% the previous year.

Delia Rickard, the ACCC's deputy chair, says people may not be aware their policies have exclusions and don't realise they would not be covered at all for treatment as a private patient for those conditions.

While there's a responsibility for health insurers to better communicate any detrimental policy changes, it's a good idea to double-check your current policy and know exactly what you're insured for.

This is especially so given there have been recent changes to the way hospital cover is classified. From April 1, 2019 private hospital cover is now classified as either gold, silver, bronze or basic. You should know which tier you're currently in and think about whether it's delivering you the most value.

Younger health insurance members should check whether your insurer is passing on the discounts that are available for those aged 18 to 29. If passing on the full discount, insurers will be able to offer premium reductions on hospital cover of 2% each year that a person is aged under 30. For a member on a $1500 policy, the savings will be up to $150, and for a young family on a $3000 policy the savings will be up to $300, according to the federal Department of Health.

There are also benefits for health fund members living in rural and regional areas. Insurers can now offer travel and accommodation benefits under hospital cover instead of only under general treatment policies. *M*

Lenders could do better

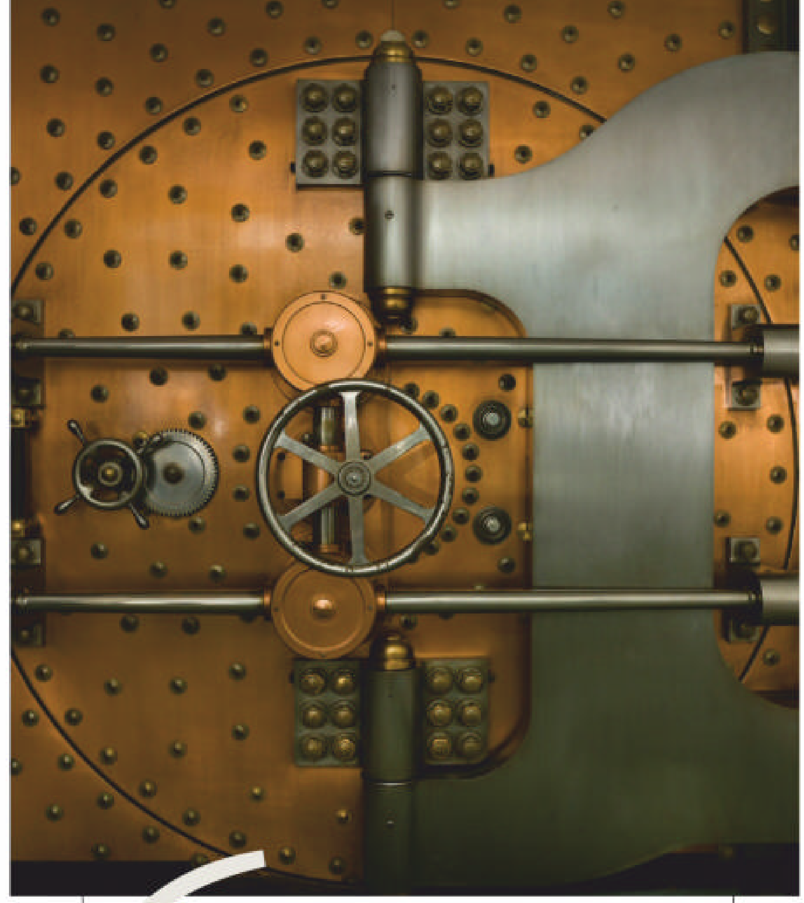
The major banks are giving customers some breathing space on repayments and interest rates. But they could go further.

With the impact of the Covid-19 outbreak catching us all by surprise, the banks swiftly extended a helping hand to their customers through mortgage deferrals and lower interest payments for new businesses.

With millions of Australians out of a job or with drastically reduced income, such assistance is a godsend, particularly for those with little or no savings.

But with medical experts suggesting the pandemic could last for months and the global economy looking set for a major recession (or depression), I wonder if banks can do more to help support their customers through the crisis.

I've listed several tips here about how customers can solve some of their money worries with their bank's help next to what I think banks can do to get people back on track with their finances.



1 Call your bank and ask for your home loan payments to be "paused" for six months. Some banks either extend the term or increase the repayments after the six months, depending on the bank and the customer's personal situation.
Recommendation: Unfortunately, any income or business opportunities lost in the next six months are likely to be gone forever or won't come in the same form as they would have done. Why can't banks "pause" the repayments on the principal of the loan over six months and waive the interest payments altogether for six months?

2 If you are ahead with your payments, you can use your redraw facility.
Recommendation: Depending on the bank and the conditions of the redraw facility, charges may apply. Why not waive all fees and charges relating to redraws from now to the end of June 2021?

> All the banks should provide the same competitive rate cut so everyone benefits

3 Negotiate a better rate. Variable rates can be negotiated but fixed-rate loans were, before Covid-19, non-negotiable over the term of the loan.
Recommendation: Most, if not all, banks have already reduced interest rates on new loans but the cuts are not uniform. There should be a moratorium that all banks provide the same competitive rate cut so that everyone benefits, regardless of who they bank with. In addition, both variable-rate and fixed-rate interest loans should be negotiable, not just variable-rate loans.

4 Instead of pausing your repayments entirely, why not negotiate reduced payments? This can potentially add up to thousands of dollars of savings on your mortgage.
Recommendation: Banks should work with the government to find out how they can provide better repayment conditions for those who have lost their jobs. A more accurate assessment of a person's financial situation and recovery time can give the government more accurate data to match personal and business grants with the people who need them the most.

5 Some of the major banks have noted on their website that due to an unprecedented number of calls it will take them a while to process all inquiries.
Recommendation: The time is right for them to create new customer service roles to attend to those queries or, alternatively, use video technology.

Either way, the banks should be commended for stepping in to help those in financial hardship and they can definitely do more. The sooner everyone gets back on their feet, the better for everyone, including the banks themselves.

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.*

Beware the gambler trap

In stressful times, the pain of financial loss can cloud our judgement and increase our risk-taking

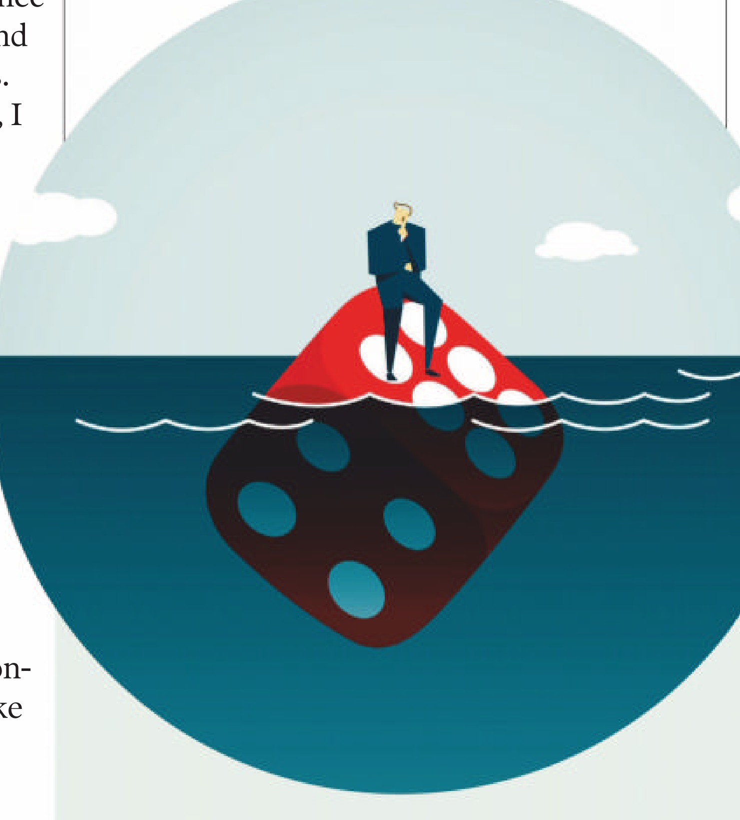
When I first got my driver's licence there were no smartphones and no GPS, only old-school maps. Whenever I went somewhere unknown, I would pull out the street directory and plan the trip before I started to drive. Even when I had a car full of friends, I would make them wait until I had enough certainty and confidence to head off. Without certainty about the route to follow, I wouldn't feel confident enough to drive off into the unknown. This is similar to how we treat our finances in times of uncertainty.

It's as though our brains raise the stakes – like a high-stakes poker game. When under stress our financial decision-making looks similar to the way we make decisions when gambling. Without the certainty of an outcome in life, or when life is filled with ambiguity, the way our brains approach financial decisions is littered with the same decision-making pitfalls that shadow a compulsive gambler. This means we're more likely to overestimate our level of influence, avoid pain at all costs and take much bigger risks when we feel as if we need to recoup a loss.

This is why we should never make snap judgements after realising our investments have taken a dive, a client reneges on a payment or we lose our job. The desire to recover quickly from the pain of the loss clouds our judgement so much that we'd rather lose more in the attempt to regain our loss than not try at all.

That's how we fall into the gambler trap. Our brain actually rewards us for "giving it a crack" even though we're much worse off.

But it's not just individual decision-making that goes out the window in times of heightened uncertainty. There are some fascinating things that happen to our group decision-making as well.



How to make better choices during uncertainty

- **Count your blessings.** Look at what have rather than what you may have lost or missed out on, as this helps lower emotion and brings you into a more rational headspace.
- **Think in three time frames.** Ask yourself what the impact of your decision will be in one week. In three months? In 12 months? This mental trick creates distance and perspective, allowing "tomorrow's you" to judge today's decision.
- **Connect.** Connecting with people is so important for psychological safety. During enforced self-isolation and social distancing, use video chat software and reach out to your contacts. The more you try it, the more comfortable you will be doing it, and the better off you will be.
- **Talk about big financial decisions with those you trust.** This helps you externalise the decision making process and allows for a less emotional perspective. It also gives you the chance to learn from other people's experiences.

We all have seen examples of what happens to people's spending behaviour when high uncertainty and panic spread through our communities: stockpiling goods that we don't need, not buying things that we do need and trading off our future to relieve more immediate pain. At heart we are herd animals and therefore influenced by those around us. This influence is magnified by uncertainty, because one of the ways we feel safe in these times is through the strength of our social connections. The stronger the tribe, the longer we all stay alive. This is why social isolation in times of uncertainty can be particularly unsettling.

There are two key things that seem to happen in times of high uncertainty that directly impact our ability to make good decisions. Keeping these two things in check is crucial to giving ourselves the best chance of making it through a financial crisis. The first is that emotion floods the brain, triggering our fight-or-flight response, and the second is that our ability to think about the long term reduces dramatically.

Both of these responses limit our cognitive capacity and leave us open to all sorts of mental traps and biases that undermine our financial decision-making.

Sometimes the trick is to drive on calmly, even if we don't know exactly where we are going, learn to read the signs along the road and correct our course along the way. We should never undermine our ability to make good decisions in the search for certainty.

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

Why a will is a must

You could leave behind a financial mess if you don't take legal precautions

Far too many Australians die without a will – 45% of us, in fact. Or we prepared one years ago and it is now out of date.

If you're putting off organising your will, perhaps it's because you can't decide who to appoint as a guardian for your children or who should be the executor; or you want to get your finances in order first; or you need to get your assets valued.

If you don't yet have a will, which means you die "intestate", it can prove to be a nightmare for family and friends, says the Law Institute of Victoria. "If you do not have a will, your estate will be distributed according to a formula set out by the law."

You may assume your property will go to those loved ones who should have it, but this is not the case and it can end in disaster.

Common scenarios include having your partners, stepchildren, friends and favourite charities missing out on an inheritance. Your spouse may be forced to sell the family home to pay a share to your children. A guardian chosen for your children may not be the one you would have wanted. Your children or grandchildren may not receive the financial protection you would have liked them to have. Your estate may be administered by someone you would have considered unsuitable.

I once bought a will kit from a newsagent. It sat on my desk, untouched, for years. When I did finally draw up a will, it was only because my father encouraged me to see a lawyer he knew.

Is it necessary to consult a lawyer? In theory, no, but having an expert prepare your will ensures that your wishes are set down more precisely than if you do it yourself. It also means your will can't be easily challenged by family members.

A lawyer also will look at situations you may not have considered. For example, if you were married before, you should take into account the divorce and settlement so that your former husband or wife can't make a claim on your estate even if you remarried long ago.

It's important to think about your superannuation, too: your will can't determine who gets your superannuation – that is done through a binding death nomination to your super fund.

If you prepared your will years ago, it is worth reviewing it. Since then, a lot has probably changed. And once you have finally organised your will, put it in a safe place. If you give it to your lawyer to store, make sure you let your beneficiaries know where they can find it.

> Your will can't determine who gets your superannuation

Take care of the kids

Have you ever thought about who will look after your kids if something happens to you and your partner?

This is one of the responsibilities that comes with being parents. While many find it straightforward, others agonise over the choice of guardian.

A guardian is an adult who looks after the welfare and upbringing of a child. The guardian can take care, custody and control of the child. A guardian holds the legal authority and can direct their wishes to others who have the control of the child.

The best place to record your choice of guardian is in your will. If you don't have a will, the decision as to who will be the guardian can be made for you, possibly by a court.

Looking after the care and custody of a child on a day-to-day basis is an enormous responsibility, socially and financially. This is where your life insurance comes in, providing a financial safety net for your children's needs and reimbursing a guardian for the cost of care and education.

My first thought was to select my kids' doting grandparents as guardians, as they spent more time with my children than other relatives and friends. But they were getting on and had health issues that weren't compatible with tearing around after young children, let alone living with moody teenagers. Instead I had to consider younger relatives and friends.

It is important to explain in your will why you have chosen the appointed guardians. But before you write them into the will, be sure to discuss it with them and get their approval first.

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

What your insurance covers

While most policies exclude a pandemic, business owners should ensure they are protected from flow-on risks

The past few months have dished up plenty of hits to the small business sector. After a tough summer of drought and bushfires, the businesses face what could be their toughest test yet.

Research by online lender OnDeck Australia shows 86% of small businesses have been impacted by Covid-19, with one in two severely affected. Many owners may assume they're covered by insurance. The reality, though, could be different.

Insurance simply won't come to the rescue of many businesses. Part of the problem is that among Australia's 800,000-plus small businesses, one in four have no business insurance at all.

This is a particular concern because a survey by insurer QBE found 87% of owners agree that a liability claim could put them out of business. If faced with a claim, most would likely run up huge personal debts to pay the bill.

Among businesses that do have business insurance, the issue of whether they are covered for losses brought about by the coronavirus can be confusing. Unfortunately, many are not directly protected against a pandemic.

Business interruption

Most business interruption (BI) policies cover disruption resulting from physical damage to the assets the business relies on to keep ticking over. This type of cover proved a lifeline for many businesses after last summer's bushfires.

However, as a rule infectious diseases are excluded from BI policies. That stems from research in 2005 that showed the insurance industry faced the potential for massive losses in the event of a pandemic.

The Business Council of Australia notes that a small number of businesses may have specialist cover that has been specifically written for that enterprise and is likely to be expensive. This sort of cover can protect it against disruptions to critical supplies from overseas or a sudden drop-off in trade due to specific border closures. But it is unlikely that the average small business would have this type of bespoke insurance.

The bottom line is that if your business has BI cover, it is unlikely to offer a payout from losses caused by Covid-19. Even so, it is worth a call to your insurer or insurance broker to know where you stand.

Keep the policy going

As small businesses scramble to preserve their cash flow, insurance can seem like a non-essential expense, especially if the enterprise is "in hibernation" until the worst of the crisis is over.

However, there are good reasons to hold onto your policy. "Insurance still provides valuable protection against other business-related risks, and having cover in place can ensure the long-term survival of the business," says Michael Gottlieb, managing director of Bizcover.

As a guide, even if your business has temporarily shut its doors, if the coverage has been taken out, insurance will still protect the value of stock and contents in the event of a break-in or fire.

It is important to keep your insurer up to

18+

WHAT IS AVAXHOME?

AVAXHOME -

the biggest Internet portal, providing you various content: brand new books, trending movies, fresh magazines, hot games, recent software, latest music releases.

Unlimited satisfaction one low price
Cheap constant access to piping hot media
Protect your downloadings from Big brother
Safer, than torrent-trackers

18 years of seamless operation and our users' satisfaction

All languages
Brand new content
One site

We have everything for all of your needs. Just open https://avxlive.icu

date with any change in business activities. A personal trainer, for instance, may switch over to disability care services. Under these circumstances, Gottlieb says it's critical to notify your insurer about what you are doing, as your policy may not cover you for new or significantly varied activities.

Premiums could rise

While a range of insurances are still relevant to small businesses, taking out cover now can mean paying higher premiums. This especially applies to trade credit insurance. It's an area where accounting firm KPMG says insurers could see claims spiral if increasing numbers of companies go out of business. In the meantime, be sure to stay on top of workers' compensation premiums. As KPMG notes, we could see a spike in workers claiming they weren't adequately protected by their employer against exposure to Covid-19 in the course of their normal working duties. Even if that's not a risk, employers can still be responsible if an employee injures themselves while working from a home office.

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

Other types of cover

It can be disappointing to learn that your business cover offers no direct protection against the impact of Covid-19. Nonetheless, Bizcover's Michael Gottlieb says there are other associated risks that business owners can insure against.

Cyber attacks

As more employees work from home, Gottlieb says it makes sense to be sure your business has proper cyber security measures in place. "An interruption to your network can have a devastating impact."

In fact, insurance giant CGU says cyber attack is one of the leading risks for Australia's small-to-medium businesses, and companies that employ between one and 250 staff are most at risk. The average cost of a cyber incident in Australia is in excess of $250,000, so if your team is working remotely cyber insurance is worth a look.

Management liability

This insurance offers protection to business owners for the way they run the venture. And right now, with so much disruption going on, they can face a raft of risks around managing legislative changes and the need to reduce overheads.

Gottlieb says this sort of cover can be particularly useful if your business starts to make staff redundant further down the track, which can bring into question issues around unfair dismissal.

Trade credit cover

This protects the cash flow of a business by covering any losses that can arise if a debtor defaults or becomes insolvent. Not only is this type of cover highly relevant in the present environment, it can also be useful when operating conditions return to normal. The security provided by trade credit insurance may be taken into account by a lender if you apply for commercial finance further down the track.

Key person cover

As the spread of the coronavirus continues, we've seen high-profile personalities from Tom Hanks to Boris Johnson catch the bug. It goes to show that no one is immune. If a key equity owner or employee falls ill and is unable to work again or, heaven forbid, dies, the impact on the business can be devastating. A payout from key person cover will never compensate for loss of life, but it can be a financial lifeline for a small business struggling to rebuild.

Gottlieb says there is also a safety net option for a percentage of your income in the form of personal accident and illness insurance, which can cover your income if you get an official diagnosis and are laid up on bed rest and unable to work.

Tax audit insurance

You can cover the costs of accountants and other professional fees incurred in the course of a taxation audit. As Gottlieb points out, stimulus package funds such as JobKeeper payments to subsidise employee wages are being funnelled through the tax office. This raises the possibility that the ATO will take an even closer look at the tax returns of small businesses applying for support payments.

"Being audited can be time consuming and complicated and can potentially result in a significant financial detriment," cautions Gottlieb. "You will almost certainly want the services of an external accountant or similar professional and their fees can be substantial."

This can make tax audit cover something to consider for your business.

WHAT IF? Annette Sampson

Unemployment gets out of control

Rescue packages are designed to limit the damage and encourage a recovery

THE STORY SO FAR

The Covid-19 pandemic has not just impacted our health. It has changed the way we live and generated a seismic shift in world economies – a bit like stepping through Alice's looking glass.

Until March, Australia's main employment problem seemed to be getting the unemployment rate under 5%. In February, the last month of the "old normal", it came in at 5.1%, where it had been holding steady for the past three months.

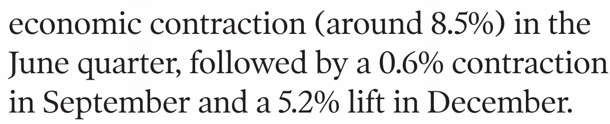
Within weeks, the world had changed and predictions were rife that it would top 10% and could go much higher. Footage of Depression-era queues outside Centrelink offices were a frightening reminder that our comfortable existence was much more tenuous than we had thought.

Enter the federal government with a plan to limit unemployment that was inconceivable under normal conditions. Through its JobKeeper program, businesses are being subsidised to retain their workers rather than letting them go. Yes, the conservative government is effectively paying private sector wages in the hope that by retaining the connection between employers and employees (even if the employer has no work to give them), both employment and business will bounce back more quickly when restrictions are eased.

By the end of March (not much more than 24 hours after the program was announced) around 300,000 businesses had signed up. The government expected it would eventually cover around 6 million workers – roughly half the workforce.

JUNE QUARTER WILL BE DIRE

In April, Westpac chief economist Bill Evans predicted that without the JobKeeper program, our unemployment rate would have hit 17% this quarter. He expected it to now top out at 9% and to fall to 7% by the end of December. This assumed a major economic contraction (around 8.5%) in the June quarter, followed by a 0.6% contraction in September and a 5.2% lift in December.



While a day can seem like a long time in this environment, and conditions may well change, most economists see the JobKeeper program as a positive move in keeping a lid on unemployment and its likely effect on the economy.

THE FALLOUT

Big rises in unemployment are bad for a number of reasons. Obviously it hits hardest those who find themselves out of a

THE CHALLENGE Darren Snyder

Looking for a new job

If you've recently lost your job, there are several options to keep you job hunting productively during a pandemic.

The first thing to do is make some decisions about a new direction for your career – several financial advisers and money and life coaches tell me you won't make much progress unless you know where it is you want to be.

Ask yourself whether you want to jump straight back into the workforce. Do you want to do the same job you had before? What are you prepared to do? Also think about whether your next job is likely to be short term or long term.

When you're ready to work again, expect the application process to take longer now. Employers will take their time because conversations around working-from-home arrangements and other conditions will need to be considered.

This doesn't mean you shouldn't be flexible. Be prepared for job interviews via video and potentially with not too much

DID YOU KNOW

During the Great Depression, Australian's unemployment rate went from 7% in 1929 to 10% in 1930 and peaked at just under 20% in 1932. It took until 1937 for it to fall back to 9%. However, at that time there was little government assistance for the unemployed.

BEST-CASE SCENARIO

If the various stimulus and rescue packages do their job, our economy will still take a big hit. But the emphasis will be on recovery. Curbing the virus is critical.

WORST-CASE SCENARIO

The doomsayers have talked about a depression but in the 1930s governments were slow to provide any stimulus. Quick action this time around makes this an unlikely outcome.

THE WILD CARD

This crisis clearly demonstrates the capacity for unknown events to throw economies into chaos and upset even healthy personal finances.

job as they are unable to sustain their living expenses and often find they struggle to meet debt repayments – not to mention the stress and psychological toll. But the flow-on effects hit everyone.

Consumer confidence and spending fall as the unemployed cut back and those who still have jobs worry they will be next. That knocks business profits and potentially triggers another round of job cuts. Businesses invest less and the economy slows even further.

For investors, it means lower dividends as companies are unable to sustain their profit flows. If the slowdown is sustained, it also hits property prices as forced sales come onto the market.

In March, AMP Capital chief economist Shane Oliver estimated a short recession, where unemployment rose to 7.5%, would see house prices fall by around 5%. But he said a deeper recession with unemployment topping 10% would expose the underlying problems of high prices and high debt and prices could fall by around 20%.

Mortgage defaults put pressure on bank bottom lines and they become more risk averse, further limiting the capacity for consumers to spend and businesses to invest. And so it goes.

This recession, however, is first and foremost a health crisis and governments face the difficult job of slowing the economy to protect lives without putting it on the critical list. Rather than businesses closing down because of a weak economy, many have been shut under the lockdown measures. This is new territory for the economy and no one really knows what will happen on the other side.

Some businesses will emerge stronger and better and even now there are opportunities. But there will inevitably be casualties and the effects will be felt for years to come.

As Deloitte Australia put it recently, this is a "whatever it takes" moment and governments are spending mind-boggling amounts of money to ensure we can recover when the health crisis is under control rather than sliding into a long recessionary cycle.

"Recessions take a long time to recover from," says APAC economist Callam Pickering. "The next six months will dictate how the economy evolves over the next decade. That's why stimulus and support packages were so important: the lower the unemployment rate when the dust settles the better placed we are going forward."

But expect tough financial times and continuing market volatility until the health crisis is resolved.

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

notice. Also, look at what your options might be in the gig economy.

Use your downtime to update your résumé or portfolio, as well as your LinkedIn account, other websites or social media accounts that might be applicable to your line of work. Job hunting can be all about the personal brand.

Kendra Banks, Seek Australia and New Zealand's managing director, says organisations servicing the retail sector (warehouses, distribution centres), and parts of healthcare have an urgent need for skilled and non-skilled workers.

"As businesses pivot to virtual and online delivery of goods and services, and many employees work from home, there is increased demand for cyber security specialists and technology and product specialists to support these transitions. We are also seeing the impact of large organisations like banks, insurance, telecommunications and airlines bringing their call centre and shared services back to Australian shores," says Banks.

"The uptick in resources sees large resource companies hiring for highly skilled roles such as diesel fitters, auto electricians, as well as general skilled roles such as truck drivers and diggers."

Seek runs a weekly trends report that indicates where people are hiring and what jobs are available. As at April 9, the main industries hiring were:

- Essential retail services – think warehouses and distribution centres.
- Manufacturing – there's large demand for household staples.
- Mining and resources – skilled roles such as diesel fitters and auto electricians.
- Virtual working/digitisation – software development and cyber security.
- Family support – nannies and tutors.
- Healthcare – across all sectors, from aged care nurses to surgeons to pharmacists.
- Customer support – call centre operators and managers and customer support staff.

Burning issues

Natural disaster cover is fraught with danger, so make sure you have the right kind of protection and understand the fine print

STORY DAVID THORNTON

It's a tragic irony that some of the country's most beautiful areas to live are often the same ones most exposed to disaster. For many this is a risk worth taking, and it's a risk that can be mitigated with the right insurance plan. The bushfires that raged in summer underscore the need to not only have home insurance but to have the right home insurance.

Like all insurance, the cost and level of home cover is directly related to the risk the policy poses to the insurer. Knowing the finer details of bushfire insurance can help you pick up the pieces and rebuild without shouldering an undue financial burden.

How the risk is rated

In 2009, following the Black Saturday fires in Victoria, the building code was changed to better protect at-risk property.

The risk to your home is now calculated using bushfire attack level (BAL) ratings, which measure the severity of a building's potential exposure to ember attack, radiant heat and direct flame contact (see table).

The ratings also dictate the required construction standards for your home. The higher the rating, the more resistant to bushfire the construction needs to be.

BUSHFIRE ATTACK LEVEL

Rating	Description
BAL–Low	There is insufficient risk to warrant specific construction requirements.
BAL–12.5	Ember attack.
BAL–19	Increasing levels of ember attack and burning debris ignited by windborne embers together with increasing heat flux.
BAL–29	Increasing levels of ember attack and burning debris ignited by windborne embers together with increasing heat flux.
BAL–40	Increasing levels of ember attack and burning debris ignited by windborne embers together with increasing heat flux with the increased likelihood of exposure to flames.
BAL-FZ (flame zone)	Direct exposure to flames from fire front in addition to heat flux and ember attack.

The most common way to establish the BAL rating involves four components:

- The fire danger index (FDI), which factors in the chance of fire, its rate of spread and the difficulty of its suppression.
- The type and density of vegetation around the site.
- Distance of the building site from the vegetation.
- The slope of the ground under the vegetation in relation to the building site.

Properties with a BAL-Low rating don't need to meet a higher construction standard than those in urban areas, and thus it doesn't add anything to the rebuilding cost. But insurer AAMI predicts that the BAL-FZ rating would add between $65,000 and $277,000 to rebuilding.

This has to be taken into account when insuring your home, since rebuilding after a fire needs to meet the standards. If your home was built before the standards were introduced, it may need to be rebuilt to a higher standard than it was previously. This affects floors, external walls, doors and windows, roofs, verandas and attached carports.

All home and contents insurance policies cover you for bushfire. However, the extent of that cover differs among policies, so it's important to read the product disclosure statement (PDS). Policies may cover:

- Repairing or replacing the home.
- Demolition and removal of debris.
- Temporary accommodation.
- Professional fees.

What constitutes "fire damage" can be vague, too. The sometimes opaque definitions are likely designed that way, providing insurers with leverage to avoid a payout.

According to research by consumer group CHOICE:

- AAMI, APIA and GIO all have confusing exclusions. If heat from a passing bushfire affects part of your building or contents but doesn't ignite a burning building within 10 metres, you won't be covered.
- For Coles, flames have to be present for your cover to kick in.
- Youi doesn't cover scorching, melting or smouldering unless there are flames. Cover is different for buildings and contents.
- Budget Direct, Virgin Money and ING won't cover you for "smoke or soot when no damage from fire has occurred".
- QBE "won't cover damage caused by charring, melting or scorching as a result of fire without the presence of flames".

Take out cover early

While in most cases you'll be covered 48 to 72 hours after you take out a policy, this typically won't apply once a fire is already burning. For this reason, most insurers will have an embargo or no-claims period for anyone in an area likely to be affected by fire.

The good news is you won't be excluded from insurance because you live in a high-risk area; you'll be able to get cover, but you will probably pay a higher premium.

If you have sum-insured cover, your policy will cover you up to an agreed amount, which will be stated on your certificate of insurance. For example, it may say you're covered for "up to $500,000 for the building and $30,000 for contents".

With replacement cover, the policy will cover the cost to replace or repair the contents to their pre-fire condition. For either, you may also be entitled to additional benefits.

The Insurance Council of Australia warns that as many as 80% of homeowners are underinsured. This is a common problem associated with natural disasters, where the homeowner is left covering the difference between the amount paid out and the actual cost of rebuilding. This can stem from a failure to account for the added cost of building to new BAL standards, or even because of increased demand for, and cost of, materials and labour after a fire.

One way to avoid underinsurance is to opt for total

replacement cover. If your home is destroyed, it will be rebuilt to its previous state (or better, if it didn't previously meet the construction standard required by the BAL ratings).

However, total replacement cover isn't the norm, with only two insurers offering it – ANZ and AAMI. These policies typically carry a higher premium compared with sum-insured policies, but they eliminate the possibility of out-of-pocket expenses.

Document your contents

Proving what your contents are worth will be much easier if you keep receipts or take photographs of just what you own.

"It is a good idea to go around your home and take photos of all items that would be covered and note replacement cost of everything on a spreadsheet," says financial planner James Gerrard. "This includes the major items like TVs and fridges, but also includes the smaller items such as laptops and jewellery. For contents insurance, it is important to read the fine print as there may be caps on what you can claim under different item categories that may leave you underinsured."

Taking photos after a fire can also be a good idea to demonstrate what was damaged or destroyed.

Flood versus water

Flood damage and water damage are not the same as far as insurers are concerned. The damage to your property may be indistinguishable, but the cover is different. It all has to do with where the water comes from. For instance, if your house is "flooded" because of a broken water pipe, water damage cover will sort you out. And it's standard in all home and contents policies.

Flood damage is standard in some policies but an optional extra in others, so read the fine print

Floods, on the other hand, occur when water breaks the boundaries of a watercourse, such as a river or dam. Westpac and St.George also classify tsunamis as floods.

Flood damage is standard in some policies and an optional extra in others, so it's important to read the PDS or ask your insurer.

If you live in an elevated location with little to no chance of flooding, you don't need flood cover. But if you live in a flood-prone area, it's a good idea.

There are also some exclusions to watch out for. Moneycare, the Salvation Army's counselling service, notes that most policies exclude:

- Actions of the sea, such as storm surges, high tides and king tides.
- Floodwater combined with run-off or rainwater.
- Flood not caused by rainfall, for example a landslide caused by a storm.
- Flood as a result of a blocked or broken stormwater drain, water pipe or gutter.
- Damage to gates, fences, retaining walls and driveways.
- Rainwater entering your home due to a structural defect, faulty design or poor maintenance.
- Wind, rainwater, hail or snow entering your home through an open window or door.

Making a claim

If you are affected by bushfire or flood, the first thing to do is contact your insurer. If you don't know who your insurer is, phone the Insurance Council of Australia's 24-hour hotline on 1800 734 621.

Under the general insurance code of practice, insurers should respond to your claim within 10 business days. In cases of demonstrated urgent financial need, an advance payment can be made within five business days.

From here, the best thing to do is to document damage with photos or video, of both the property and the damaged items.

If further information is required, the insurer must tell you: what details it needs; if a loss assessor/adjuster needs to be appointed; and how long it estimates it will take to make a decision.

After this, the insurer must update you on the claim within 20 business days.

It's best not to start the repairs at this time, since the insurer will want to assess the damage and approve repairers or builders.

Know your policy

Insurance is a unique product. You pay for it in the hope you never have to use it. But the low chance of using it is not an excuse for insufficient research.

You can only be covered for a natural disaster if you know the finer details or your policy. Doing this homework early will save you avoidable heartache when the time comes to make a claim. *M*

How to handle the fallout

Investors are likely to take a hit, but a long-term approach can ease financial pain

In times of great uncertainty, such as we are experiencing now, it pays to keep in mind that things will inevitably improve. This also applies to our property investments.

Undoubtedly property investors are currently in a better position than sharemarket investors, who have seen falls of about 30% in share prices in the past couple of months amid extreme volatility. But it would be unrealistic to think the housing market will not be hit too, especially since unemployment is likely to go through the roof, potentially triggering a deep recession.

We could see value falls of 20%, maybe more, but for both investors and home owners who can hold on this will only be for a time – though whether it will be short or medium term is impossible to call at this stage.

A relatively short recession that sees unemployment rise to around 7.5% would likely set prices back only around 5% or so, after which they would bounce back, says AMP chief economist Shane Oliver.

But, warns Oliver, a deeper recession with, say, 10% unemployment risks tripping up the underlying vulnerability of the housing market with its high prices and high debt levels. This could see a 20% fall.

Two factors could potentially cushion price drops. First, the banning of open-house inspections and onsite auctions will naturally restrict the number of sales, as many vendors decide to withdraw from the market. The first weekend after these measures were imposed is a good indicator.

On Saturday, March 28, the auction clearance rate in our two major cities plummeted, according to data from domain.com.au: Melbourne recorded a clearance rate of 35% compared with 60% on the previous Saturday and Sydney had a 37% clearance rate compared with 66% previously.

But a major reason for this drop was that of the 2700-plus auctions planned nationally for the weekend, 55% were withdrawn and switched to private treaty.

The second factor is that many banks have come to the party, offering home loan customers affected by Covid-19 the chance to take a mortgage holiday, lessening the number of potential foreclosures. This allows affected mortgage holders to pause their loan repayments for a limited time to help relieve pressure on household budgets. In the end, lenders will pay back the full amount owed plus interest, but at least this gives investors and home owners a breather.

Respected independent economist Saul Eslake says lenders' willingness to show forbearance for struggling customers signals their preparedness for a short-term pause. In turn, this means fewer forced sales, which are a driving factor in placing downward pressure on property prices in a recession.

"Banks could find that if we have a lot of forced sales at bargain basement prices, it could mean that they don't recover enough from the sales to cover the outstanding debts – and the banks themselves could be taking significant losses," says Eslake.

For households struggling to pay the rent, the federal government announced in late March that state and territories governments will put a moratorium on evictions for six months. The NSW government had previously agreed to this measure, although it had not passed into law. This puts the onus on tenants and landlords to work out individual deals, which may prove problematic.

Additional measures are expected as more people face financial hardship. One option being considered is that rental property owners would be given tax relief by the federal government in return for waiving or reducing rents.

For many landlords, keeping good long-term tenants is a priority even if it means earning lower income for a time.

For Marion, a property investor with a small portfolio of accommodation properties in a regional centre, this will be important even if she has to endure some short-term pain.

Marion turned to property after she lost her share portfolio in the GFC, courtesy of a series of margin calls. She owns a block of flats, used for student accommodation, retiree units in a local over-55 community and even runs part of her home as an Airbnb. Ever the entrepreneur, her current project is turning the space under her house into a small rental flat.

So far Marion has lost only one tenant. She may face a drop in income and the value of her properties may drop for a time, but she's not selling and hasn't had to live with the volatility that her sharemarket-investing friends have had to endure, and most of her income is still rolling in.

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.*

10 MOST-ASKED QUESTIONS

Real estate's new reality

The property market is still ticking over, but there are extra challenges for buyers and sellers, landlords and tenants

THE EXPERTS

Michael Yardney founder and chief executive, Metropole Property Strategists

Terry Ryder director and founder, hotspotting.com.au

Graham Doessel chief executive, MyCRA Lawyers

Simon Pressley, head of research, Propertyology

Q What can I do if I've just paid a deposit for a home I can no longer afford because the one I am selling has no buyers? Is there any flexibility with the deposit at a time like this?

No, you're stuck. You have a legally binding contract. You need to get your solicitor to speak to the vendor's solicitor to see if you can extend the terms of your contract – it may be that both parties are in a similar situation. If you don't complete the contract and come to the arrangement agreed, the vendor can issue a notice of default and you can lose your deposit and, if they sell and make a loss, they can sue you for the difference between what they achieve and what they were contracted for.

Similarly, the vendor can't get out of it either.

MICHAEL YARDNEY

Q I sold my house a year ago and want to buy again now, but should I wait a bit longer for the market to drop or will stock dry up?

You should go ahead with plans to buy. I hear people who say they will buy when the market hits the bottom, but this strategy seldom works because no one rings a bell when the bottom of the market is reached.

The data that identifies the bottom of a real estate market doesn't become evident until six to nine months after the event. The best strategy is to get out there and look for suitable properties knowing that you're likely to have a strong hand in negotiations because buyers will be relatively scarce.

There is stock and there'll always be people who want to sell and need to sell.

TERRY RYDER

Q What happened to property in the GFC? Is that likely to happen again?
In 2008 when the GFC struck and sharemarkets were dropping, there were a lot of forecasts that real estate would crash.

What actually happened in 2009, according to Australian Bureau of Statistics data, was a rise of 13% and there are other instances where we've had economic crises and stockmarket crashes (such as 1987) when real estate went into a boom stage, with values rising.

There's history of real estate not only being resilient but defying what other markets are doing; it becomes a bit of a safe haven for money when sharemarkets are crashing. In the early 1990s, the last time Australia had a recession, real estate rose – not much but it did on average.
TERRY RYDER

Q I was going to have an auction, but rules have changed. What are my options currently (April 7)?
The mistaken impression is that without auctions real estate stops – research shows only 10% of sales are through auctions; 90% are through private treaty.

The experience to date is that markets are still happening. But there will be fewer sales.

There have been some good results in the past few weeks with online auctions, but I don't think it's going to be a happy auction for too many vendors. What the current situation means is that most property will now be sold by private treaty.
TERRY RYDER

Q What does it mean to suspend home loan payments? Does interest still accrue?
In most cases, lenders are extending the loan. If you can put it on hold for six months, the interest still accrues during that period and can be quite expensive. If it's $1000 in interest, for example, that's added to the loan, and that's $6000 you're still paying interest on when repaying the loan.
GRAHAM DOESSEL

Q If I am a landlord, can I also suspend loan payments?
With some influence from the federal treasurer, banks will be more empathetic than normal. A borrower may ask their bank to suspend the requirement to make some or all of their loan payments. Understandably, interest will still be charged and added to loan balances.
SIMON PRESSLEY

Q As a landlord, I know I cannot evict tenants, but what happens to the payments – do they just get free rental for six months?
A tenant's liability to pay rent as stated in a lease agreement is legally binding. The only change is that, for the coronavirus only, there is a six-month moratorium to prohibit landlords evicting tenants due to non-payment of rent.

In situations where a tenant has no financial resources to pay all of their rent, landlords are encouraged to work with them. The landlord may consider permanently waiving a portion of the rent or agree to structured rent arrears for a time followed by a repayment arrangement to catch up later.
SIMON PRESSLEY

Q What do I have to prove to get my home loan payments suspended? What are the rules?
The rules are all still up in the air, and it's a case-by-case basis. I'm in the fortunate position of having quite a bit of redraw on my home loan, and my mortgage broker said if I were to apply for hardship and a moratorium on payments, maybe they would want me to draw on that first.
GRAHAM DOESSEL

Q If I have multiple investment properties, can I move tenants to a cheaper one if they can't pay for the one they are currently in?
Very few investors will have a property they can move people into. If you are lowering the rent, it will probably disadvantage you under any new programs the government hasn't brought out yet but probably will. (Only Queensland has put out new rules so far.) What you should do instead is come to a payment arrangement until all the rules are clear.

If you give your tenant a rental reduction or a rental holiday, you are forgetting that most tenants will get money from government. They don't have to pay the rent with it, but that's what it's there for.

Currently we're finding people who haven't lost their jobs are requesting rental relief for job uncertainty, just in case.
MICHAEL YARDNEY

Q Does suspending loan repayments damage my credit score?
It shouldn't but it will. When you have an arrangement with your creditor it shouldn't affect your score – it's your consumer right. But the only reason my entire law firm exists is because creditors don't follow the rules.

We know that some creditors are really hurting and they will use the credit reporting system as a tool for debt collection, saying if you don't pay they're going to default you.

Under the hardship laws, when your creditor knows you're in hardship you can communicate through phone, actions or writing. They have an obligation to reach out. If you make a hardship claim, they must respond in 21 days. Consumers need to keep diary notes recording contact with the creditor to request assistance. It won't help today but it will help repair their credit score.

Creditors must act in accordance with the legislation.
GRAHAM DOESSEL

Weather the storm

STORY DARREN SNYDER

Carefully selected exchange traded funds can protect an investor during market turbulence – and even take advantage of it

Covid-19 led us to panic-buy at the supermarket and to panic-sell on the sharemarket. As uncertainty around this global pandemic continues, Australia's economy will remain turbulent.

Watching and acting on daily sharemarket price movements can soon become your worst enemy in uncertain times. What we do know is that expert advice always tells us to stay the course when it comes to investing, unless your financial situation and life circumstances absolutely warrant selling up.

Jonathan Shead, head of investments, Australia, at State Street Global Advisors, says one of the biggest mistakes you can make as a long-term investor is to fall into the trap of trading individual stocks and exchange traded funds (ETFs) daily (that is, trying to time the market).

"ETFs (like all shares) do allow you to trade in the moment. ETFs provide liquidity and are priced right throughout the trading day. That can lead to the temptation for investors to lose sight of their long-term investment goal," he says. "We would encourage investors to focus on the long-term goals when trading ETFs and not to chew up their returns in transaction costs with trying to time the market."

He says too often investors fail to account for the total cost of owning an ETF. They're labelled as low-cost investment products, but not low cost if you're constantly trading them. There's the cost of trading an ETF as a security, as well as the expense ratio of managing the fund.

By their nature ETFs are an investment tool designed for the long term. They're transparent, easy to use and generally low cost and give you broad market exposure. Existing in Australia for more than 25 years, ETFs have weathered volatile times before, says Shead.

Bulls and bears

Covid-19 led to a large market selloff during March and it's upset the portfolios of almost every investor in the country, wiping between five and 10 years of solid bull market gains. However, Australian investors have shown they're a resilient bunch and not everybody was panic-selling.

BetaShares chief executive Alex Vynokur says during the pandemic the majority of investors have asked whether now is the right time to "buy the dips" and pour more money into their investments.

"Retail ETF investors tend to be more disciplined than those that trade often in individual stocks or other instruments," he says. "They have been educated, especially since the GFC, that accumulation is a long-term exercise and probably what's most important is time in the market."

So what ETFs are investors buying in times of market turmoil?

Vynokur says there's been a focus on Australian and global equities ETFs in the first three months of 2020, moving away from last year's strong interest in fixed-income products.

Unsurprisingly, there's also been a flood of money into the ETF provider's three bear funds, which aim to protect investors against declining markets. At the start of the year those bear ETFs were managing about $200 million and at March 30 that had gone up to about $600 million.

On March 31, the BetaShares Australian Equities Strong Bear Hedge Fund (ASX: BBOZ) recorded a trading volume of $160 million. It was larger than Telstra's trading volume for the day. Vynokur says this reflected the final week in March, when investors had again increased their exposure to bear funds despite an uptick in the market in the days prior.

"Several investors didn't feel the bounce in the market is sustainable," he says.

Smoother sailing

In the not-too-distant past, investors didn't have many choices if they feared market downturns or loss of capital – it was either sell the portfolio or attempt to ride the volatility.

Nowadays there are ETFs covering multiple markets and sectors, which mean that when you're putting together a long-term plan with a financial adviser you can be more strategic about your investments.

Vynokur says in BetaShares' managed risk series there are ETFs that reduce exposure to the markets as volatility increases. Citing the Managed Risk Australian Share Fund (AUST) as an example, he says its performance in the month to March 30 was 10% better than that of the ASX 200 (the fund fell 9%, the ASX fell 19%). It essentially cushioned the blow.

Shead says feedback from financial advisers and their clients tells SSGA that investors want ETF products that have high-quality companies with less volatility in day-to-day or month-to-month price movements.

He cites the SPDR MSCI World Quality Mix Fund (QMIX) as an example. SSGA was named *Money* magazine's best ETF manager for 2020 and QMIX placed second in the best international share exchange traded products for 2020 (see table).

Selecting indexes

Regardless of investment goals, any investor in an ETF wants to be confident that the index the fund follows is well constructed.

Shead says important questions you might want to ask include: how does the index obtain exposure to less expensive stocks, high-quality stocks or lower volatility stocks; and how diversified is the index (think geography and sectors, for example)?

"Those features of an index become particularly important as more and more ETFs become available," he says. "Product disclosure statements and fact sheets are also very useful. Fact sheets are useful to find what sort of countries the ETF invests in; or how many companies does this ETF hold and what are the top 10 holdings."

He says if you're an investor with a strong focus on income, the ETF industry will always present opportunities over and above the short-term volatility seen this year. "Rather than risking your hand with a limited number of higher-yielding equity securities, with one ETF purchase you can get a portfolio of broadly diversified Australian high-dividend-paying companies, or even global high-dividend-paying companies," he says.

He adds that it's critical for investors and their advisers to know the index they're using and how it's constructed. As an example, the SPDR S&P Global Dividend Fund (WDIV) is an income ETF that has a series of tests in place to avoid dividend traps or companies that are unlikely to continue to pay the dividends they've been paying in the past under extreme stress.

One of the traditional approaches to investing is a core-satellite method and selecting the right mix of indexes and/or ETFs becomes crucial. Half your investment pool generally sits in a passive core, while the other half sits in more active, specialised strategies.

Speaking at a S&P Dow Jones Indices ETF Masterclass in Sydney in early March, Gary Stone, Share Wealth Systems managing director, says the qualification for using active strategies (as part of the satellite) is that they should collectively perform better than the core – otherwise you're essentially receiving the returns of the indexes in your portfolio with little additional income.

He teaches the core-satellite approach to investors, but with modifications. Instead of allocating your core and satellite to focus on specific asset classes, you could consider allocating to strategies. This potentially lessens your asset class diversification but assists growth.

Stone adds that ease of access is one of the main reasons ETFs are a preferred way to invest for retirement. But this shouldn't stop you from looking further afield for ETFs that aren't commonly in the press.

He says ASX 200 ETFs always get a mention yet Vanguard's ASX 300 (VAS) is one of the longest-standing ETFs in Australia. Globally he also likes an S&P 400 ETF because if you were to reinvest the dividends "you have a higher probability over the long term of getting 2% better per annum [than the S&P 500]. That can make the difference in doubling or tripling people's nest eggs."

Josef Stadler, Bell Partners' head of advice, told the forum there should be no excuses for investors to use actively managed indexes in their portfolios.

Felicity Thomas, Ord Minnett senior private wealth adviser, told the masterclass she also uses the core-satellite approach and will use an ASX 200 ETF to diversify a client's portfolio because they generally already have direct shares in ASX 20 or ASX 50 companies.

"We prefer an active or a direct approach when it comes to small and mid-cap companies or emerging companies, but that may change over the next 10 years in this environment," she says.

"If you look at SMSFs, most have cash, Australian shares and direct property. We like to add in an S&P 500 ETF because it's a cheap, easy way to get access to the US market and it doesn't scare retirees as much, but it will give them that extra growth that they need for the longevity of their portfolio. Obviously Australia is great for an income, but there are also ways to get good income from global markets."

Also speaking at the conference, Nathan Ide, Private Capital Management managing director and adviser, says there's generally two ways he uses ETFs for clients.

For the younger accumulation clients he looks at self-instalment warrants as a way to get a bit of leverage. "The underlying products that I use would be a high-income Aussie [equities] ETF for probably about 50% of the warrant. What happens over time is the dividends pay down the loan within the warrant," he says.

For retirees, one of the goals is matching pension liabilities or drawdowns within a portfolio. "You've got a client around 60 years old, and you'll ask how much income they'll need to draw down each year, starting at 4%. I want to make sure that I've got income coming that makes sure I can meet those liabilities," he says. "So if you look at an Aussie high-yield ETF that's giving 5%-6%, that's the same as the ASX 20 or 50 [prior to March]. There's some really great international ETFs out there that also have high yield." *M*

Ease of access makes ETFs a preferred way to invest for retirement

BEST AUSTRALIAN SHARE EXCHANGE TRADED PRODUCTS (ETPS) FOR 2020

				Performance (%pa)			Management fees	
	Product	APIP/ASX code	Year started	1 year	3 years	5 years	MER	Performance fee
1	SPDR S&P/ASX 50	SFY	2001	10.06%	8.41%	5.45%	0.29%	NA
2	BetaShares FTSE RAFI Australia	QOZ	2013	5.26%	6.26%	5.5%	0.40%	NA
3	VanEck Vectors Australian Equal Weight	MVW	2014	3.16%	7.55%	7.26%	0.35%	NA
4	Vanguard Australian Shares Index ETF	VAS	2009	8.64%	8.50%	6.09%	0.14%	NA
5	UBS IQ MSCI Australian Ethical ETF	UBA	2015	9.06%	8.44%	5.93%	0.17%	NA

Source: Rainmaker Information as at February 29, 2020. Best Australian share ETF where products are ranked across short-, medium- and long-run performance and investment risk factors. MER: management expense ratio

BEST INTERNATIONAL SHARE EXCHANGE TRADED PRODUCTS (ETPS) FOR 2020

				Performance (%pa)			Management fees	
	Product	APIP/ASX code	Year started	1 year	3 years	5 years	MER	Performance fee
1	Magellan Global Equities Fund	MGE	2015	23.81%	18.36%	NA	1.56%	10%
2	SPDR MSCI World Quality Mix Fund	QMIX	2015	16.47%	14.58%	NA	0.40%	NA
3	iShares Global 100 ETF	IOO	2000	19.84%	16.12%	11.45%	0.40%	NA
4	SPDR S&P World ex Australian Fund	WXOZ	2013	15.12%	13.63%	10.01%	0.30%	NA
5	SPDR S&P Emerging Markets Fund	WEMG	2013	9.16%	11.78%	6.76%	0.65%	NA

Source: Rainmaker Information as at February 29, 2020. Best international share ETF where products are ranked across short-, medium- and long-run performance and investment risk factors. MER: management expense ratio

Be prepared for a recovery

Infrastructure has been hit hard, but as a vital part of the economy it will eventually bounce back

Infrastructure assets include what we would describe as assets essential to a properly functioning economy – think airports, toll roads and utilities. These are capital-intensive assets that are long-dated and exhibit highly predictable cash flows. For these reasons they are considered defensive.

The virus has laid bare several issues and one of them, in our view, is the defensiveness of some asset classes. Covid-19 is no ordinary exogenous shock. It has brought the global economy close to a stop or, in some regions, a complete shutdown.

Infrastructure has not been spared in the selloff. For the first quarter of 2020, listed global infrastructure (hedged) is down about 19%, the S&P/ASX 200 Index down about 23% and global equities (hedged) also down about 23%.

Within the infrastructure asset class, utilities and communication have significantly outperformed airports and toll roads. Toll roads and airports have been the hardest hit as governments around the globe moved to shutter their economic activity and movement of people. This has seen a significant fall in consumer traffic (passenger and vehicle). However, we would caution investors against extrapolating this extraordinary trading environment into perpetuity, as mobility will eventually return and people will go back to work.

Essential part of the future

As difficult as it may seem right now, the global economy will not remain shut (that is, people confined to their homes) indefinitely. We know governments want to get their economies back up and running.

There is already an opinion forming at the highest levels to restart economies in regions less impacted by the contagion or still active but with strict preventive measures in place. Traffic, you would suspect, would be among the first to start normalising, especially since social distancing is likely to remain with us for longer and, in this case, people are more likely to use their cars than public transport.

This is supported by the experience in China, with highway traffic rebounding faster than public transport after the government started to lift restrictions.

Investors need to appreciate that while there has been demand destruction in the short term, it hasn't been structurally removed, as infrastructure assets remain key to a functioning economy.

Key role in a portfolio

In our view, infrastructure assets should still be a key consideration for portfolios. It is not just the diversification benefits these assets bring; it is also the stable earnings growth. The current market volatility and share price corrections, especially in toll road and airport assets, afford investors an attractive entry point.

Our preference is for infrastructure assets that provide CPI-plus style growth, which allows the company to pay a stable and growing distribution to shareholders. This also limits the impact of movements in interest rates on the asset price, especially in a rising interest rate environment.

3 FUNDS TO WATCH

1 Pinnacle BNY Mellon Global Infrastructure Yield Fund

The BNY Mellon global infrastructure strategy seeks to deliver a 6% gross yield by investing in infrastructure and real-asset businesses with stable income characteristics and the potential for capital growth. The fund can invest in a wider set of assets, which include what some may consider "non-traditional" infrastructure (for example, broadband, hospitals, aged care). This increases the opportunity set from 75 to 500 names.

2 UBS Clarion Global Infrastructure Securities Fund

Sub-advised by CBRE Clarion, this fund draws upon CBRE's global infrastructure platform to gain insights into market trends, investment risk and valuations. It derives its information edge via its direct and listed infrastructure platform and proprietary VISTA valuation models to compare equities globally. This gives it an edge over others, and the investment team has strong credentials and experience.

3 RARE Infrastructure Value Fund

The RARE fund (unhedged) offers a diversified portfolio of globally listed companies. Prospective investors can expect target yield outcomes of 3%-5%, stemming from stable, inflation-linked returns and low risk over an investment cycle. The value strategy has a tilt towards mature infrastructure assets, such as regulated utilities and transport, and developed markets.

Max Riaz is an investment manager and director at Banyantree Investment Group, with responsibilities across equity and multi-asset strategies. See banyantreeinvestmentgroup.com.

STORY
VITA PALESTRANT

Make the money last

More than ever pre-retirees need to get on top of a complicated, inefficient system to maximise their future income

Uncertainty is the new normal. For those in the lead-up to retirement, the coronavirus pandemic couldn't have come at a worse time. Many pre-retirees are being forced out of the workforce and having to come to grips with the complex retirement system overnight.

To add to their woes, super balances have taken a massive hit, leaving financial plans in disarray. Others, who have held onto their jobs, hope to work longer to recoup the losses.

If there's one message in all of this, it's that being disengaged isn't a viable plan.

However, super's many rules and endless jargon act as a serious barrier. It is especially challenging when members need to roll over into pension mode.

While there is a regulated, low-cost default option in accumulation phase, there isn't one in pension mode. People are left to choose an investment product from a long list of options, understand the risks involved and work out how long their super will last. Consumer groups and industry researchers say the current system is far too complex and cumbersome.

Ian Henschke, chief advocate for National Seniors, says people worry whether they will have enough money to retire on and are desperate for information.

"It's a minefield," he says. "The system we have in Australia is extremely complex. There needs to be an improvement in this area, a simplification of the rules governing super and the age pension."

Meanwhile, there are things you can do to help yourself. Being well informed is a big advantage. Use the retirement tools and information on your fund's website and don't be shy to ask for help. Or pay $2500 to $5000 to get advice from a trusted source.

The checklist

Most people don't plan that far ahead. If they're retrenched then it's done for them, says Michael Rice, executive director at Rice Warner.

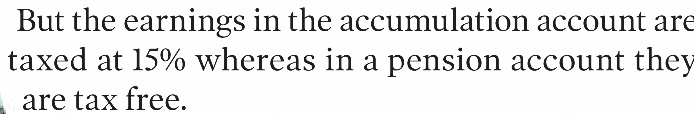
"But at 60 you should start thinking about all sorts of things: do I have enough money or should I be putting more into super?

"It will vary depending on the individual. When you think about it, it's about budgeting, planning, looking at the age pension, looking at investment strategy, looking at longevity. It's quite a big job.

"Think of all the things you need to do: what should my investment strategy be; how much can I draw every year prudently, how much should I have in a cash account?"

It's why the experts encourage a bucket strategy.

"Put two to three years' worth of your drawdown in the cash bucket. When you get volatile times like



this you don't have to worry because you're taking it out of cash. But at least you have the rest of your money earning for you. It's not subject to the market volatility."

He also recommends checking with Centrelink to see whether you're entitled to a full or part pension and how to apply for it.

"If you plan two years before you retire, then at least you can go to Centrelink and do a lot of the spadework yourself," says Rice.

His actuarial firm has long called for the introduction of a strong pension default structure so people don't need to make difficult decisions in such complex areas.

His and hers

Most people are defaulted into their workplace super fund, which is frequently different from that of their spouse. Rice says two-thirds of super fund members are married. But their fund wouldn't be familiar with their combined financial situation.

"How does a fund deal with a member if they don't even know their marital status and they don't know how much money they've got outside super?" he asks.

"If you have a spouse and you're in different funds, what are you going to do when you retire? Should you put it all in one fund or do you think you should keep them separately?

And if you put them in one fund, the fund won't even know because their administration system is so poor that they can't link them together."

He says it should be possible for couples to have one super account. "They have one bank account and the age pension is based on couples. If all the money was in the one pot, people would notice it quicker, too."

Rice says the super industry maintains this is administratively too difficult. And it's one of the reasons people move into self-managed super funds before retirement.

Although close to 30% of the super system assets are now in retirement phase, Rice Warner says the administration and structure of retirement products is, remarkably, still at "an early stage of development".

Paperwork nightmare

Once a member has rolled over to an account-based pension, it's difficult to change it. You can't add to it directly if you start working again or want to combine it with another pension account.

"You pick an account-based pension but, say you are still working part-time and you are able to put money back into super, you have to keep a separate accumulation account because you can't make contributions to a pension account," says Rice.

But the earnings in the accumulation account are taxed at 15% whereas in a pension account they are tax free.

"You have to set up a second pension account, which many people do, but that's inefficient because you then have double fees. So what you have to do is commute your pension account back into an accumulation account, then buy another pension with it.

"If you don't do this you'll end up with an accumulation account that pays tax on earnings, which is unnecessary given that you're retired, or a whole series of pension accounts."

And if you want to switch providers, you have to go through an equally cumbersome process. "You have to commute your pension back to an accumulation account, then roll over to the new provider's accumulation product, and finally move it into pension mode," says Rice.

He says it should be possible to combine pension accounts, add any accumulation money to an existing pension account and move from one provider to another seamlessly. Not only is the present situation inefficient, it may impede competition.

"No one has sat down – not the regulator nor the industry – and said that there has to be a simpler way of doing this," says Rice.

Less taxing times

Dominique Bergel-Grant, financial planner and a director of Leapfrog Financial, says people often have no idea when they can start a pension. People over 65 can access their super and start a pension even if they are working.

"The number of people I talk to who have reached 65 and still have their money sitting in accumulation phase is surprising. It comes down to a lack of information," she says.

"If they're 65 and over, and leave their money in super, the government is still taxing them on dividends, still taxing them on interest and still taxing them on capital gains.

"It's only once you convert across to pension phase – and you can have up to $1.6 million per individual in a pension – there is no tax on income and no tax on capital gains and no tax on interest."

She says it's like having your own private tax haven. "For those that hold Australian shares, they get franking credits back – they actually get money back from the tax office – rather than having to pay money," she says.

People over 60 who cease employment are eligible to access their super too and start a pension even if they get another job afterwards.

"So if you are over 60 and you are made redundant,

Smart way to keep it simple

AustralianSuper has introduced a "default" product for those rolling over into pension phase. It aims to make the process easier.

Called Smart Default, it invests 88% of your money in a balanced portfolio and 12% in cash. The cash component is designed to help you settle into retirement and cover your income needs and any unexpected expenses for the first two years.

Your income is drawn from the cash component and then topped up from the balanced portfolio as it reaches zero. You will be paid every two weeks and you will receive the annual minimum payment amounts set by the federal government (see table).

You are not locked into this arrangement and have the option of choosing your own investment strategy and payment options.

Tom Garcia, head of product design at AustralianSuper, says it has identified a growing demand from members for simple products that meet their needs in retirement .

"It allows members to seamlessly transition from the workforce into retirement through a guided joining process with fewer decisions to commence income payments," says Garcia.

"It will also allow them to continue to be invested and generate returns, as most people who retire at 65 years can expect to be in retirement for up to 20 years, or more, and that additional income will play a vital role.

"The Smart Default option also allows members to change the payment levels and frequency at short notice, providing the flexibility that is required."

you should let your fund know, because that is a condition of release. It will entitle you to not have to wait until you are 65 to start a pension even if you find another job. You can turn all of your money from being preserved to non-preserved, take a pension and continue working in a tax-effective way," says Bergel-Grant.

Making the money last

It's important to understand how much you need your investment to earn for it to last as long as possible, says Bergel-Grant.

"The more risk you take on, the more volatility you will experience, especially at times like this. When I build a portfolio for my clients I make sure that the annual income they receive – on whatever they're invested in – is close to, and hopefully more than, the pension they're taking out annually.

"The closer those two are, the less capital they will chew up every year. If you are fortunate enough to have a good pension balance, you may find that the capital you use – the annual drawdown from your pension – is less than the income your account earns.

"It's about understanding the risks and making sure you're not defaulting into anything that is too risky or too conservative."

She says a well-funded retiree could still have the balance they retired with in 15 years. "There's no reason to suddenly become a cautious cash investor just because you are now in pension phase," she says. *M*

REDUCED SUPERANNUATION MINIMUM DRAWDOWN RATES

Age	Default minimum-drawdown rates	Reduced rates (by 50%) for 2019-20 and 2020-21 income years
Under 65	4%	2%
65-74	5%	2.5%
75-79	6%	3%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95 or more	14%	7%

Source: Treasury, as at March 12, 2020.
Note: as of May 1, 2020, the federal government is also reducing social security deeming rates. The upper deeming rate will be 2.25% and the lower deeming rate will be 0.25%. The change will benefit around 900,000 income support recipients, including around 565,000 people on the age pension who will, on average, receive around $105 more in the first full year that the reduced rates apply.

It's a setback, not a wipeout

Retirement savings have been hammered, but previous experience indicates they will bounce back

As the coronavirus pandemic cuts a swathe through the economy, wiping out whole industries and leaving a mounting number of Australians jobless, workers are taking stock of their financial situation.

To keep businesses and households afloat, the federal government has rolled out a number of rescue packages, including temporary early access to super.

Eligible fund members can access a tax-free withdrawal of $10,000 up to June 30, 2020, and a further $10,000 from July 1, 2020, until September 24, 2020. The money will not affect Centrelink and Veterans' Affairs payments. However, you can only make one withdrawal application for each period. Consequently, if you withdraw less than $10,000 in the first round but find it doesn't stretch far enough, you cannot go back for an additional top-up. Treasury estimates that up to $27 billion will be withdrawn this way, amounting to 1% of all assets held in super.

Although hardship provisions have long existed for early access to super for those in dire need, the rules are strict and the process cumbersome and lengthy. The new provision has been met with mixed messages from super funds, which fear mass outflows at the worst time possible, when assets have taken a hammering. Members have been warned that by accessing their money early they will lock in double-digit losses and retire with a lot less.

Alex Dunnin, executive director, research and compliance, at Rainmaker Group, says people should first check if they have any entitlements to Centrelink benefits.

"Use government money if you can. But if you've burnt that up, if this is your final option, that's what the emergency measures are for," he says. "The government is trying to do the right thing on different fronts. It's telling energy providers that now is not the time to cut off people who haven't paid their bills, nor is it the time to be referring anyone to debt collectors. So the system is trying to help. As the Treasurer says, this is members' money, they should be able to access it if they need it."

Dunnin says that unless you top up your super when things normalise, you will inevitably retire with less. "If you take out $20,000 in your late 20s, and you don't replace it, this could cost you $80,000 by the time you retire. If you're around 40, the long-run cost is about $40,000," he says.

Be aware, also, how it could impact your life insurance. "If your balance falls below the $6000 threshold and your account is inactive, you might lose your insurance," warns Dunnin. "But again, if people are so desperate for the money, insurance won't be their main concern."

According to the Australian Prudential Regulation Authority, about 80,000 fund members withdrew money in the 2018-19 financial year due to hardship, taking on average $8000. The government estimates about 1.4 million people are likely to take advantage of the new provision – or about one in 10 members.

On a more positive note, during the trough of the GFC, super fund returns averaged -8% in 2008-09 and -13% in 2009-10. Since then they have had a 10-year run of positive returns, delivering members 8.5% a year on average over this period, says Dunnin. "As difficult as this recent period is, we should take solace in the fact that it takes us back to where many of us were two years ago.

" It is very wrong to say super has or is being wiped out. We've learned from previous crises that super has this uncanny habit of surprising on the upside. It's done so in the past, and it will do so again."

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

ACCESSING YOUR SUPER

YOU MUST SATISFY ONE OR MORE OF THE FOLLOWING REQUIREMENTS TO ACCESS YOUR SUPER:

- **INDIVIDUALS**

Anyone unemployed.

Those receiving various social security payments: job seeker payments, youth allowance for jobseekers, parenting payments, farm household allowances.

Those who in the period from January 1, 2020 were made redundant or had their working hours reduced by 20% or more.

- **SOLE TRADERS**

Had their business suspended.

Or experienced a reduction in business turnover of 20%.

- **TO APPLY**

You must apply directly to the tax office via the myGov website. You will need to certify that you meet the eligibility criteria and you do not need to apply to your fund directly. The ATO will determine the merits of your application and notify your fund, which must then pay you without delay. This process is simpler and more streamlined than the current financial hardship process.

- **DIY SUPER FUNDS**

Separate arrangements will apply if you are a member of a self-managed super fund. Further guidance will be available on the ATO website.

Choose the right friends

When you invest in a company, make sure it's a compatible and fulfilling relationship or it may end in tears

STORY DAVID THORNTON

Valuing a stock is like choosing your friends. You have certain qualities you're looking for and you know what you want to get out of the friendship.

But before you buy a stock and enter the friend zone, you should ask some further questions. Is the friendship, or investment, aligned with your financial objectives and have you completed all the necessary homework or background checks.

Here's a breakdown of how to identify when a company becomes part of your inner investment circle.

OBSESSED WITH INCOME

Australians love their dividends. As a result of this, or perhaps because of it, many Australian companies pay good dividends, usually twice a year.

Calculating a dividend payout ratio is the typical way investors gauge how friendly a company is towards dividends. There are a few ways to do it, but the most common is to divide the total dividends paid by the company's net income or its earnings per share. The higher the ratio, the more dividend "friendly" the company is.

However, investing for dividend yield can blind your view of a stock's quality. Paying out dividends is not an obligation, unlike a bond coupon or the interest you receive for keeping your money in the bank.

Many income investors have been lured into the market by high yields, only to be disappointed when share prices collapse and erode their capital base, as they have during the Covid-19 crash.

"Most income investors – unlike growth investors – are short-term focused," says Elio D'Amato, executive director of research firm Lincoln Indicators. "And rightly so. If they are investing in the market for income then the dependability of the dividend every six months (or in the case of real estate investment trusts every three months) is crucial as most income investors seek the yield to meet living expenses and to fund their retirement."

However, blindly seeking stocks that pay the highest yield is fraught with danger. Yield is a function of price, so if the price falls the dividend yield improves.

"Higher yields mean there have been larger falls, but the price decline may in fact be reflective of an underlying issue within the business," says D'Amato.

To avoid this, he says investors should look for dividend stocks that have demonstrated strong profit growth. It should never be about chasing yield at all costs.

Paying out dividends does little for a company's organic growth, since every dollar that goes to shareholders is a dollar the company can re-invest to drive revenue. Sometimes companies even borrow money to pay dividends if their cash flow doesn't facilitate it.

Moreover, the value of dividend stocks can quickly evaporate when interest rates and bond yields become a more attractive, and safer, bet. And if the dividend is cut, you can be left with a stock that isn't providing income and has depreciated in value.

GROWTH'S RISK AND REWARD

Stocks that have the potential for high future growth are usually emerging companies in existing markets or established companies in emerging markets. Often they're touted as the next big disruptor, such as Amazon or Netflix.

It's less about what they currently earn and more about their future potential. Many don't yet turn a profit. Instead they fund their growth through debt or equity, and any money they do make is invested back into the business.

Growth stocks are high risk and high reward. They have the potential for mouth-watering returns, but also are usually highly volatile –

they tend to outperform during a bear market but underperform during a bull market.

It's no surprise, moreover, that if you're investing for reliable income, growth stocks are not the friend for you – they generally don't pay dividends either.

RUN WITH THE CROWD

Momentum investors buy stocks that have appreciated in value in the past and sell the ones that have performed poorly over the same time frame. Essentially, they buy historic winners and sell historic losers.

Investing on momentum alone is also risky, since its success is largely a function of behavioural biases. This works when everything's peaches and cream, but doesn't do so well when there's a run on a sector, such as the banks during the GFC.

When momentum investors are all chasing the same stocks and the market becomes crowded, opportunities can be overlooked. Moreover, just as buying the same stocks as everyone else works well in a bull market when prices are heading up, it's the opposite in a downturn when everyone is racing for the exit.

VALUE

Value investors capitalise on the difference between a stock's intrinsic value and its market price. The idea is that you buy stocks at less than their intrinsic value, with what notable economist and investor Benjamin Graham termed as "a margin of safety".

Now more than ever, value and price are moving in opposite directions. The back end of March clearly showed "an asset's price can diverge from its value and remain that way for an extended period of time," says Drew Meredith, from Wattle Partners, a private wealth manager.

"At present, this is occurring across nearly all asset classes, from bonds to equities and commodities. They may not be solely focused around valuing a company, but more so around determining the 'investability' of a company."

Value investing isn't for the faint-hearted.

"Prices can swing from periods of euphoria to despair very quickly, with little concern placed on the current valuation," says D'Amato.

"Take the current market, for example. In the lead-up to the peak there were many stocks that were overvalued. Since then we have had a correction, not only eroding the previous premiums but, rather than returning to fair value, we are seeing large discounts appear as well as prices continuing to fall."

For a stock to be "cheap", it has to have a current market price that doesn't reflect the more positive opinion of those who are analysing the business.

"This can occur because the market (as reflected by the current price) may have an even more pessimistic view on the business and its prospects, and will therefore discount it," says D'Amato.

On the flip side, a company that is a great business and has seen its share price appreciate strongly will often be considered as overvalued. However, investors who sit on the sidelines and avoid a great company because of valuation may regret it as the stock retains its quality and becomes more expensive, he says.

So how do you establish the value of a company?

There are many ways to go about it, but most of them have to do with understanding their earnings, cash flow and debt.

> Investing should be informed by your risk appetite and investment objectives

PRICE TO EARNINGS (PE)

Possibly the most widely used measure of value is a company's PE ratio, calculated as the price of its stock divided by the amount the company earns per share. Like any valuation metric, it needs to be understood in context. For example, Ned Bell, from Bell Asset Management, calculates a total expected return (TER) for every name that it considers investible. "We do that by applying a target PE multiple to our earnings per share (EPS) estimates two years from now, which gives us a target price. The difference between the target price and current price is our TER," says Bell.

PRICE/EARNINGS TO GROWTH (PEG)

Some professional investors incorporate the PE ratio into a growth forecast by using a price/earnings to growth, or PEG, ratio. It's calculated by dividing a company's PE ratio by its expected earnings growth over one, two or even five years.

"We value the PEG ratio more than the PE ratio as it gives an idea as to where a company is heading," says Meredith. "Traditionally, a low PE ratio suggested a discounted company, but the same company with a high PEG ratio may indicate its earnings are likely to fall in the coming years. PEGs are best used to compare within industries, with a result under one preferred on simple valuation terms."

RETURN ON CAPITAL (ROC)

This is effectively a measure of how well a business is using the capital you have invested to generate returns. It is measured as net profit less dividends, divided by the value of the company's debt and equity.

"The most important use of this data is comparing it to a company's weighted average cost of capital (WACC), being the cost of debt and equity used to fund its operations," says Meredith. "If the return on capital is lower than the weighted average cost of capital, then the company isn't really benefitting its shareholders."

LEVERAGE

Another important factor often used to assist in valuing a company is leverage – how much of its finance is borrowed money. Meredith believes that focusing on a company's leverage may mean the difference between a poor or profitable investment decision. "The term 'zombie companies' has increased in popularity, driven by the huge amounts of low-cost debt available to businesses. In this case, we measure a company's leverage or solvency by dividing their earnings before interest and tax (EBIT) by their annual interest payment. Clearly, those companies whose earnings are below the interest on their debt will be the first to face pressure in a difficult economic environment."

CASH FLOW

Cash is king, as the saying goes. Two common methods for gauging a company's cash position are free cash flow (FCF) and discounted cash flow (DCF). FCF is calculated by subtracting capital expenditures from operating cash flow (the amount of cash brought in within a given time frame). "It tells you whether a company is actually able to turn its revenue into cash to pay its bills, or simply paying a large cost to acquire new customers," says Meredith.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)

ESG criteria provide standards by which a company operates. For instance, investors may screen out companies that deal in fossil fuels, or those with an inadequate number of women on the board. But ESG can also be more nuanced than simply ticking "yes" or "no" to different criteria. An alternative or parallel approach involves best-in-class principles. Indeed, the Dow Jones Sustainability Indices follow the best-in-class principle. Of the 2500 corporations listed in the Dow Jones Global Index, the indices track the 10% of companies in a given sector that best meet certain ESG criteria.

MACRO FILTERS

Value investing relies on "bottom-up" analysis, involving most of the above metrics. But it also involves "top-down" analysis. Bell Asset Management, for example, begins by focusing on the bottom 28% of the MSCI World Index and then applying a filter for companies that have generated more than 15% return on equity (similar to ROC, but using investor equity rather than capital) for three consecutive years.

This leaves about 700 companies. After further prioritisation and quality assessments, there are roughly 150 companies from which to invest.

In a similar way, Fairlight Asset Management screens out sectors with too much debt, such as property or agriculture, and highly cyclical businesses, such as banks and oil and gas businesses. Those that fail ESG filters are also screened out.

Fairlight also focuses on developed international markets, such as the US, Europe, the UK and Japan, where currency can help buffer equity market drawdowns. After this step, Fairlight removes businesses that generate low ROC (low cash-generative companies). Those carrying too much debt or issuing excess equity to fund acquisitions or compensate management are also eliminated.

IT'S A PERSONAL MATTER

Investing, like choosing your friends, is a personal choice that should be informed by your risk appetite and investment objectives. Each strategy has the potential to be a success or failure, and there's no one-size-fits-all.

It might be a rocky road at times, but with careful planning and execution each can help you achieve financial wellbeing. *M*

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What the corona crash teaches us

Ignore all the headless chooks and take advantage of a once-in-a-decade opportunity

What extraordinary times. What an extraordinary correction. The corona crash. I don't think any of us have seen this sort of correction before. Straight down 38% in 22 days. You had to act fast, very fast. Then the bounce, up 22% in 13 days. You had to act even faster.

In this correction, some fund managers will crack champagne at a 1% outperformance over a year. The Marcus Today growth fund, which manages $40 million, outperformed more than 20% in just over six weeks. It's been an extraordinary moment for us and our investors.

Of course, it's been part luck; of course, we could get it wrong tomorrow. But it has also been part experience and part having the cold, unemotional detachment to make significant, unconventional decisions, quickly.

I've learnt a lot from my mistakes: that correction in October 2018 that ruined Christmas for everyone beat some harsh lessons into me. And I have learnt some new lessons from this recent correction and our management of it. Lessons that need to be chronicled, and here they are – short-form instructions on how to handle this sort of volatility, from experience.

Headless chickens multiply in uncertainty

Watch them, don't join them. I have been quite surprised at some of the revered commentators who have lost their way/heads in this episode. Rambling articles, some even admitting they are headless; some containing inappropriately strong views based on guesswork.

I have even had to rein in my team at times, more recently when they have embarked on emotional end of the world rants about Covid-19 and the human and economic tragedy. That's not our job.

Our value is to watch the headless chickens and move against them, exploit them, when they reach their extremes. The coronavirus has offered up some rare moments of opportunity, once-in-a-decade stuff, moments that will disappear. We can't wait another decade for the market to lose its head. To exploit these moments you need cold, unemotional observation and decision. You can't do that if you buy into the hysteria that is providing that opportunity, that extreme. Keep your head.

Do not take a view

You don't need to. Most people are guessing at the best of times; in uncertain, volatile times the reliability of a view becomes exponentially valueless. You don't need to guess. Leave the guessing to the herd. Your job is to read the herd, not join it. If you take a view you peg yourself in a particular spot on the spectrum, from super bear to super bull, and having taken that view, especially if you take it in public, you are committed by pride of intellect to hold that view. It is foolish and needless. Do not take a view.

Read a lot

The market is priced on the consensus view. Distil the consensus from reading what everyone else is reading. Read even the dull and ignorant. They, too, are part of the herd. Interestingly, the most radical views are the most persuasive and the most promoted yet the most likely to be wrong. But we should encourage their authors because they create those extreme moments in prices that are the opportunity. In the end, reality will be somewhere in the middle, not at the extremes. But you need to know where the middle is. Read a lot.

Temporarily dismiss fundamentals

In volatile times, timing comes from reading the herd, not from scientific analysis.

At times like this fundamentals go out of the window. You cannot value any company accurately, especially in this episode.

Without knowing the duration of lockdowns, you cannot know earnings, which are the key input (before a lot of other assumptions) in all valuations. The "scientific" value-based arithmetic that provides price structure in more normal times simply disappears sometimes, like this time.

There is no valuation structure/standard/yardstick. Accept it. Do not be confused or rendered ineffective by it. When value is unknown you are left with sentiment only. Herd sentiment.

Watching, reading and reacting to (not predicting – but responding to) changes in herd sentiment are how you survive/succeed/exploit these periods. That's how we did it.

OTHER LESSONS FOR VOLATILE TIMES

- Stop looking at the trees. The forest is on the move. For us this meant turning our focus to asset allocation (cash or equities) rather than individual stocks. Sometimes you have to look up from the trees.
- Be Spock. Unemotionally watch the emotional. There's no room for emotion in the stockmarket.
- Be flexible. Be prepared to change your mind constantly. Don't allow pride or reputation to pervert the mix.
- Watch the herd. You need to know what the herd is thinking, what the herd is running with, and through that what may turn its head and hence what it may spot when it turns its head.
- Encourage opinion. There is some colourful stuff in volatile times. Tolerate every perspective.
- Nod a lot. You don't need to pass your own opinion. Maths doesn't need an opinion.
- Be decisive. You can always make another decision tomorrow if it's wrong.
- Be brave. Headless chickens don't make money. Understand that this is a unique event; these moments are a rare opportunity; this is not the time to disengage.
- Accept uncertainty. When no one knows, nor do you. You don't have to know. Be comfortable with that.
- You still have to make a decision. No stockmarket decisions are made with certainty. Don't let that stop you. You still have a chance using enhanced probability.
- Swim with the tide, not against it. When it changes, change.

Hopefully we are over the worst. The volatility is certainly dissipating. In which case you'll have to file this article for the next time. And there will be a next time.

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.*

When the economy is toast

STORY GREG HOFFMAN

Investors who keep a level head can benefit from market meltdowns like the "March madness"

"What's going on with the sharemarket? The economy is toast and we have a 7% rise?!" That WhatsApp message came through to me in late March from a friend who's no dummy. He's had a successful career in finance and now runs a small business. Or, at least, he did until it was recently closed, a victim of the Covid-19 recession.

I use the term "recession" with confidence, despite the economic measures that will make it official not being available yet. Two consecutive quarters of economic shrinkage (the technical definition) seem all but impossible for Australia to avoid in the March and June quarters.

The national economy has been cratered by governments around the country. The forced closure of many venues, sporting event cancellations and an effective halt to travel are unprecedented. You surely know people whose jobs have been impacted – either by being stood down, having to take pay cuts or, like my friend, having their small business all but destroyed. It's devastating.

No doubt you've also seen the falls in the sharemarket that began in February and picked up steam in March. The fact that we have short-term bad news is obvious. The economy is, as my friend said, "toast". For now.

But the second part of his message, about how the sharemarket could rise in such circumstances, is a more intriguing issue.

DISCOUNTING MACHINE

Every serious investor I know agrees on what a company's value should be. It's the amount of cash it will deliver to its shareholders over its lifetime, adjusted back into today's dollars. The theoretical calculations involve projecting the cash that will be paid out by a company in the future (usually through dividends) and then figuring out what those are worth in today's dollars.

Interest rates are a key variable in this equation. If you're interested in the details, you can search online or find a basic finance textbook that explains "discounting cashflows". The upshot is that the lower interest rates go, the more future profits are worth in today's dollars and vice versa.

So the exact same company producing the exact same amount of cash can be worth substantially more or less depending on the interest (discount) rate applied to its projected future profits. And that's only the beginning.

Imagine a company that also has borrowings. In that case, lower rates will also mean a lower interest bill and therefore higher profits to shareholders (assuming it survives the current downturn and its operations aren't permanently damaged). So you could have higher profits that are in turn worth more to shareholders due to the lower discount rate. A positive double-whammy.

The whole situation quickly becomes complicated by introducing even this one extra variable, interest rates. And when you add in a larger variety of factors, such as broader economic and international issues, government actions, currency movements, competitor behaviour, new technology and consumer behaviour, the range of possible outcomes opens right up.

Sharemarket investors are constantly trying to get their minds around all these variables in estimating a

company's future profits. Then they consider factors that impact the valuation of those future profits.

BRING IT ALL TOGETHER

All of this brings us back to the conundrum presented by my friend. Namely, how can the sharemarket rise when the economy is doing so poorly?

Short-term profits have been slashed across many industries, losses are likely to be widespread and many businesses will fail. There's no doubt that the current circumstances are putting downward pressure on the value of most businesses listed on the sharemarket. But there are offsetting factors.

The impact on company profits when we look out three to five years is less clear. And, in theory at least, the sharemarket should be looking even further into the future than that. This is a real wild card and perhaps the biggest element in changing short-term sentiment as investors try to look beyond today's situation and visualise what the economy might look like when we arrive at our "new normal".

The sharply lower Australian dollar is another factor. It has a positive effect on our exporters. Most commodities are priced in US dollars, so a lower Australian dollar means our mining companies receive more for their output at the same official price on world markets. And if they're paying the majority of their costs in Australian dollars, then their cost base may not change and their profits will be higher than they would if the currency were stronger.

Most of our iron ore, coal and gold miners are in this situation. If your costs are the same but your revenue is rising, times aren't too bad.

> If your costs are the same but your revenue is rising, times aren't too bad

CENTRAL BANKS STEP IN

Central banks around the world have acted quickly during this crisis. They have taken important steps to support the banking system and, more broadly, have forced long-term interest rates down. As discussed above, this makes future profits more valuable to today's investor, which puts upward pressure on share prices.

These are just some of the cross-currents that go into moving share prices around. As positives are perceived to outweigh negatives on some days, the sharemarket can rise sharply despite the current economic situation being bleak.

In answering my friend, I told him that the relationship between the sharemarket and the economy can be described using the same terms many millennials like to use when discussing their love lives: "it's complicated".

LONG-TERM VALUE

Opportunity can arise for sharemarket investors in times like these. Share prices can overreact as investors project current turmoil into the future, letting today's difficult circumstances overly impact a level-headed analysis of the future.

Magellan Financial Group (ASX: MFG) is a recent example, in my view. It's previously been featured in this column (August 2018) and I could make the case that Magellan is the finest funds management business in Australia.

The company's share price fell from a high of $75 in February to a low of $30 in March. In less than six weeks investors lopped an astonishing 60% from its valuation. Such a fall might be understandable for a business in travel or hospitality, but funds management?

Magellan had $87 billion of funds under management at June 30 last year. At March 31 this year, the figure was $94 billion. The business has proven remarkably resilient, has hundreds of millions in cash on its balance sheet and is run by a passionate founder.

I used the "March madness" as an opportunity to establish a long-term holding and see the stock as reasonable value below $50 a share. Markets could go lower and Magellan's share price could fall back, but I believe investors have overreacted. I hope it proves to be a prime example of the way level-headed investors can benefit in periods of turmoil.

Disclosure: Private portfolios managed by Greg Hoffman own shares in Magellan Financial Group. 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).

SECTOR FINANCIALS

Faith in banks takes a hit

Investors' overexposure to the sector has caught up with them

Foolish takeaway

The outlook for financials has perhaps not been so uncertain since the GFC (and before that, when, in the early 1990s, Westpac briefly flirted with oblivion). The "banks for yield" trade has been put on hold, but if they can recover from the virus largely intact their prices might be attractive for the long term. Still, the risk makes them hard to tap as being the best offerings in this sector. And the buy-now-pay-later mobs have promise, but it's still unfulfilled, making them equally hard to choose here.

That leaves insurers and last year's winner, Macquarie. In a very tight race, and despite the short term being uncertain, Insurance Australia Group's lack of exposure to some of the most worrying risks of the pandemic give it this year's gong.

A pandemic is a heck of a thing. Its impact on the financial markets was unexpected and its size and duration are unknown. When I wrote about the financial sector of the ASX in this column last year, I noted the reasonably poor performance of our banks and insurers over the previous one and five years. Almost on a dime, share prices started to rise (you're welcome). But then came Covid-19.

The impact on share prices was sudden and savage. Slower to come was the decision by the banking regulator, APRA, to "encourage" banks to defer or reduce dividends, and the subsequent different actions taken by the banks themselves.

This sector is far from the only one that was hit for six by the pandemic, of course. But given the inherent leverage used by banks and the almost religious zeal with which many Australians (used to) own banks for their high yields, the playing field has suddenly changed.

Last year, I wrote: "How do you compare Cash Converters, QBE and Commonwealth Bank? Especially when some investors are untroubled by share prices, happy to just receive a steady flow of dividends, while others are looking for capital growth."

This year, the question is: "How well can our banks and insurers recover, and is it worth bearing the medium-term reality of no or lower dividends?"

I'll first repeat my broad concern, expressed over the past decade or so, but now an issue that's seen in much stronger relief: most Australians are overexposed to the banking sector. Owning banks is almost an article of faith – one that has its place, but not in the same large dimensions of the past, surely.

To the question at hand, then; which of these companies reigns as best in breed? It's a more difficult question this year than last. With low to no dividends and an uncertain economy, which banks and insurers will make it through the other side in the best shape?

For the banks, house prices and business conditions matter. For the new breed – Afterpay, et al – what will the hiatus in consumer spending (and the impact on funding cost and availability) do to their growth prospects and valuations? And while insurers will be spared the "first order" impacts of the economic downturn, they may well be exposed to pandemic insurance claims, lower policy volumes, more competition for premiums (read: lower prices and margins) and that APRA-induced chilling on dividends. Debt collection may, somewhat macabrely, benefit from our economic woes as long as the companies pay thoughtful prices for the debt books they buy. Of course, as long-term investors (and with total return – capital growth plus dividends – as our yardstick) we should look through the short term woes (and benefits) and to a time after Covid-19, when our investment theses will mature.

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

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).

It's mighty Mo to the rescue

Scott Morrison's cash splash should minimise the damage caused by a recession

Australians are all dressed up but we have nowhere to go. Many of us are working from home.

This is now the new normal in the coronavirus-infected world we live in as our governments, one after another, halt most businesses and limit social interaction to bare necessities – like shopping for toilet paper and booze (in Australia) and guns (in the US).

But digressing from this flippant observation, the toll in human lives, our personal wealth and our retirement savings is no laughing matter.

Left unchecked and unanswered, this microscopic organism will eat into our health, our lives and our cheque books.

Central banks around the planet have been doing their bit. This remains subject to debate but while their accommodative policies – negative/zero interest rates, quantitative easing and bond yield targeting – have succeeded in getting us out of the GFC a decade ago, they are having limited effect against the virus.

For one, the central banks haven't completely rebuilt their armada since the GFC. For two, extending cheaper credit to shuttered businesses and telling consumers to stay indoors amounts to ... not much.

Central banks became masters of the universe during the GFC – including their poster boy, Mario Draghi, the former European Central Bank president. "Super Mario" and his "whatever it takes" policies not only lessened the downdraft from the GFC but also prevented the splintering of the single currency region due to the "Grexit" contagion.

But is it a bird? Is it a plane? It's Mighty (Sco) Mo!

Our prime minister, Scott Morrison, may have been just politicking when he announced several bushfire recovery measures – topped by $2 billion in funding for the establishment of the National Bushfire Recovery Agency – but one can read between the lines of their pronouncements that he and treasurer Josh Frydenberg still wanted to have the bragging rights to bringing the budget back into surplus.

Not anymore. The coronavirus has forced "Great Scott" to make good on the statement he made even before the last embers of the fire that devastated rural Australia were extinguished: "The surplus is of no focus for me whatsoever. What matters to me is the human cost and meeting whatever cost we need to meet."

That cost has just increased after the federal government's announcement of a $130 billion wage subsidy scheme to keep us in our jobs. According to *The Australian Financial Review*, this equates to 6.65% of GDP. "Total fiscal stimulus so far is $214 billion, or more than 11% of GDP ... Combined with the $105 billion from the Reserve Bank and other fiscal measures, the total stimulus tally is now $320 billion, equating to 16.4% of GDP."

There's more to come. At the time writing, FactSet, which provides data and analysis, reported: "More will be announced this week as the government unveils details of its rent-relief measures. Residential and commercial landlords will be banned for six months from evicting tenants affected by the economic shock from the coronavirus. Banks will act as a backstop by offering loan repayment deferrals to help landlords. State and federal governments will, in turn, provide tax relief, such as lifting land taxes, to landlords for waiving or reducing rents."

Perhaps there will be even more depending on the progression of infections and the number of deaths.

Morrison may have thrown the budget surplus under a bus, but nobody has taken him to task over this. On the contrary, the government's biggest ever stimulus package has economists reducing their forecast GDP contraction by as much as 80% and their unemployment rate predictions by nearly half from 16% to around 8.5%.

This is hardly surprising given that jobs are the be-all and end-all of any economic activity, at least in my book, dictating confidence, spending and business profitability and investment.

Mighty Mo's cash splurge might not prevent Australia from registering its first recession in 28 years, but it'll keep it short and shallow. We'll be right, mates!

Benjamin Ong is chief economist at Rainmaker Information.

Management's hunger for growth has left Tabcorp shareholders facing the risk of a painful capital raising

Down on their luck

Nothing is more upsetting than the spectacle of an imperial chairman selling stock to "satisfy personal commitments" when the company they oversee is going through its biggest crisis in years.

We don't know why Tabcorp's Paula Dwyer sold a third of her ownership stake in March (after the stock lost half its value), but it doesn't fill us with confidence.

Tabcorp's board and management own hardly any shares as it is. Cumulatively, they hold around $4.2 million worth of stock, yet were paid $7.3 million in salaries and bonuses last year.

With no skin in the game, management's interests aren't well aligned with those of shareholders, although Tabcorp has some incredible assets working for it and we expect it to do well over the long term.

Our concern with the company has little to do with its operations. These are tough times for its wagering business, but its monopoly over Australian lotteries should get it through to the other side. The worry is that management, hungry for growth, has unnecessarily taken on too much debt during good times and will now dilute shareholders with a capital raising to clean up its messy balance sheet.

Tabcorp has $3.8 billion of debt, $1.4 billion of which is bank debt and the rest from US private placements. Thankfully maturities are spread out, with the bulk not falling due until after 2028. The next substantial debt rollover of $172 million occurs in December and there's a further $821 million due in 2022.

As of April 3, the company has $649 million of cash on hand and $100 million of undrawn bank facilities. We don't expect the December maturity to be a problem, and hopefully the world is back on its feet by 2022.

Nonetheless, covenants attached to the debt – which the company doesn't disclose – may force management to shore up the balance sheet by tapping shareholders for capital anyway, and that would almost certainly be at a heavily dilutive share price.

Let's imagine a worst-case scenario: profitability goes to zero, covenants are breached, bankers refuse to refinance and the company is forced to repay the debt in full. It would need to raise around $3.2 billion after exhausting its cash. If we assume a 15% discount to today's share price (call it $2.40), Tabcorp would need to issue around 1.3 billion shares. With more than 2 billion shares currently on issue, existing shareholders could be diluted by a painful 40%.

It's unlikely it would get that far, but the risk of a capital raising has undoubtedly increased. A more subdued $500 million to $1 billion raising to relieve pressure from creditors could be on the cards, and one that size would still lead to an unpleasant 9%-17% dilution.

Tabcorp's wagering division has always been the weakest part of the business, and especially so under social distancing measures. Hotels and clubs are now closed, as are TAB retail agencies. Many events that would otherwise draw punters to Tabcorp's various wagering platforms are being cancelled or postponed

Roughly 45% of wagering turnover is from retail outlets and the track-side tote, so at the very least we expect most of that to evaporate, though some of it should move online. If we assume three months of closures, it could knock around $200 million-$300 million from the company's 2020 revenue, depending on how many sporting events are cancelled.

The long-term fallout is harder to predict, although the company's lotteries division should get through relatively unscathed. It might even pick up a few wagering and casino bettors looking for entertainment elsewhere.

Lotteries brings in around $500 million of earnings before interest, tax, depreciation and amortisation (EBITDA) and we expect a similar amount in 2020. This unaffected part of the business is a sturdy hull that will keep the ship afloat.

Total EBITDA could come in around $700 million-$800 million in 2020, which allows for a few months of closures at the wagering division and takes into account the decision to lay off 860 staff and other cost cuts. That's enough to cover interest expenses of $166 million and hopefully keep Tabcorp's creditors unruffled.

There's every chance Tabcorp actually emerges from the crisis in a stronger position. Event cancellations will hurt smaller wagering operators more than Tabcorp. With retail outlets closed, punters might be forced to go online, too, which is higher margin and less capital intensive. It will speed up Tabcorp's transition away from physical outlets, which should boost returns on capital.

This will be a painful year but the whole company is currently trading at roughly our valuation for the lotteries division alone, net of all debt. The wagering division is essentially being thrown in for free.

A total return of 10%-13% a year is certainly within reach, but an extended shutdown could swing the wagering division to losses given its fixed costs, while a leveraged balance sheet increases the risk of a dilutive capital raising, especially given management's low ownership stake.

If Tabcorp survives the year without diluting shareholders more than 20%, today's price below $3 is a steal.

Graham Witcomb is a senior analyst at Intelligent Investor.
Disclosure: The author owns shares in Tabcorp.

SECTOR SMALL CAPS

Quality at the right price

Keep and eye on smaller stocks that are in a strong position to catch the recovery

Putting aside its seriousness momentarily, this chapter in history will be remembered for its impact on family life, for home schooling, for social distancing and washing hands, for lobster at $30 each and perhaps even for the nonsense of hoarding toilet paper.

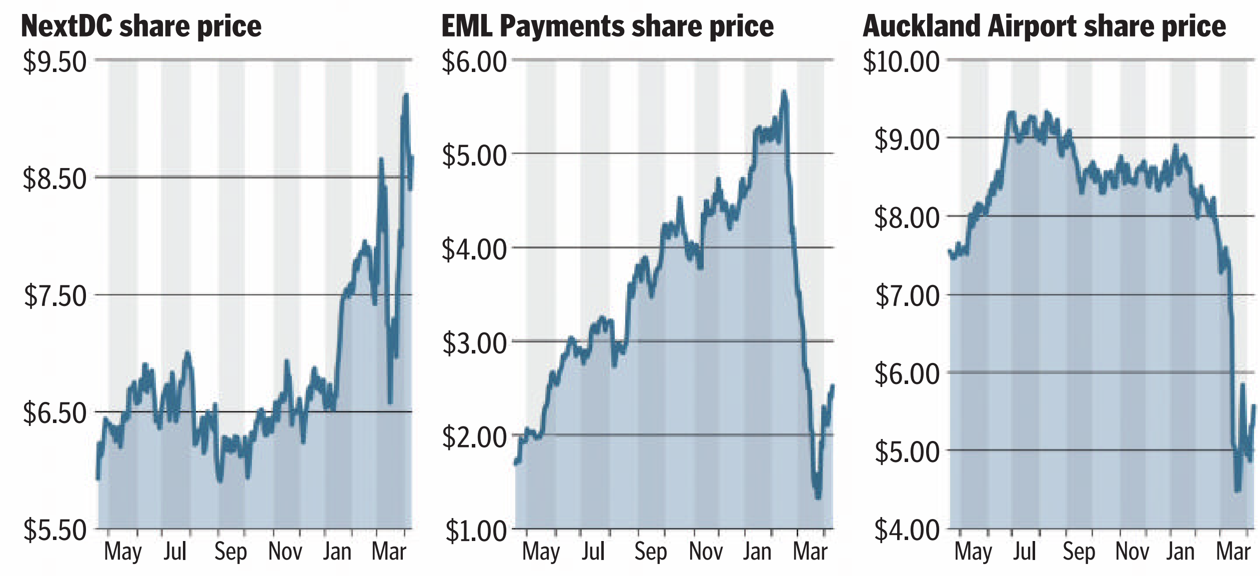
From a financial perspective, however, it should be seen as another of those rare but ultimately brief periods that occur roughly once every decade, when high-quality businesses can be purchased at extraordinary prices.

If you can see a crisis developing – a reliable sign is the absence of value accompanied by insane prices for novelty business ideas – it is wise to raise cash, as we did in our domestic funds, and simultaneously reduce the "beta", or the riskiness of the portfolio, by rotating towards companies that are likely to represent shelter from the storm. Their prices may temporarily fall, but if they do they may not fall as much.

Ahead of the virus taking hold in the US, qualifying companies included Telstra, Transurban and the data centre operator NextDC. Pleasingly, our funds variously held these companies.

The period of fear and panic, however, has now passed and the market has entered the second phase when analysis of the impact on the economy and business becomes relevant. Further panic is indeed possible. The final phase is the recovery itself, and while the road will inevitably be bumpy and riddled with potholes the time to increase risk is ahead of this third phase. To that end we look at three small companies whose leverage to a recovery is high or whose exposure to the economic effects of the crisis is low.

Roger Montgomery is the founder and CIO at the Montgomery Fund. For his book, Value.able, see rogermontgomery.com.



1 NextDC

Benefitting from lockdowns is just one of the data centre operator's strengths. The other is the global megatrend of enterprises migrating to the cloud. Returns on data centres can be very high but they are expensive to build and while they are under construction there is no revenue. Consequently, asset turnover is low and stockmarket investors generally dislike that. But the assets are long life and low maintenance, and NextDC has a long runway of growth that will come from a step-up demand for premium quality data centres. Our current valuation is above $13.

ASX code NXT
Price $8.67
52wk ▲ $10.40
52wk ▼ $5.71
Mkt cap $3.7bn
Dividend -
Dividend yield -
PE ratio -
■ **BUY**

2 EML Payments

EML provides innovative card payment solutions for global corporate clients that offer real-time funds access to employees, individuals, families or businesses via text messages and emails, and also allow recipients to make contactless payments for purchases. The renegotiated, heavily discounted deal to buy Prepaid Financial Services in Ireland will mean EML can offer "banking-as-a-service" support technology to the European fintech sector under its open banking regime. With $135 million in cash versus and a monthly cash burn of $6 million, the company should survive the crisis to prosper in the recovery.

ASX code EML
Price $2.52
52wk ▲ $5.70
52wk ▼ $1.20
Mkt cap $894m
Dividend -
Dividend yield -
PE ratio 65
■ **BUY**

3 Auckland International Airport

AIA is a 25% owner of New Zealand's Queenstown airport and the owner of the Auckland International Airport, which includes the international and domestic terminals, freight facilities, car parking, warehousing, offices and hotels, as well as over 1500 hectares of freehold land. The airport represents a monopoly asset and critical infrastructure. The recent $NZ1.2 billion equity raise alleviates balance sheet concerns and the recent near-50% share price decline has brought the shares back to 2015 levels, even though material value has been created since then.

ASX code AIA
Price $5.57
52wk ▲ $9.45
52wk ▼ $4.17¢
Mkt cap $6.8bn
Dividend 10.5¢
Dividend yield 3.8%
PE ratio 13
■ **BUY**

Prices as at ASX close of business, 9-April-20.

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%	20/11/02	$5,771m	9.9%	11	6.6%	14
Vanguard Balanced Index Fund	VAN0108AU	0.29%	20/11/02	$5,054m	9.8%	13	5.9%	21
QIC Growth Fund	QIC0002AU	0.50%	06/03/02	$5,051m	4.8%	81	4.9%	40
Vanguard High Growth Index Fund	VAN0111AU	0.29%	20/11/02	$3,028m	9.9%	12	7.1%	7
Vanguard Conservative Index Fund	VAN0109AU	0.29%	20/11/02	$2,388m	8.9%	20	5.1%	36
AVERAGE*		0.77%		$570m	6.9%	99	4.9%	87

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%	30/06/97	$13,033m	8.6%	58	6.2%	63
Fidelity Australian Equities Fund	FID0008AU	0.85%	30/06/03	$5,500m	6.8%	72	6.7%	52
Dimensional Australian Core Equity	DFA0003AU	0.31%	03/07/06	$2,709m	4.5%	100	6.7%	53
Bennelong ex-20 Australian Equities Fund	BFL0004AU	0.95%	02/11/09	$2,610m	17.0%	5	12.6%	4
iShares Wholesale Australian Equity Index Fund	BGL0005AU	0.20%	31/05/98	$2,400m	8.5%	62	6.2%	64
AVERAGE*		0.80%		$526m	7.2%	136	6.7%	117

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%	30/06/97	$16,518m	15.7%	53	10.5%	39
Magellan Global Fund	MGE0001AU	1.35%	01/07/07	$12,315m	23.9%	4	12.7%	10
MFS Global Equity Trust	MIA0001AU	0.77%	24/04/97	$6,045m	14.7%	65	11.0%	26
iShares Wholesale International Equity Index Fund	BGL0104AU	0.20%	31/10/99	$4,264m	15.7%	52	10.5%	37
Walter Scott Global Equity Fund	MAQ0410AU	1.28%	28/02/05	$3,941m	16.0%	45	13.6%	6
AVERAGE*		0.92%		$721m	12.9%	149	9.8%	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
Fiducian Ultra Growth Fund	FPS0014AU	1.45%	01/09/08	$201m	9.5%	14	8.2%	1
IOOF MultiMix Growth Trust	IOF0097AU	0.96%	29/04/08	$673m	12.4%	1	7.9%	2
Perpetual Split Growth Fund	PER0066AU	1.16%	31/03/99	$47m	8.3%	24	7.5%	3
Fiducian Growth Fund	FPS0004AU	0.99%	01/02/97	$139m	10.7%	4	7.4%	4
IOOF MultiMix Balanced Growth Trust	IOF0093AU	0.92%	29/04/08	$1,886m	11.1%	3	7.2%	5
AVERAGE*		0.77%		$570m	6.9%	99	4.9%	87

Source: Rainmaker Information. Data sourced as at February 29, 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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INDUSTRY INTELLIGENCE

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
Bennelong Concentrated Aust Equities	BFL0002AU	0.85%	30/01/09	$831m	31.4%	3	18.4%	1
Fidelity Future Leaders Fund	FID0026AU	1.20%	22/07/13	$327m	27.8%	16	17.1%	2
Macquarie Australian Shares Fund	MAQ0443AU	0.60%	28/11/05	$124m	25.1%	35	16.0%	3
Bennelong ex-20 Australian Equities Fund	BFL0004AU	0.95%	02/11/09	$2,653m	28.3%	11	15.4%	4
Australian Unity Platypus Aust Equities	AUS0030AU	0.76%	28/04/06	$128m	33.2%	1	15.4%	5
AVERAGE*		0.79%		$618m	22.5%	110	9.7%	98

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%	01/06/14	$255m	22.3%	8	18.1%	1
Evans and Partners International Fund	ETL0390AU	1.25%	18/02/14	$62m	27.7%	1	15.1%	2
Franklin Global Growth Fund	FRT0009AU	1.13%	01/10/08	$257m	23.9%	5	14.8%	3
T. Rowe Price Global Equity Fund	ETL0071AU	1.18%	15/09/06	$3,228m	19.7%	20	14.5%	4
Walter Scott Global Equity Fund	MAQ0410AU	1.28%	28/02/05	$3,948m	16.0%	41	13.6%	5
AVERAGE*		0.93%		$769m	12.7%	133	9.7%	90

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
Evans and Partners International Fund	ETL0390AU	1.25%	18/02/14	$65m	27.7%	1	15.1%	5
Intermede Global Equities Fund	PPL0036AU	0.99%	20/03/15	$120m	27.1%	2	13.1%	11
Robeco Global DM Conservative Equities Fund	ETL3856AU	0.65%	15/02/17	$136m	26.8%	3	0.0%	
Magellan Global Fund	MGE0001AU	1.35%	01/07/07	$12,315m	23.9%	4	12.7%	13
Franklin Global Growth Fund	FRT0009AU	1.13%	01/10/08	$272m	23.9%	5	14.8%	6
AVERAGE*		0.83%		$632m	9.6%	341	6.9%	274

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
Lazard Select Australian Equity Fund	LAZ0005AU	1.15%	07/06/02	$96m	-7.0%	358	4.6%	232
Janus Henderson Global Natural Resources Fund	ETL0331AU	1.10%	01/07/12	$42m	-5.5%	357	3.9%	253
Vanguard Global Value Equity Fund	VAN0074AU	0.35%	08/09/16	$10m	-4.2%	356	0.0%	
Lazard Defensive Australian Equity Fund	LAZ0022AU	0.80%	03/07/12	$10m	-3.2%	355	3.9%	252
Investors Mutual Equity Income Fund	IML0005AU	0.99%	01/05/04	$768m	-2.7%	354	5.0%	213
AVERAGE*		0.83%		$586m	9.6%	358	7.0%	284

WHAT THEY MEAN

Performance after investment fees. Investment returns after investment fees annualised to describe each fund's returns per annum. But if your managed fund achieves a high return and charges you an extra "performance fee", Rainmaker has not taken this into account. Past performance is not an indicator of future performance.

Rank. Funds are ranked against all managed funds in each segment, not just those included in each table.

Indices and averages. Arithmetic average investment returns or average fees for all fund investment options within each category, that is, not fund size weighted.

YOUR GUIDE TO SUPER DATA

The table 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 – February 29, 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
TASPLAN – OnTrack Build	Industry	LC	10.7%	2	9.3%	1			AAA
AustralianSuper – Balanced	Industry	S	9.8%	4	9.3%	2	7.8%	3	AAA
HOSTPLUS – Balanced	Industry	S	9.2%	8	9.2%	3	8.3%	2	AAA
UniSuper – Balanced	Industry	S	8.9%	9	8.8%	4	7.2%	8	AAA
QSuper Accumulation – Lifetime Aspire 1	Government	LC	10.9%	1	8.8%	5	7.8%	4	AAA
Australian Ethical Super Employer – Balanced (accumulation)	Retail	S	10.5%	3	8.8%	6	6.7%	19	AAA
smartMonday PRIME – smartMonday – Age 40	Retail	LC	8.4%	16	8.6%	7	6.5%	27	AAA
Mercy Super – MySuper Balanced	Corporate	S	7.2%	34	8.6%	8	8.8%	1	AAA
Media Super – Balanced	Industry	S	8.2%	17	8.5%	9	7.1%	11	AAA
First State Super Employer – Growth	Industry	LC	8.6%	12	8.5%	10	6.7%	17	AAA
State Super (NSW) SASS – Growth	Government	S	9.2%	7	8.5%	11	6.7%	18	Not Yet Rated
Cbus Industry Super – Growth (Cbus MySuper)	Industry	S	8.4%	14	8.5%	12	7.7%	5	AAA
Virgin Money SED – LifeStage Tracker 1974-1978	Retail	LC	9.3%	6	8.4%	13			AAA
Sunsuper Super Savings – Lifecycle Balanced Pool	Industry	LC	7.6%	26	8.3%	14	7.2%	7	AAA
Vision Super Saver – Balanced Growth	Industry	S	8.4%	15	8.2%	15	6.7%	20	AAA
VicSuper FutureSaver – Growth (MySuper)	Industry	S	8.9%	10	8.2%	16	6.5%	26	AAA
LGS Accumulation Scheme – High Growth	Industry	LC	7.3%	32	8.2%	17	7.2%	9	AAA
HESTA – Core Pool	Industry	S	7.8%	22	8.2%	18	6.9%	13	AAA
Telstra Super Corporate Plus – MySuper Growth	Corporate	LC	8.4%	13	8.2%	19	6.7%	22	AAA
Intrust Core Super – MySuper	Industry	S	7.0%	43	8.1%	20	6.7%	16	AAA
SelectingSuper MySuper/Default Option Index			7.5%		7.4%		6.2%		

Rankings are made on returns to multiple decimal points.

SelectingSuper Benchmark Indices – Workplace Super

INDEX NAME	Performance to February 29, 2020		
	1 year	3 years (pa)	5 years (pa)
SelectingSuper Growth	8%	8%	6%
SelectingSuper Balanced	7%	7%	6%
SelectingSuper Capital Stable	6%	5%	4%
SelectingSuper Australian Equities	8%	8%	6%
SelectingSuper International Equities	9%	10%	7%
SelectingSuper Property	7%	7%	7%

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.

"Don't panic when the market goes down or get excited when it goes up"

Didier Guérin

Didier has successfully launched more than 30 magazines worldwide, including *Vogue, Grazia* and *Elle* in the US, Australia and in 10 Asian countries. His business has taken him to China 300 times, 220 times to South Korea, 200 to Japan and 100 to other Asian countries. His experiences have included the highs and lows of travel and mixing with the rich and famous. But when he started his own business, he found it was tough going out on his own. He has recently written *From Front Row to Front Cover* about his experiences.

What was your first job?

I was a journalist in Washington, DC, first and then in Paris, covering politics. I've always wanted to be a journalist, since I was a little boy, but after a few years I became a bit frustrated trying to find out why politicians weren't making decisions. Then I had the opportunity to move to the administrative floor and got involved in the business side of media and found it much more creative, and I never left. I became a publisher, but I missed writing so I became known in the company for producing the best-written corporate memos. The journalistic background helped me in my business to understand the creative side and the importance of the content and the people who create the content.

What's the best money advice you've received?

Don't panic when the market goes down, don't get excited when the market goes up. Buy in the first case and sell in the second situation. I tried to follow the markets, and over the years I've become careful not to take unnecessary risk.

What's the best investment decision you've made?

Twenty years ago I was travelling a lot in China so I decided to buy some Chinese art – statues from the Ming, Tang and Han dynasties, which came from excavations. They were quite cheap because they were considered bad luck by the Chinese people. But the Chinese have changed their attitude and these items are now very pricey. Another investment that turned out to be a good decision was to buy a house in Sydney with a great view, and that has brought impressive returns.

What's the worst investment decision you've made?

The worst decision was not buying a second house in Sydney 20 years ago. I came to Sydney 28 years ago to launch a magazine with Kerry Packer – the magazine was *Elle*. I was working with a French company, Lagardère, at the time, and living in New York. I had launched the US edition of the magazine as a joint venture with Rupert Murdoch in the US and Kerry Packer in Australia. In the US it was a gigantic success, the most successful magazine launched at the time – a 50/50 joint venture where we each invested $6 million (in 1985). We broke even after one year and after three years I paid back all the banks, and the following year Lagardère bought Murdoch's ownership for $128 million. Not a bad return to Rupert, but it was also a good deal for the French because it was possible to expand the brand internationally and *Elle* is now published in 42 countries.

What is your favourite thing to splurge on?

Bordeaux, toujours Bordeaux. I would do anything to drink another Château Margaux 1982.

If you had $10,000 where would you invest it?

I would put half of it in Rio Tinto shares and I would buy the Centuria Capital Group – both strong companies with strong balance sheets, and no matter what happened to the economy, these companies would be around for decades and provide a good return.

What would you do if you had only $50 left in the bank?

I would call my banker and tell him that the bank made a mistake and sent the wrong statement because I cannot believe this situation could ever happen. I'm a serious and prudent investor.

Do you intend to leave an inheritance?

Yes, of course. I have a wife and a son, Didier Jr. If I don't spend it all before I die I will leave an inheritance.

What is the greatest lesson you've learned from launching magazines?

A magazine is a cultural business and it's essential that you understand the culture where you publish your magazine and it's essential that you empower the people you employ to serve their readers with culturally meaningful content. This is the best way to create the best corporate culture for your company and to attract and motivate talented people.

Finish this sentence: money makes ...

... money.

Need help?

Useful numbers and websites

Australian Communications and Media Authority
1300 850 115
acma.gov.au

Australian Competition and Consumer Commission
1300 302 502
accc.gov.au

Australian Financial Complaints Authority
1800 931 678
afca.org.au

Australian Securities and Investments Commission (ASIC)
1300 300 630
asic.gov.au

Australian Securities Exchange
131 279
asx.com.au

ASFA
1800 812 798 (outside Sydney)
9264 9300 (Sydney)
superannuation.asn.au

CPA Australia
1300 737 373 (within Australia)
+61 3 9606 9677 (outside Australia)
cpaaustralia.com.au

Do Not Call Register
If you want to reduce telemarketing calls
1300 792 958
donotcall.gov.au/contact-us/contact-details

Fair trading/ consumer affairs
ACT: 132 281
NSW: 133 220
NT: 1800 019 319
QLD: 137 468
SA: 131 882
TAS: 1300 654 499
VIC: 1300 558 181
WA: 1300 304 054

Financial Counselling Australia
1800 007 007
financialcounsellingaustralia.org.au/contact

Financial Planning Association
Listing of financial advisers
1300 337 301
fpa.com.au/about/contact-us

Human Services Formerly Centrelink
Families: 136 150
Older Australians: 132 300
humanservices.gov.au

illion
For a copy of your credit report
132 333
illion.com.au

Legal Aid advice (free)
ACT: 1300 654 314
NT: 1800 019 343
NSW: 1300 888 529
QLD: 1300 651 188
SA: 1300 366 424
TAS: 1300 366 611
VIC: 1300 792 387
WA: 1300 650 579

My Credit File
For a copy of your credit report
138 332
mycreditfile.com.au

myGov
Track down lost super
1300 169 468
my.gov.au

Seniors Card
ACT: (02) 6282 3777
NT: 1800 441 489
NSW: 137 788
QLD: 137 468
SA: 1800 819 961
TAS: 1300 135 513
VIC: 1300 797 210
WA: (08) 6551 8800 (metro) or 1800 671 233

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1300 884 114
sct.gov.au

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