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Beat the budget blues

How to manage your cash flow during Covid-19

WHY DATE NIGHTS CAN SAVE YOU $3K
LIVE ON A JOBKEEPER BUDGET
7 WAYS TO REDUCE EVERYDAY EXPENSES
CUT YOUR CREDIT CARD DEBT
BUDGETING TIPS FOR YOUR BUSINESS

JULIA NEWBOULD
SILVER LINING OF LOCKDOWN

ANTHONY O'BRIEN
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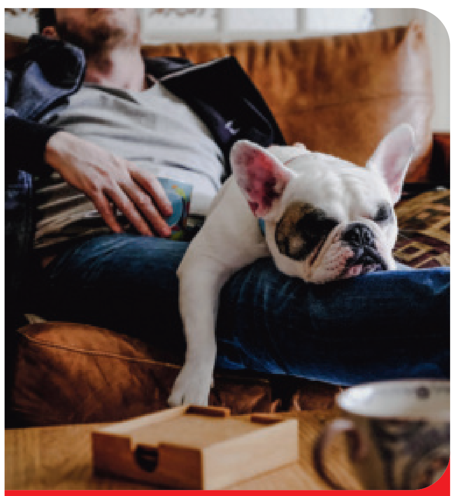

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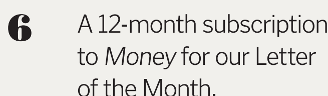

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Free book *THE JOY OF MONEY,* VALUED AT **$29.99** PAGE 44

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EDITOR'S DESK

Add to your to-do list

We are all facing uncertainty. As much as it would be great to party like it's 1999 or 2019, we cannot go back to the way we spent, saved or invested before the pandemic. A new approach is needed.

Enter our cover story "Beat the Budget Blues" (page 34). The good news is there are many ways to rejig your investing and spending budget to suit the post-Covid-19 world. My best tip? Take action today. This month's issue is packed with actionable tasks to save you thousands of dollars.

For example, don't get stuck in a high-rate loan (page 49). Latest stats suggest 1 in 14 homeowners has asked for a mortgage deferral, and there are many others who are in a position to re-negotiate their loans while interest rates are lower.

Or maybe you've been saving up for a property and have a fairly secure job. Make 2020 the year you decide to buy your first home (page 54) . If you are eligible, another 10,000 new spots under the government's first home loan deposit scheme will open up in July.

Never thought much about super? At the very least, make sure you're not forfeiting irreplaceable life insurance if you switch funds (page 62).

And finally, it's tax time again. Find out how you can boost your refund this year (page 46).

Thank you to all our readers who have written in to tell us the value they got from our May issue. We're here again this month with even more ways to help you get ahead even in a crisis. Above all, stay safe.

Michelle

Michelle Baltazar, Editor-in-chief

Feedback

Letter of the month

Insights and advice are reassuring in uncertainty

Some great tips and insights explain how to navigate uncertain times in your April issue. Paul's calm and wise advice makes me feel that everything will be okay in the end. Thanks for the balanced rationale and well-researched advice. I really enjoyed reading the flipping property and exchange traded fund advice columns, which were read by the entire household.

Tim

Our international readers like to stay up to date

I am an Indian living in Singapore. Got into the habit of reading *Money* (digital issue) regularly. I find the articles and advice quite useful. May I suggest some articles on how someone like me could build an exposure to blue-chip Australian stocks or REITs and how this could compare with other developed-market investments. Please include tax implications.

Amit

Ed's note: Thanks for your letter, Amit – it's always great to hear from our international readers. Your timing couldn't be any better. In this edition we have articles dedicated to blue-chip stocks (page 74) and A-REITs (page 61). While we haven't reported comparisons with other developed markets or tax implications in either of these stories, we trust you find them useful and we will consider your points for future articles.

Short cut for calculating home office deductions

The tax tip in the May issue mentions that you can use a fixed rate of 52 cents per hour for home office expenses.

During the Covid-19 crisis, from March 1 an 80¢ per hour rate "short-cut method" can be used until (at this stage) June 30, 2020, but the ATO could extend that date. I just thought this would be handy for other readers to know.

Jye

Ed's note: Thanks Jye and well spotted. We've

written a tax-time feature article in this issue (page 46) with the updated information among other great tips.

Ethical investments can benefit the world

The letter from Peter (April 2020) cannot be allowed to pass without comment. While it is commendable that Peter's former employer was ethical in its dealings, many energy companies are not.

Climate change will affect us more than the pandemic, but being a longer-term problem it is easier for governments and climate sceptics to fight it for selfish or misguided reasons. Coal emissions are a major contributor to climate change and any investment in coal is deeply unethical, no matter whom and how much it may benefit in the short term. Unless global warming is addressed, we can say goodbye to the Great Barrier Reef, and how many tourism jobs does that support?

As *Money* has often pointed out, ethical investing is often more profitable than more conventional investing. Many of these investments concentrate on treating people properly and minimising environmental impact. Fairtrade is a good example, ensuring fairly paid coffee production with no child labour, etc.

Yes, some ethical investments and some activists do get it wrong occasionally, but to nothing like the same extent as unethical companies flout environmental and human rights laws.

Peter's cherry-picking examples of bad outcomes gives the wrong impression of ethical investing, which generally benefits the target investments and investors alike.
David

Ed's note: This is a truncated letter from David originally sent as an email.

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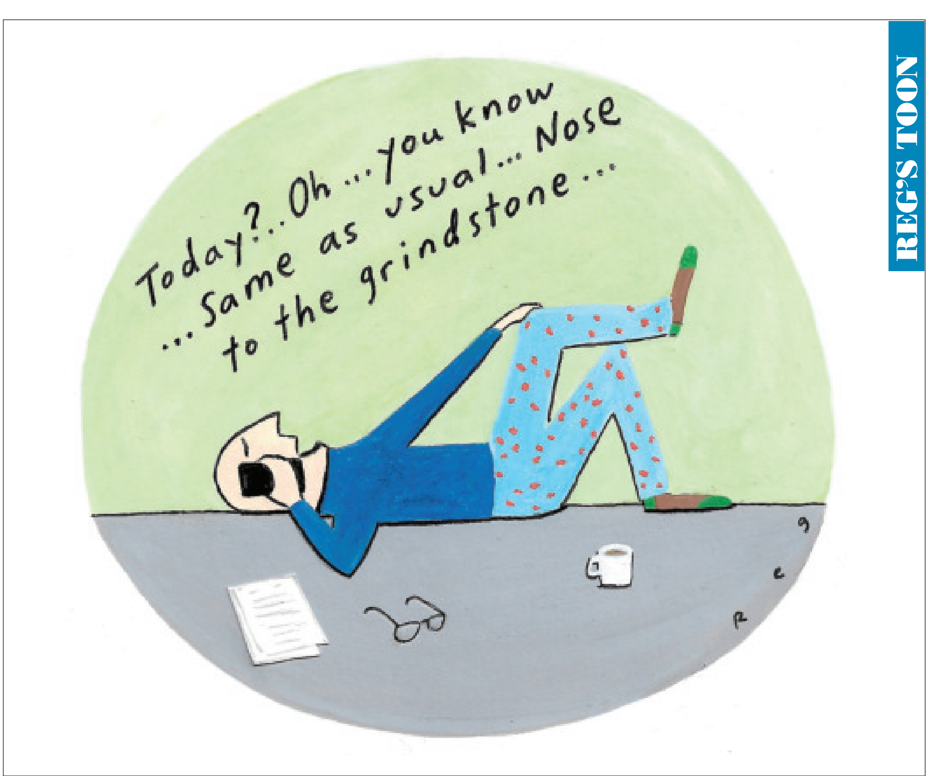

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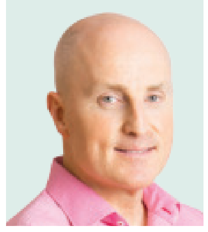
What skills have you perfected in lockdown?

VITA PALESTRANT

Vita, who writes for *Money* about super, says: "With oodles of time on my hands, thanks to Covid-19, I set about researching the origins of the proverb "patience is a virtue". Some attribute it to Cato the Elder who said: "Of human virtues, patience is most great." Others attribute it to a later 5th century epic poem "Psychomania". Conclusion? Until there's a vaccine, follow the medical experts – and practice being patient."

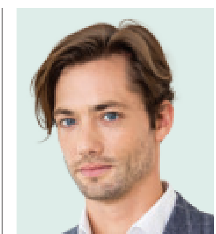
SUSAN HELY

Susan, a senior writer at *Money*, says: "I've discovered so much on my daily walks: old buildings, wild gardens and historical remnants of early Sydney. I visit a tree full of nesting pied cormorants or paper barks with sleeping tawny frogmouths. I meet people with their beloved pets – this morning a man walking his cat – and the other day a Bernedoodle – a Bernese mountain dog crossed with a poodle."



ANTHONY O'BRIEN

Anthony, a freelance writer specialising in small business, says: "Juggling my job as father and tutor of Abbey (6) and Lucy (5) while punching out my column for *Money*. I've also discovered online learning: education.com and storylineonline.net. Valuable educational aids that also help me meet my deadlines. Although the irony of Chris Pine from *Horrible Bosses* reading to my children about overzealous Clark the Shark is not lost on me."



DAVID THORNTON

David, staff writer at *Money*, says: "The home fitness routine. Push-ups, sit-ups and squats can be done anywhere and at any time. I've found it's the best antidote to Covid-induced cabin fever, and it's making me question the value of my gym membership."

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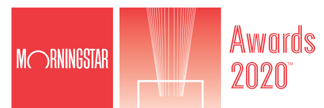

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Making it work

Lockdown has encouraged us to discover new skills and revive old ones

Living in the time of coronavirus is like nothing we've known before. Although the lessons we're learning during this time are ones we've heard many times before.

For instance, we've experienced first-hand why it's important to set up that rainy day fund and have three months of expenses set aside. We've discovered why it's a good idea to use the three-bucket method of investing: short term, medium term and long term. If we'd had money in each, our long-term investments might have remained untouched in these tougher times.

Reuse, recycle and conserve – three more wise lessons. Not only do they make good financial sense, they also benefit the planet and our future.

In homes everywhere, wardrobes, bookshelves and cupboards have been decluttered, with hopefully more than a few unwanted items sold online. Even our gardens have drawn renewed interest, with many of us finding ourselves elbow-deep in soil, planting leafy greens and other edibles.

It's not unlike post-war society, when our parents and grandparents had to learn the hard way to make better use of what was available to them.

In my recently published book, *The Joy of Money*, co-written with financial adviser Kate McCallum, we explore what people should do if they find themselves with less money at retirement than they expected. As we know, the options are to live with less, reduce expenses, increase working years or develop a side hustle.

Some side hustles might be jobs you can do which, if they are your thing, aren't even like work – such as walking dogs, petsitting, completing paid surveys or chatting to students who are learning English. Selling things you've come across while you've been home and realised you no longer use – like ski equipment, a rowing machine or clothes that no longer fit – can also help top up your bank balance.

> In the post-war years people learnt the hard way to make better use of what was available

When it comes to being resourceful about earning money, each week since the lockdown I have been talking to individuals and businesses who have had to pivot what they do into something that could keep them afloat when their original business fell through.

They've had to dig deep to identify skills with the potential to earn them money. Others have repurposed equipment and channelled staff into other areas that are in demand now.

StageKings is a stage- and set-making company that works on large-scale productions such as the Formula 1 motor racing, the *Ninja Warrior* TV series and Edinburgh Military Tattoo tour. When events were cancelled, they knew they would either have to stand down their workforce or change direction.

A chance comment by a friend – that people would need desks to work from home – turned their offering into the IsoKing desk and since then they have added a number of work-from-home accessories to their production. Business is booming. They realised they had the staff, they had the equipment, it was just a matter of rethinking and designing their product range.

Jacqueline Dark is an opera singer, whose work also dried up due to Covid-19. She tapped into her skill set, which happened to include degrees in physics, and went about developing modules to teach children physics online. She had friends from the entertainment industry who could teach her how to film modules, and built an online offering to bolt onto her current website.

Chap Drive Thru is a program developed by the Chapel Street Precinct Association to make sure businesses remained financially viable while turning restaurants into takeaway only. Many restaurants around Australia have made the switch, but those who have been relying on delivery apps have been sacrificing much of their income to the app companies. The Chap Drive Thru project promoted a new way of ordering to help keep money within the businesses.

Recent research reveals that young people can now expect to have 17 different jobs over five different careers. Upskilling is an investment in our future, which ensures we are equipped for change in the business and employment landscape.

Fortunately, many courses are being offered online to help the education industry stay afloat and it's a great opportunity for us to learn something new. And in April the federal government announced a higher education relief package to help people who have lost a job due to Covid-19.

Now's the time to go back to basics, take on board the lessons learnt during Covid-19, and start building ourselves a better future.

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

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3 YEAR RETURN (P.A.)	**23.6%**	2.0%	9.9%
5 YEAR RETURN (P.A.)	**20.7%**	3.5%	9.0%
10 YEAR RETURN (P.A.)	**21.3%**	6.0%	11.5%
10 YEAR EARNINGS GROWTH (P.A.)	**13.7%**	6.2%	5.1%

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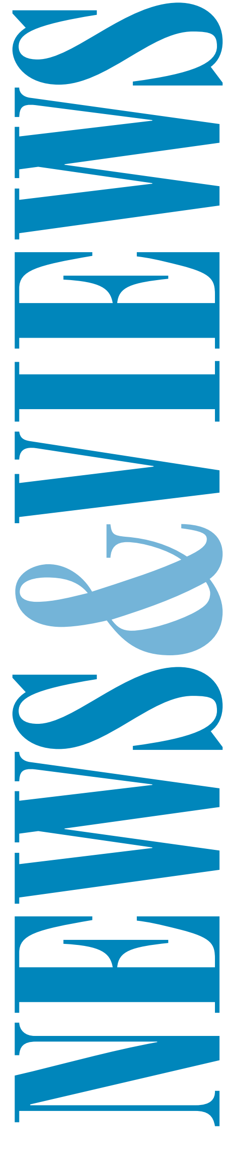


THE BUZZ

Virus brings cashless society a step closer

Australian banks have continued to send proactive messages in the aftermath of the bushfire crisis and during the Covid-19 pandemic. It's something I wrote about in this column in the April issue.

There have been more developments since. One that caught my attention was the regulator, ASIC, fast-tracking approval for banks to issue more than 500,000 Mastercard or Visa debit cards to customers who didn't have them.

The move attempts to assist people with a passbook or transaction account so they can shop online or over the phone rather than using cash or EFTPOS. It's mainly targeted at those aged 70 and over.

This is sensible when you consider federal government advice suggests people 70 and over should stay at home. It's also useful at a time when some retailers aren't accepting cash.

Of the 500,000 new cardholders, I do wonder how many have active internet connections for shopping online. Or how many would be confident enough to activate and trust their new digital banking tool.

In 2019, Telstra and Roy Morgan-supported research told us that (for the first time) the gap is narrowing between the most "digitally included" Australians (25- to 34-year-olds) and those aged over 65. And if my grandparents are any indication, older Aussies are definitely becoming more tech savvy.

So what I'd love to know six months from now, or when the shutdowns end, is how many customers used their new card. It would indicate where Australia is at when it comes to digital banking. Will Covid-19 allow us to finally make that giant leap to a cashless society? Possibly.

Another issue caught my eye in early May. The Australian Banking Association (ABA) said more than 429,000 homeowners and 205,787 business owners had received a deferral on their loan repayments. And a further 37,000 repayments (personal loans and credit cards) have been deferred. All up about $6.8 billion in repayments have been halted, with more to come.

The ABA also said Australians have been given another $45 billion in new loans and $6 billion through increases to existing loans and credit facilities.

This obviously eases the financial pressure on many people and it is heartening to know that we're prepared to ask for help with our money problems before they get out of control.

Darren Snyder

CALENDAR OF EVENTS

Tuesday, June 2
RBA interest rate decision

Saturday, June 6
Balance of trade

Tuesday, June 9
NAB business confidence

Wednesday, June 10
Westpac consumer confidence

Saturday, June 13
Unemployment rate

ON MY MIND

Super's proven 'green' effect

It's been evident for a while that products invested according to environmental, socially responsible and governance (ESG) principles can achieve returns as strong and reliable as other investments. Now Covid-19 shows us how they can perform in a crisis.

Research from Rainmaker, which publishes *Money*, shows, in general terms, that the MySuper index is ahead of the ESG index. However, if we look separately at balanced and growth investment choices, and equities choices, a different picture emerges.

If a super fund member invested in ESG balanced or growth options they would have been 1.5% better off over the 12 months to March 31. Over the quarter they would have been 1% better off.

This effect also happened in equities investment choices. The SelectingSuper ESG Equities Index, which combined domestic and global equities investment choices, delivered 0.8% more than the equivalent non-ESG index over 12-months. The equities ESG effect over the quarter was 1.1%.

Reinforcing this, four of the top five personal balanced options and retirement balanced options were ESG options. ESG funds leading the way in the March results were Australian Ethical, Future Super, Australian Catholic Super, AMP and UniSuper.

Alex Dunnin, director of research, Rainmaker

NEWS BITES

BetaShares has launched a currency- hedged government bond ETF designed to provide investors with exposure to long-dated sovereign bonds (20-plus years) from the G7 nations. BetaShares chief executive Alex Vynokur says the fund "offers a robust option for gaining exposure to an important portfolio building block for investors seeking regular income".

IMB Bank has completed its merger with Newcastle-headquartered Hunter United Employees' Credit Union, following regulatory approval from APRA. "The merger will allow Hunter United to better meet the challenges of increased competition in the banking sector and the increasing costs of operating and responding to regulatory change," says IMB chief executive Robert Ryan.

Ares Australia Management has launched the Ares Global Credit Income Fund, which is actively managed with a target distribution of 3%-4% a year paid monthly. Through exposure to global credit markets, it aims to provide a diversified alternative to the Australian bank equity or hybrid securities commonly held by local income investors.

Property feels the crunch

Has our new way of working from home changed the real estate investing landscape as offices are less in demand?

The coronavirus has profoundly changed the way people work and travel, most notably those who are now working from home and are likely to continue doing so for some time, either on a full- or part-time basis.

The commercial property market will obviously be impacted, but how much depends on how long the necessary health guidelines need to remain in place, how willing employees will be to return to an office as guidelines are relaxed and how employers respond to the needs and wants of these employees.

Other sectors are likely to be impacted too. Valuers are reporting falling values and transaction numbers in the residential market across the country, and financial hardship caused by the coronavirus is likely to put downward pressure on rental returns.

However, industrial properties such as warehouses may fare quite well, as long as they remain tenanted.

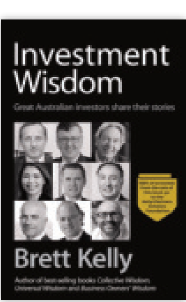
Amelia Hodge, chief executive, Australian Property Institute

87%

of experts surveyed by Finder expect Australia's international borders to remain closed for the rest of the year. Only 13% think international travel restrictions will be lifted in 2020.

NEWS & VIEWS

BOOK OF THE MONTH



INVESTMENT WISDOM
By Brett Kelly
Clown Publishing, $49.95

In his fifth book, Brett Kelly examines what really sets apart some of Australia's most successful investors. The chief executive of Kelly+Partners chartered accountants interviews nine well-known money managers, and asks them how they invest and what insights they can give on business and life.

Proceeds from sales will be donated to the Kelly+Partners Scholars foundation, with the goal to sell 40,000 copies to raise $2 million. This will allow 30 Year 11 students a year for the next 10 years to be provided with a scholarship for a study trip to Israel to understand how business innovation and technology drive positive social impact.

Five readers can win a copy

In 25 words or less tell us your best investment advice. Enter online at moneymag.com.au/win or send entries to Money, Level 7, 55 Clarence Street, Sydney, 2000. Entries open on June 1, 2020 and close on June 29, 2020.

APP OF THE MONTH

STICKK
COST: FREE
OS: IOS 10.3 OR LATER; ANDROID 4.4 OR LATER

We've all struggled to quit a bad habit or commit to a good one. Research from Strava, the fitness network, found most of us give up on our new year's resolutions by January 12.

But experts say setting goals and staying accountable give us the best chance of achieving success, and that's where stickK comes in. Created by a behavioural economist, the app helps you commit to a contract with yourself, and uses planning and accountability to get you to change your habits.

Simply set a goal, whether it's to run a marathon or learn Urdu, and create a timeline of the steps you need to take. Then invite someone you trust to hold you accountable and monitor your progress.

If you need an added incentive, you can commit to making a donation to charity if you fail to reach your goal. The catch is you have to choose an organisation you oppose, which should help to keep you on track.

SHARYN McCOWEN

TAX TIP

How to get a bigger return this year

With millions of us taking a financial hit from Covid-19, there's never been a more important time to get your taxes right. Tax time 2020 is looming: here's what you need to know to get the best outcome from this year's return.

If you lost your job or had your hours reduced, it's likely that your employer will have over-deducted tax earlier in the year in relation to your wage or salary. That could mean you're entitled to a bigger refund than normal.

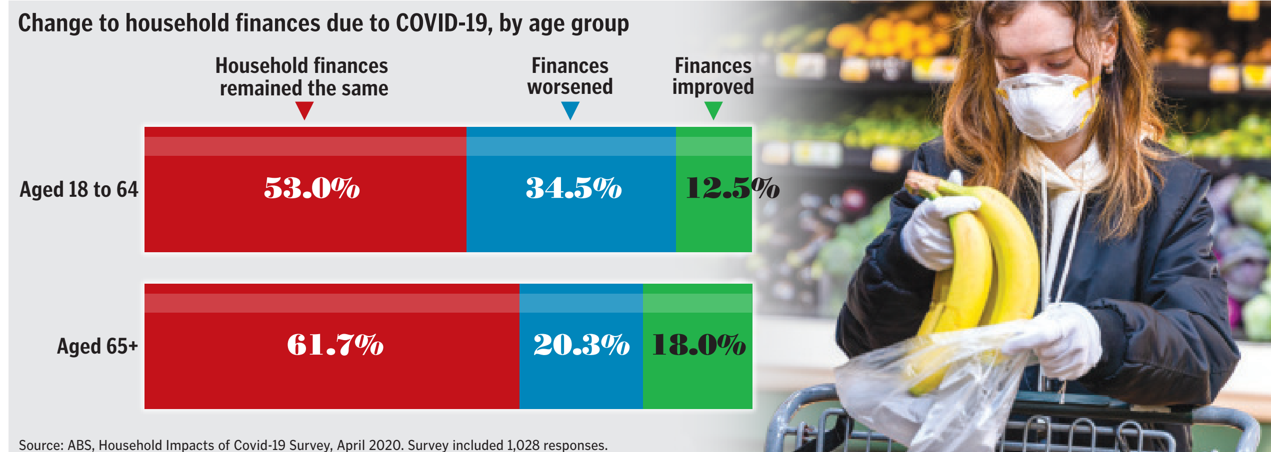
If you received the $1500 per fortnight JobKeeper payments from your employer or through your business, this is included in your taxable income for the year and will need to be added to your return.

Most employers are no longer obliged to provide you with a payment summary. Instead, they report your year-end details directly to the ATO. To obtain the equivalent of a payment summary (now called an "income statement"), talk to a tax agent who can download the information for you direct from the ATO when you complete this year's tax return, or obtain it yourself via myGov.

You may be entitled to the low and middle income tax offset if your taxable income is below $126,000. The base amount is $255, rising to a maximum of $1080. The amount you receive will depend on your circumstances, such as your income and how much tax you have paid through the year.

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

SNAPSHOT Households feeling the impact



Source: ABS, Household Impacts of Covid-19 Survey, April 2020. Survey included 1,028 responses.

Buy right,
hold tight.
Now more than ever we
believe in staying the course.
Vanguard Personal Investor
Vanguard®
© 2020 Vanguard Investments Australia Ltd. All rights reserved. Vanguard Investments Australia Ltd (ABN 72 072 881 086 / AFS Licence 227263) is the product issuer. You should consider your circumstances and our Investor Directed Portfolio Service (IDPS) Guide before making any investment decision. You can access our IDPS Guide at vanguard.com.au/personal. VAN0029

MY MONEY

▶ MORE MONEY STORIES ON P46-53

FINANCIAL ADVICE

Planners are the flavour of the month

Global demand for financial advice is surging as the world grapples with the fallout from the coronavirus. For example, deVere Group, an international consultancy, saw the number of new client inquiries for financial advice lift 24% in April.

"Suddenly, unexpectedly, many have realised that they didn't have sufficient money behind them, they didn't have contingency plans," says chief executive Nigel Green. "This, as they know, could have consequences for the lifestyles and life opportunities of themselves and loved ones and, for those in business, for the long-term sustainability of their firm."

Green suggests the focus has now shifted from "I should have" to "I need to have". "This most unusual situation has dramatically underscored that no one really knows what is around the corner. Now more than ever people are seeking to be as financially prepared as they can for any eventuality."

According to a deVere poll of existing and prospective clients, 52% prefer face-to-face advice while 42% like video-call platforms like Zoom. Only 6% of respondents want advice over the phone.

"But video communication is only 10% behind [face to face], which is quite something as it is a new platform for most people," says Green. "It underscores that increasingly people want bespoke financial advice combined with innovative technology."

He adds that most new clients are seeking advice on savings plans, investments, foreign exchange, pensions, and tax and retirement planning.

Super funds hand out $6 billion

Superannuation funds had issued early release payments to 830,000 members totalling $6.3 billion at May 3, according to the latest data on the scheme from the Australian Prudential Regulation Authority (APRA).

The average payment was $7629, while the average payment processing time was 3.1 days following notification by the tax office. Of the 142 funds to make payments, 117 have done so within APRA's guideline of five business days.

APRA deputy chair Helen Rowell says the figures demonstrate that superannuation trustees understand the importance of getting payments as quickly as possible to members who may be enduring financial hardship. "This is a new scheme, and some funds have received tens of thousands of applications, so an average payment time so far of 3.1 days following receipt of applications from the ATO is a positive story," she says.

"We recognise, however, that it may be both necessary and appropriate for trustees to take longer in some cases. This is no doubt frustrating to those awaiting payments, but the recent attempted fraud being investigated by the Australian Federal Police emphasises that care is needed to ensure payments go to the right people."

A small number of claims have been rejected by funds due to anomalies or concerns regarding evidence of fraud or potential fraud, or because an account had been closed or an invalid bank account number supplied. Some applicants have also withdrawn their application.

COMPILED BY DAVID THORNTON

HOUSE PRICES

Capital cities to take a hit

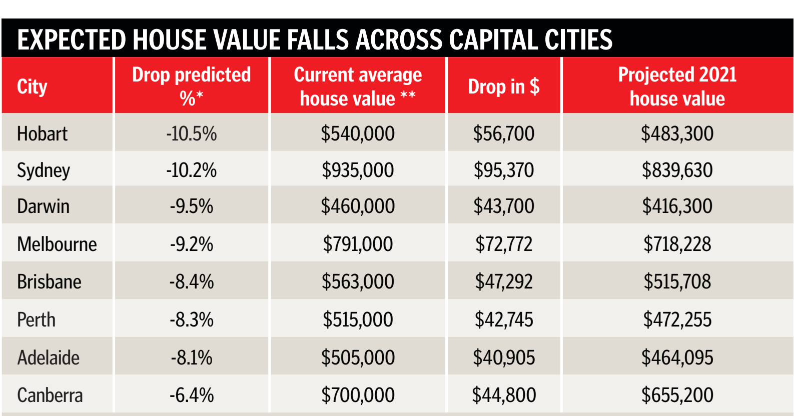
Six out of 10 experts say now is not a good time to buy property, according to research from comparison site Finder. It asked property experts and economists how much they expect prices to drop by 2021, considering the effects of the coronavirus pandemic.

Among the capital cities, Hobart is expected to see the sharpest average price drop of 10.5% by 2021, with Sydney a close second at 10.2%.

Darwin and Melbourne are next with drops of 9.5% and 9.2% respectively, while Brisbane, Perth and Adelaide all have forecast drops of around 8%.

Canberra is expected to weather the storm best, with a forecast drop of only 6.4%.

Graham Cooke, insights editor at Finder, says with increasing unemployment and growing economic uncertainty, house prices will slide over the rest of the year. "Both house hunter and seller demand has weakened in the last month [April] as Australians hunker down to help stop the spread of coronavirus," he says. "It's not just the experts – we've also seen consumer sentiment about whether it is a good time to buy drop from a peak of 60% in July 2019 to just 42% in April."



EXPECTED HOUSE VALUE FALLS ACROSS CAPITAL CITIES

City	Drop predicted %*	Current average house value **	Drop in $	Projected 2021 house value
Hobart	-10.5%	$540,000	$56,700	$483,300
Sydney	-10.2%	$935,000	$95,370	$839,630
Darwin	-9.5%	$460,000	$43,700	$416,300
Melbourne	-9.2%	$791,000	$72,772	$718,228
Brisbane	-8.4%	$563,000	$47,292	$515,708
Perth	-8.3%	$515,000	$42,745	$472,255
Adelaide	-8.1%	$505,000	$40,905	$464,095
Canberra	-6.4%	$700,000	$44,800	$655,200

Source: CoreLogic, Finder. *Average of predictions from 17-25 economists, depending on city. Inflation has not been taken into account.
** As of January 31, 2020; price changes from February to May 2020 have not been taken into account.

▶ MORE PROPERTY STORIES ON P54-61

Real estate trusts are better off

Listed property assets are faring well during the Covid-19 crisis, according to First Sentier Investors. "One noted difference between now and 2008 is the extent of the drawdowns," says Stephen Hayes, head of global property securities. "It was much less extreme than what we experienced in the GFC. Clearly today is just a point in time and market volatility continues to be high at this stage, but the extent of the sell-off in the GFC was much greater."

Hayes believes the listed property sector learned some hard lessons from the GFC, which has left it better prepared this time.

"Boards and management teams have mostly heeded the cautionary tale of 2008. They've resisted the temptation of cheap credit, instead shoring up their balance sheets through equity raisings and asset sales. They have lower loan-to-value ratios, lower debt and higher interest rate coverage."

While it's difficult to generalise, there are some distinct differences between various forms of retail real estate, he says. Convenience and sub-regional shopping centres, for example, offer high levels of non-discretionary spending, so they're less exposed to the growing threat from ecommerce.

However, larger regional shopping malls are a different kettle of fish. "I expect these assets to carry higher natural levels of vacancy in the future and have lower levels of market rents. But that does not mean those assets still can't provide economic returns over time.

"Many of these assets sit in urban infill locations in some of the world's most bustling cities where land is scarce, and the land on which they reside is rare and valuable. So there are still high amounts of intrinsic value in these assets."

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INVESTING

▶MORE INVESTING STORIES ON P62-73

SUSTAINABILITY

Strong support for green funds

Global demand for ESG (sustainable) investing is holding strong amid the coronavirus pandemic. Morningstar research found that sustainable funds received inflows of $70.8 billion through the first quarter of 2020, compared with outflows of $384.7 billion across the overall fund universe.

Sustainable fund assets under management now stand at $1.3 trillion, down 13% from $1.5 trillion at the end of 2019.

Europe continues to lead the way, boasting 81% of global sustainable assets. Yet interest in sustainable investing is growing elsewhere. Inflows in the US reached $16.3 billion in the first quarter, far more than the previous record set in 2019's fourth quarter.

Australasia, meanwhile, saw inflows of $495 million through the first quarter, evenly split between active and passive investment strategies.

Quarterly global sustainable fund flows ($USbn)

Europe
US
Rest of World

70
60
50
40
30
20
10
0
-10

2017
2018
2019
2020

Source: Morningstar. Data as of March 2020.

'Hated' annuities seen in a new light

Retirees are increasingly turning to annuities to fund their lifestyle, according to new research at Melbourne Business School. Annuities provide fixed, guaranteed payments over time, unlike account-based pensions or personal investments, which rise or fall with the sharemarket.

Previous studies have shown that industry and government professionals largely have a negative view of annuities. "There's a belief that Australians 'hate' annuities, which is a strong word, but it's the one that gets used," says senior research fellow Teagan Altschwager.

"When we talked to financial advisers and people from super funds and government about annuities, most of them said they thought customers didn't like them or understand them, leading them to not purchase.

"Our research shows that is only partially true, in that customers do struggle to understand annuities, but there would likely be much greater demand if the options were presented in a simpler way."

The research found that people are just as interested in annuities as they are in traditional "drawdown" options, such as account-based pensions.

"What I found most surprising was the relative size of the annuity group to the drawdown group," says Altschwager. "Based on industry attitudes, you might expect the annuity group to be much smaller, but in our data it was essentially the same size. To me, this suggests there is far greater appetite for annuities than people think and that account-based pensions may be the main product in the market simply by default or out of ignorance, rather than actual preference."

However, consumers find choosing between annuities difficult. "Based on our findings so far, it may be better to describe attitudes as 'Australians don't hate annuities, they just hate making complicated choices'," says Altschwager.

Responsibility for clarifying and advising on annuities lies with policymakers, financial planners, fund managers, and others working in the financial or retirement sectors.

"Industry and government both seem committed to shifting people's mindset from focusing on accumulating as much money as possible for later life, and instead getting them to think about how to use that money and make it last for retirement," she says. "Annuities are one viable option for achieving this."

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INCOME

A bigger role for capital gains

With interest rates at all-time lows, income investors have to take greater risks. They now have to generate income through capital gains made by growth assets such as corporate bonds and shares.

"As interest rates have come down over the past decade, we've had to change the way that we look at income – it's become quite driven by growth assets," says Angela Ashton, director at Evergreen Consultants. "Having the central part of a portfolio with respect to income production in growth assets like property or shares introduces a lot more risk, unfortunately for clients, but that's the way you need to generate income today."

Financial planner Jamie Nemtsas, from Wattle Partners, proposes that high-income investors take a "total-return-oriented" approach.

"High income is generally more risky and 'sustainable growth' looks less so at the moment, if you think in terms of total return (capital appreciation plus income). You might be looking at a regional building company in NSW that has got a strong dividend, on paper; but it's going to be far better to hold something like Google that has got a massive audience, low cost of capital, great balance sheet, and you're sacrificing some kind of regular income for a very, very strong company."

Here the investor "harvests" the capital gains and re-injects them into an income-producing bucket.

"With a growth story like CSL, you can sell portions of that holding for years and keep putting [the proceeds] into cash. Then you have another stock – it might be Amcor – that is trading sideways price-wise but it's generating income," says Nemtsas.

▶MORE SHARES STORIES ON P74-84

HOLD Carsales.com Ltd (CAR)

The Intelligent Investor Jamie Carlisle

RECOMMENDATION

BUY	HOLD	SELL
below $12.50	up to $21.00	above $21.00

HOLD at $14.32

Source: Intelligent Investor; price as at May 12, 2020 close of business

Life has been turned upside down for Carsales since we upgraded it to a buy on March 18. Although most dealerships remain open and test drives are still permitted, the market has slowed sharply.

Carsales waived its charges to dealers in April and is giving a 50% discount in May. It has also deferred payment of advertising invoices.

As a result, the number of cars listed in April rose from around 210,000 to 230,000, as they took longer to sell but were kept on the site. With the (lower) charges reintroduced in May, the number of listings has fallen to about 210,000.

Website traffic has remained resilient as people have used their spare hours at home to browse for cars, which bodes well for a sharp recovery as restrictions are eased.

Carsales is also reducing costs, temporarily standing down around 250 staff in Australia and cutting board and executive pay.

It has a reasonably strong balance sheet, with net debt of $355 million at the end of March, amounting to about 1.7 times 2019 EBITDA. Available liquidity of about $190 million almost covers annual operating costs ($207 million in 2019) before cost-cutting measures.

Carsales is a high-quality business and may emerge from the current crisis even stronger. It's also reasonable value on a multiple of about 26 times the underlying earnings per share achieved in 2019 and about 22 times consensus expectations for 2022.

With the price now up almost 20% since our upgrade, however, the buying opportunity has passed and we're shifting back to HOLD.

Jamie Carlisle is an analyst at Intelligent Investor.

COMPILED BY DAVID THORNTON

STORY JULIA NEWBOULD

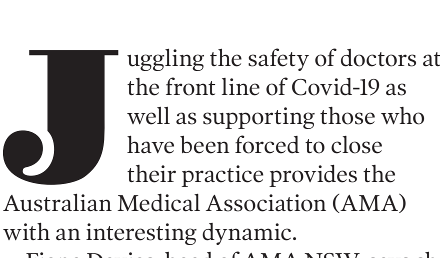
In the eye of the storm

Fact file

Fiona Davies

Chief executive of the Australian Medical Association NSW. Age 45; shares four children with neurosurgeon husband Brian; lives in Sydney.

Business graduate who feels queasy at the sight of blood. First job was assistant to an industrial relations commissioner during the 1990s. Always interested in cooking and maybe becoming a chef. Aware she had choices that women before her didn't, she champions women around her. Has climbed Tasmania's highest mountain, Ossa, and getting on top of her finances was a recent achievement.



Juggling the safety of doctors at the front line of Covid-19 as well as supporting those who have been forced to close their practice provides the Australian Medical Association (AMA) with an interesting dynamic.

Fiona Davies, head of AMA NSW, says she never expected to have to help doctors out of work – they're generally protected from significant economic downturns. What makes it most challenging is that shutdowns aren't due to a lack of work but because there isn't enough personal protective equipment (PPE) to keep staff and the public safe.

"We're trying to balance one part of our membership with the safety and wellbeing of another part of our membership, which is quite challenging," she says.

Davies has no medical background and she's been known to get queasy on hospital visits, but it hasn't stopped her leading the premier doctors' association in NSW for more than 10 years.

In addition to more than 20 years representing doctors, she is also married to neurosurgeon Brian Owler, once AMA president and Labor contender for former Prime Minister John Howard's seat of Bennelong.

To say the couple don't like a quiet life is an understatement. Between them they are raising four children aged 10, 11, 12 and 16. With Owler's youngest child having autism, the couple have a strong interest in understanding the impact and joy of disability as well as the lens it brings to your life to see things differently.

They are most passionate about medicine as an opportunity for prevention, not just as a treatment. Davies sees an opportunity for doctors to set people on a path to prevention, helping them keep illness at bay, with the aim of reducing their need to visit a doctor in the first place.

HAYDEN BROTCHIE

The main lesson Davies says she has learnt from having a partner in medicine is the extent to which they are small business owners and how much time that takes up in addition to their clinical load.

"My husband would work very long hours in surgery and then a couple more hours each night on running a small business and various follow-ups. That's the big thing I hadn't fully appreciated," she says.

Owler has continued to run his business during the pandemic: some surgery has to continue, but on a significantly reduced basis.

As a family, every day they are living the coronavirus discussions – they talk about who they are talking to in government, what different governments are doing and the latest statistics.

"The kids were quite fearful to begin with and worried about one of us getting sick," says Davies.

This is to be expected with doctors front and centre of Covid-19 for the better part of the past three months.

According to Davies, if anything good has come from the pandemic it's that people appreciate how effective our public health system is. She says if people have only interacted with their general practitioner in basic ways during their normal run of illness, then they probably don't appreciate the value and strength of the Australian healthcare system.

"Health is often talked about in terms of costs, but it's vital that people understand it's an asset, not just a constant source of cost," she says.

Double challenge to face

Davies says one of the most interesting aspects of the pandemic has been the reaction towards doctors from governments and the community.

"When the scale of the crisis first became

> The kids were quite fearful to begin with and worried about one of us getting sick

HAYDEN BROTCHIE

apparent, the immediate priority of governments was the health and safety of our doctors," she says.

"We all wanted to see zero deaths of healthcare workers and minimal transmission. We had to make sure the hospital system was ready and that people were protected. These are still concerns, but we are now also facing the unexpected challenge of Covid-19 being damaging to many of our members' practices."

A significant number of doctors and nurses have been stood down as a result of Covid-19, mostly due to the restrictions on elective survey. "The idea of significant numbers of medical practices laying off staff had not been in our experience, nor was it something we'd planned for," says Davies.

"It's been an odd situation of our membership facing two crises –Covid-19 and the human elements of members who at the moment can't work, and may not be able to work for some time. Many surgical specialists have had to stop practising and that's been unprecedented. On the other hand we had really been preparing for a world where all our doctors were completely overwhelmed."

On top of drought and fire

Davies says she knew fairly quickly that the AMA was going to see people facing difficult situations. "Most businesses are built on the idea that income will keep coming in. As a result, not all practices made the decision to close or put themselves on leave, but we have seen a number who have seen themselves in financial difficulties. Without both private and public income, businesses closing for six to 10 weeks will impact them as much as any other business," says Davies.

She says a lot of work has been done

Rising to the challenge ... Davies says championing the role of female doctors is important to her.

with various commercial partners to provide advice on staffing options as well as available grants, financial packages and resources.

People in general practice have been impacted, too. Davies hopes the tele-health provisions and people coming back to practices will help doctors.

What she and the association are particularly concerned about is regional and rural areas with people who have lived through drought, fire and now Covid-19, particularly those in tourist and coastal towns who have now lost another year of income.

"We're working to reach out to regional and rural doctors directly and the NSW government has also helped."

Everyone had prepared for working through Covid-19 – there were plans to call up students and retired doctors – but no one had planned for closing services and putting people off.

Elective surgery is now re-commencing slowly because there are still issues about how much personal protective equipment is in stock, and the increased activity in hospitals puts a strain on the remaining PPE.

Davies says there's also a lot of concern about operating on people who might not have the coronavirus right now but might end up getting it as their body recovers from surgery.

The government has decided to phase in elective surgery by 25%, but there are still some specialists particularly concerned about risk, including head and neck surgeons, as well as ear, nose and throat surgeons.

The right prescription

Davies credits her background in industrial relations (IR) for her success at the AMA. "One of the great skills IR gives you is to always think of what's coming next. You never think about the current action only – it's a great skill to have because nothing in our health policy role is just about what's in front of you; it's about what's in front of you and what might be a consequence of that."

Another skill to have in your repertoire is knowing that policy and advocacy take time. "Good outcomes will usually take a couple of years and you spend most of that time feeling you're not getting anywhere, but that's what you should prepare for with good advocacy," she says.

A recent example of this was doctors and trainees claiming overtime. The barrier was simple – for a doctor in training, overtime has to be approved by a listed supervisor. If that was the person responsible for promotions and positions, it was difficult for trainees to ask, says Davies.

Next, the AMA questioned employers to understand their position on overtime.

"They wanted people to claim overtime, but not to make it a free-for-all," she says. "We extended the list of people who could sign off the overtime and it was a great outcome for the doctors in training. This fixed a problem that had been around for decades."

Based on anecdotal evidence, this change resulted in an increase in claiming all overtime from 16% to 22% of doctors. "It wasn't about the money, it was about being valued. It was about saying to the doctors, your time is worth something and that's what we wanted the employers to understand.

"We also wanted to see the system change. If people weren't claiming their overtime there was no record of what was actually happening and hospitals weren't being given appropriate resources. It's now driven hospitals to look at the way they roster. Now they put more people on, and it's safer for everyone."

Mistakes with money

Other successful campaigns run with Davies at the helm include reducing alcohol-fuelled violence, which was born of a spate of attacks in Sydney's Kings Cross.

"The police and emergency workers started the campaign, but we joined and took a significant role by putting a public face on what it means for people. We had doctors speak up and tell their side of what it's like to lose family members and that was key to getting people to realise it could happen to them," she says.

The "Don't rush" campaign for road safety saw doctors taking a similar role. It ran for five years, during which time NSW achieved its lowest-ever road deaths. "It took the power of doctors to bear witness to what was happening," says Davies.

She says championing the role of female doctors is important to her. "We have not done well enough on that at any level. To get a part-time position is almost impossible and something you have to negotiate yourself, and that's likely to have a profound effect on women's careers. It's not just the number of women, but it's the voice given to them."

Women are still not in the leadership roles in medicine, even when they are entering the profession in equal numbers to men. Around 35% of AMA members are women.

Doctors, like women, often put themselves last when it comes to looking after their personal finances and wealth creation. Davies says she's often put herself last in taking care of her finances such as superannuation and insurance, and she believes this is the same for many women in medicine, and some men. For women, there's often the guilt associated with ignoring it for some time and not having done what you know you should be doing. From her own experience, she hopes to be able to help doctors help themselves and that includes focusing on adequately protecting themselves.

"For people who deal with people witnessing the worst moments of their lives, they never seem to think they are ever going to have a health problem themselves. I'm not sure what part of their psyche does that, but they're unprepared for anything that might happen to stop them working.

"A ridiculous number are not properly insured and many make assumptions that they may be able to work without interruption, illness, accidents or health problems, which seem to cause enormous difficulties in this profession. That's the consistent, single biggest mistake doctors make with money."

Your questions

Money has received hundreds of questions from readers about how to manage their personal finances, in all kinds of scenarios.

While it's not possible to respond to every question, we've asked four experts to help us answer six questions that broadly cover the areas readers are most interested in. You might find other questions are answered through our regular feature articles; and if you're seeking answers to JobKeeper eligibility, our website (moneymag.com.au) has more than 100 articles dedicated to Covid-19.

Q My wife and I have read articles sayings banks are unsafe at this time and if they get into trouble they will "bail-in" people's savings. We also read that the federal government's $250,000 deposit guarantee won't be enough. If our money was "bailed-in" to prop up banks, we'd be totally stuffed. It's worrying for older generations. So where do we put our life savings?

Good question! First up, let's remember that money in itself has no value. It is just something in which we have confidence, a medium of exchange. It certainly beats trading with sea shells or salt.

Some argue the government "promise" behind money is worthless, so they hold assets such as gold, which governments can't print.

But we have some of the strongest banks on the planet and a government history of strongly supporting them. Believers in bank failure can certainly hold gold as an alternative or, in the extreme, bury cash in the backyard, as some do.

Personally, a diversified portfolio works for me, with my liquid funds in the bank.

Paul Clitheroe

Q I'm a single woman who'll be 60 in July. I have about $88,000 in super and a $65,000 mortgage at 2.75%pa. I earn $66,500pa and am salary sacrificing $25 a week. I pay three times my required mortgage payment, so should I pull back a bit on that and put extra money into my super, particularly in the current market?

Including the Medicare levy you pay around 34.5% tax on your salary above $18,201. So you can take home 65.5 cents for each dollar you earn and pay down your mortgage. Or you can salary sacrifice. For each dollar you put into super, up to the maximum, you pay 15% tax, so you would have 85¢ in super. Now the question becomes 65.5¢ in the pocket or 85¢ in super?

Sure, paying down your mortgage is a secure option. It would depend on what super option you choose, and there is no certainty with your returns. But you would need to earn about 30% on your 65.5¢ to grow that to 85¢. This is your call, but I know what I would do ... top up super. Keeping 85¢ in the dollar is a pretty good start.

Paul Clitheroe

Q If I claim a tax deduction for working from home, will there be any capital gains tax implications?

Generally, if you sell your family home there is no capital gains tax. However, you can partly lose access to this exemption if you use your home to earn income. If you're working from home, however, you won't lose access to the main residence exemption and your family home will still be CGT free. This applies if your normal place of work is somewhere else and you choose to, or are forced to, work from home.

Your main residence

COMPILED BY DARREN SNYDER

answered

exemption could be impacted if you run a business from home or if your home is your normal place of work. If that's the case, you'll lose the CGT exemption on the part of your home used in your business or job.
Mark Chapman

Q I am involved in a three-person partnership (all actively involved in running the small business we own) operating under one ABN. We submit tax returns for the business as a whole and individual tax returns for each of us. We also each pay PAYG tax. I understand from the taxation office that only one JobKeeper payment of $1500 will be credited to our business account. How can we be paid as individual employees?

Many small businesses are eligible for JobKeeper on behalf of their owners. This includes sole traders, partnerships and businesses run through trusts. However, only one "eligible business participant" is able to get JobKeeper. So in the case of a partnership, only one partner can get the $1500 fortnightly payment. The various partners need to agree who that person will be. There is no obligation on the business to actually make the payment to that person. It can retain the money in the business, split it among the partners or pass on the whole payment to the selected partner.

To be paid as an employee, it is necessary to have been on the books as an employee at March 1, 2020. So it's too late for a business to reorganise its affairs to make partners into employees now. If they did that, the ATO could apply anti-avoidance rules, which would force the business to repay JobKeeper payments. In addition, penalties could apply.
Mark Chapman

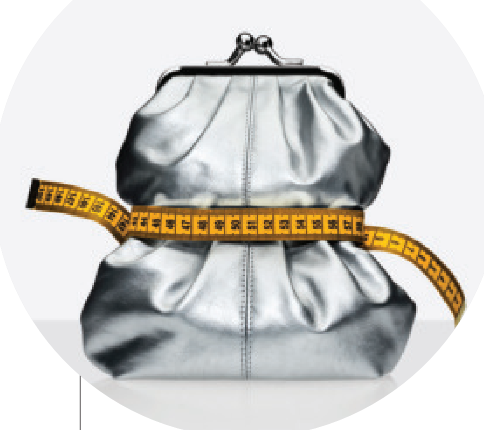
Q I have a self-managed super fund and want to know what my options and opportunities are for taking pensions this year and next, especially under the Covid-19 temporary reduction of the minimum drawdown requirements?

SMSF members now have the option of still taking your minimum required pension, or you can elect to take up to a 50% reduction for this year and the same reduction next year.

Even if you want the same amount of money it may be an opportunity to structure the payment to your advantage. You could take the reduced minimum pension and the rest of your required income as a lump sum payment, called a "commutation" from your fund.

Any lump sum will either be a debit against your accumulation balance or against your pension with the highest taxable component. This would reduce your transfer balance cap account balance and may allow you to move more funds into the tax-exempt pension phase. This would help make the most of any good returns in a market recovery. You should review your options as soon as possible as all decisions have to be prospective and documented.
Liam Shorte

Q Should I save my money or pay down my credit card?

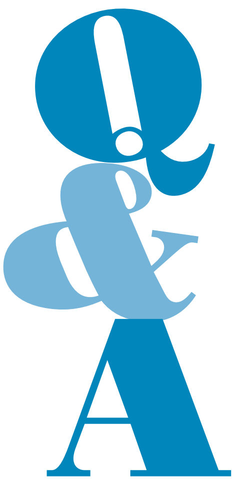


You should always make paying off a credit card your number one priority. Why? Because you are paying interest of 7% to 18% while the lenders are offering 0% to 1% on savings accounts.

Reduce your spending to a bare minimum over the next six to 12 months and make it a priority to pay off your debt. Once your debt is paid off, you will be able to save your repayments every month.

Keep going until you have saved at least six months' worth of living expenses. Everyone needs to learn to live on less than they earn, always. It is the only path to financial resilience.
Nicole Heales

Paul Clitheroe, *Money* founder and editorial adviser
Mark Chapman, director of tax communications at H&R Block
Liam Shorte, director and financial adviser, Verante Financial Planning
Nicole Heales, principal and financial adviser at Nicole Heales Financial



Rates are at an all-time low, but Victor is …

Trapped by a fixed-rate loan

Q Hi Paul. My family and I bought and moved to our new Gold Coast home in April 2018. Our mortgage is $585,000 and we have a five-year fixed-interest rate of 4.45%.

We decided to go with a fixed-rate loan, thinking on the safe side that if interest rates go up we would still be paying the same weekly repayments (around $671 a week). We both make extra repayments. My wife contributes $200 fortnightly while I contribute $75 weekly. I paid off my $10,000 car loan about three months ago so the only debt I have is our mortgage.

Two years later – and because of the current pandemic – interest rates have fallen everywhere (to a low rate of 2.27% on a three-year fixed term).

Thankfully, my wife and I are still working full time. We tried to negotiate with my lender but sadly they declined our request, informing us that under the contract we need to finish the term, which has three more years remaining.

My question is, will it still be worth making extra repayments even though our home loan fixed rate is still high? I am thinking of stopping our extra repayments and saving the money, and once we renew our loan term in three years and get a lower fixed rate, that will be the time to make extra repayments. When the term ends, is it also worth going with another fixed-rate term or switching to variable?

I am sorry to hear you are locked into the higher rate, Victor, but you did the right thing talking to your lender. Do check what the penalty is in your contract. It may be so high that it makes no sense to change, but bank contracts do vary.

What you also need to know is how your extra payments are treated. Is the extra money reducing the size of your loan and hence the amount of interest you pay? If so, it would be a no-brainer, as effectively earning 4.45% tax free on any savings or extra repayments would be great. Check with your bank.

Once you understand the conditions around extra repayments, you can make a call. But in a worst-case scenario, I agree, keep on saving so you can reduce the size of your mortgage in three years.

For about 40 years I have been advising people to avoid fixed-rate mortgages. I got this wrong in the late 1980s as interest rates soared, but since 1990 it has been a one-way street with falling rates. I suspect my preference in three years will be to go with the lowest-cost variable loan you can get. But as we sit here in the middle of a pandemic, I'm going to reserve judgement. But I'd love you to drop me a note in three years and we can revisit the issue.

NEED PAUL'S HELP?

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

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

Debra is concerned about a mortgage relief rumour, so ...

Contact the bank to get the truth

Q Hi Paul, I have heard a rumour that if you ask your bank for the six-month break from your mortgage because of Covid-19, and then you need further assistance down the track, this will not be available as you will already be considered "in default".

My young friend has recently purchased a unit; but he now finds himself unemployed and with no tenant. The six-month break seems a good idea, but now he is not so sure because of the rumour. What are your thoughts?

There are some cracking rumours going around, as is always the case when we are a bit on edge and uncertain.

The very best thing your young friend can do, Debra, is to go straight to the source and have a good discussion with the bank. All too often, a lender is the last person we talk to. At times I can understand this, but if we look at the bank's position, your friend has quite a bit of power. The bank does not want to foreclose on him at any stage. In this market, a mortgagee sale is likely to see the bank losing money. It would hate that.

In particular after their bashing at the royal commission, banks evicting people and selling them up would be a disaster for them during a pandemic. So I'd get him to set out all the facts, including his income from JobSeeker or JobKeeper if available to him, and have a conversation with his bank about the help available and what happens after the six months.

I am sure he will find that an open, co-operative attitude to the problem will give him the best chance of a positive outcome.

With an inheritance on the way, Margaret needs to know ...

How $210k windfall will affect the disability pension

Q I am 59 years old and receive the disability support pension while working part time. My mother recently passed away and an expected inheritance of $210,000 is pending. I have about $20,000 in super (before the coronavirus) and no savings. My major requirement is to continue the health support offered by the disability pension. Could you guide me as to how to invest the money, please?

The inheritance will be a great boost to your financial situation, Margaret. First, let's look at the impact on your pension. The $210,000 plus your $20,000 will not impact on your pension under the assets test whether you are single, in a relationship or a homeowner. It is below the limit.

Under the income test, again it depends on your single or partnered status and whether you are a homeowner. Here it gets a little more complex. Naturally, your part-time income may already impact your pension. With your inheritance, regardless of what you do, as of May 1, 2020, you will be deemed to be earning 0.25% on the first $51,800 and 2.25% on amounts above this if you are single.

As you can see there are quite a few variable here. This is quite a complex area and I really think you need some professional, personal advice. Centrelink can help you with the impact of the money on your pension, based on your personal circumstances.

With your money, it is important you invest it safely, but with a reasonable return. Check with your bank – it may have a special pensioner deeming rate account. Looking online, I can see a couple of good pensioner rates, with Suncorp at 1.8% and Ubank at 1.6%.

Depending upon your superannuation situation, adding some of this money to super may be worth considering. If you have super attached to your part-time work, that is a potential source of financial advice, as most funds have a service to assist members.

Your personal situation, investment objectives and the complexity of our pension system make a discussion with Centrelink and a personal adviser pretty essential.

With $10k to reduce his debts, it's better for Michael to ...

Pay down the tax-deductible loan first

Q Hi Paul. I borrowed $296,000 two years ago to buy my own home. After lots of extra repayments I have $111,000 remaining at an interest rate of 2.88% with $540 fortnightly repayments. Ignoring offset, this would effectively be repaid in nine years. I also have an investment property with $271,000 remaining over 27 years at 3.09%.

I have $10,000 to make a lump sum repayment on one loan. According to a loan calculator, the lump sum repayment on my home would save $2794 interest over the remaining life of the loan, but it would save $12,498 over the remaining life of the investment loan.

We often hear it's best to pay non-deductible debt first, but is that always the case? In this situation, would it make more sense to pay $10,000 off the investment property?

Good question, Michael, and I am very impressed that you have done a solid analysis. The key is here is the best result for you today. And this depends upon your tax rate. If you earn between $37,001 and $90,001, including the Medicare levy, you will pay 34.5% tax.

Your point about non-deductible debt is spot on. With your home, the 2.88% costs you 2.88%. But with the deductible interest on your investment property, your real rate is 3.09% less your tax rate.

So if you are in the most common tax bracket, the real cost to you of your investment loan is 3.09% minus 34.5%, meaning the investment loan is costing you about 2%.

This will differ if your income is higher or lower. Above $180,001, for example, you would pay some 48% in tax, making deductible debt even more attractive. So add one more number to your calculations: your tax rate. Then I'd suggest you pay off the more expensive loan. Either way, I'd pay this into an offset account, if possible, giving you access to your money.

Scott wants to start investing in shares, but ...

Don't bet it all on the banks

Q Paul, I am looking to start investing in the sharemarket for the first time. When buying bank shares, is it wise to buy into multiple banks or just one? It seems they all move together.

I am not so sure about that, Scott. The dividends have been cracking for decades, but if we go back to around the start of the year 2000, let's look at the big four banks: CBA was about $23, today $60; ANZ and Westpac were around $10, today $16; NAB has been not so good at around $25 two decades ago, today $16.

I do appreciate that as I write this in early April, the pandemic has not been kind to banks, but there is not much good news in front of them either, certainly in the short to medium term. The market prices the future, so you could argue that all the bad news is priced into the stock and I am very sure we will need a robust banking system as we move forward.

So I would not be unhappy about your idea to buy a bank stock or two, but as you are new to the market, I really would like you to do more research before investing.

We also have other great companies like Woolworths, Coles, CSL, Sonic, BHP and so on, where you could spread your risk. Investing in any one sector is more like taking your money to the dog races.

So my advice is to do more research, take a free online sharemarket course and look at the benefits of diversification. While I have no idea where the market will go in the coming months and year, we will recover and shares at these prices should have a good long-term future.

CASE STUDY

Raj

Out of work but keen to invest in shares

Hi Paul, I'm 51 years old and I have been subscribing to *Money* magazine for the past 11 years – I thoroughly enjoy it. I want to find out where I stand with my finances.

I have $50,000 left to pay on a loan for my house, which is valued at up to $1.3 million. I have just sold my business and am looking for work (I know, wrong time!).

My wife is 46 and earns $85,000 in the health sector. She contributes $200 weekly to our mortgage and another $200 to her super using salary sacrifice. My super balance is $58,000 (70% balanced and 30% shares), and my wife has $80,000 (76% growth and 24% conservative). Her weekly contribution goes into the conservative side.

We have one investment property, also worth $1.3 million (with a $950,000 loan that we're sharing with my brother and his wife). I have $85,000 in an offset account and am trying to invest in shares once I get a job again. What's my next step?

Raj

Well, Raj, I can only agree it is a tough time to be seeking work, but presumably a good time to have sold your business. I also think that having run and sold a successful business you have practical skills that are sorely needed in these tough times.

Thank you also for your kind words about *Money* magazine. We know we do not have a crystal ball, but we do our best to not get panicked by the stampeding crowds in a boom or a bust and to keep our commonsense approach. Speaking of commonsense, you and your wife have built a very good financial base. We clearly have a strong common belief that owning your home before retirement is a key strategy. Having a valuable home that is effectively paid off, as you have $50,000 left on your mortgage and $85,000 in your offset account, is a great achievement.

Sticking with property for the moment, your investment, shared with your brother and his wife, also makes sense. You have good equity in this property and I have no doubt you have chosen to buy in a strong growth location. Sure, its value if you had to sell would be down from its peak, but in the long term with a growing population a well-located property should be a good asset.

Super is the place I would like to see you work on next. Your wife is already topping up by $200 a week, an excellent decision. Her balance between growth and conservative is very personal and based on her view of investment risk. At 46, though, I do wonder if she might use the market downturn to move more towards growth. Your super portfolio is in effect a growth fund, but at 51 you are in super for the long haul and I do believe in history, which shows that a sensible level of risk does produce higher returns over the long term.

Paul's verdict:
When you get a job, top up your super
The lower tax rate will give you more money to invest

We are in agreement that the $85,000 in your offset account should stay there until you find a new job. It is an excellent safety buffer.

Once you find a new job, consider salary sacrifice as your first goal. Topping up super is such a powerful wealth-creation plan. Assuming your new job pays the average wage of $82,000, you would be getting around $8000 into super from your employer. If you topped that up to the maximum $25,000, you would be adding some $18,000 to your employer's contribution.

On your income of between $37000 and $90,000, including Medicare levy, you pay 34.5% tax. But salary sacrifice tops up your super with only 15% tax. So with that $18,000 you could have it in your pay packet. After tax this would be around $11,800. But put it into super and after the 15% tax you have $15,300 invested.

Here we do not need to be rocket scientists. You could use the $11,800 to buy shares or use the $15,300 in super to buy shares. Obviously, having the extra $3500 invested each year will give you more wealth at retirement.

With your $85,000 you could indeed buy a share portfolio in your own name, though I would suggest you keep some emergency money in the offset account. Prices are way off the peak and in the short term may get better or worse. This all depends on our recovery from Covid-19. But buying good shares and holding them for a decade or longer is a good plan, so I also support this idea.

These are strange times, but you are in a really solid position. So I think your plan to do what you are doing now, then once you get a new job to start topping up super and invest some of your offset balance into shares, makes a lot of sense.

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.

SMART SPENDING

Destination Armchair travels

As travelling vicariously is the only option available to us right now, this month *Money* editor-at-large **Julia Newbould** shares seven TV series that will allow you to indulge your fantasies.

1. The English Game (Netflix)
An original Netflix story about football and the beginnings of the FA Cup. This isn't just a mini-series for football fans; it's about class struggle, fairness and putting on a good game. It's set in the gorgeous Yorkshire Dales, houses and mining towns, including Saltaire, Broughton Hall and Skipton.

2. The Durrells (Foxtel Go)
This series is based on the books by Gerald Durrell (*My Family and Other Animals*) and set on the idyllic Greek island of Corfu before World War II. Set in a small village, surrounded by animals, glorious scenery and food, it really transports you back to what seems like a more innocent time – it would be wonderful to escape there now.

3. Killing Eve (ABC iview)
A contemporary spy drama set in Tuscany, London, Paris, Berlin, Bucharest and more. The thriller centres on Eve Polastri, an MI5 operative, and Villanelle, a deadly assassin. It follows them around these exotic locations as they play a game of cat-and-mouse. As well as the stunning locations, there's Villanelle's killer wardrobe.

4. Les Norton (ABC iview, Google Play, Amazon)
Closer to home and set in the 1970s, this is the story of Les Norton, a country boy who comes to Sydney to be picked up as a professional rugby league player. To make ends meet he starts working as a bouncer in a Kings Cross gambling den and thus becomes mixed up in the seedy underworld. It's a nostalgic trip back to an earlier Sydney.

5. Shetland (Netflix/Foxtel Go)
Set in the far-flung islands off the Scottish coast (and at the time of writing untouched by Covid-19), this series is a gritty police drama enacted with the laidback style and friendliness of a small community. It is framed by stunning countryside and water views. The location was voted *Lonely Planet's* Best in Europe 2019, and a visit through this smart series is as close as we're likely to get for some time. Five series have now been made.

6. My Brilliant Friend (Foxtel Go/Amazon Prime)
Based on the best-selling novels by Elena Ferrante, the Italian series perfectly captures Naples and surrounds starting in the 1950s. There are visits to the island of Ischia, which makes me regret going to Capri instead on my last visit. The town square, the tenement buildings, the beach – it's refreshing to see this region filmed so lovingly.

7. Unorthodox (Netflix)
The story of a woman who escapes her Jewish Orthodox life in Brooklyn and goes to Germany. This shows a different side of New York – one usually reserved for those of the faith – and Berlin in the 1980s. It's unusual travel, not for any glamour but for an insider's view. Worth the journey for some new insights.

Worldly view ... clockwise from top right, the Yorkshire Dales; a scene from *Unorthodox*; Detective Inspector Jimmy Perez from *Shetland; and* the Durrells.

DRIVING PASSION

Where to find the good EOFY deals

The new car business has taken a battering so far in 2020, especially over the past couple of months. However, the effect on Australian sales – about 30% lower in April than for the same time the previous year – is markedly less than in countries such as India and the UK, where retail lockdowns and business suspension saw almost total decimation of the market.

It was still pain that Aussie retailers didn't need after more than a year of consecutive monthly declines, so there will be new car deals to be had as the end of the financial year approaches.

The biggest change this year is to the instant asset write-off threshold, which has jumped from $30,000 to $150,000. However, there's a big caveat around that, with many experts believing that the luxury car tax threshold of $67,525, or $75,526 for vehicles that use less than 7 litres of fuel per 100km, is the most feasible application of the new legislation, which applies until June 30, 2020.

TIM ROBSON, WHICHCAR.COM.AU

$59,990
Mini Electric hatch

Finally arriving here after two years on sale overseas, Mini's take on the electric car is relatively low cost for a bit less range. It will take $59,990 to drive it away initially, which gets you a healthy 135kW of power and 233km of claimed battery range in a three-door hatch you'd struggle to pick was an EV.

Pros: Looks like a normal car; negligible fuel bill.

Cons: Recharging network in Australia still in its infancy.

mini.com.au

$52,650
Jeep Cherokee S-Limited

Jeep has essentially relaunched its mid-sized Cherokee SUV with less polarising looks and a streamlined line-up. New to the range is the S-Limited, with all-wheel-drive and a V6 engine, which is unusual for the category. It also sports a transferable five-year warranty.

Pros: Genuine off-road ability; good warranty.

Cons: Smaller dealer base; reliability question marks linger.

jeep.com.au

$65,990
Skoda Kodiaq RS

Skoda buyers are reportedly pragmatic individuals – and if that's true, they'll love the quirky Kodiaq RS (pictured). It's diesel powered but with a performance edge, and it can carry seven in comfort. Though the RS badge sits a little awkwardly for me and it's not cheap, it's still a good-looking, clever and economical people hauler.

Pros: Genuine handling chops; great fuel economy.

Cons: Not cheap.

skoda.com.au

EXTRAVAGANCE

Futuristic fire

You can have a bit of fun with the stylish Igloo bio-ethanol fireplace: place it in front of a window or feature wall and watch the glass fire box "disappear", making the flames the star of the show. It's kind to the planet, too, thanks to its carbon-neutral fuel source.

Where: mad-australia.com/product/igloo-bk5/
How much: Starts at $3995

WINE SPOTLIGHT

2018 Taylor's 'The Hotelier' Shiraz $18

What a good way to celebrate the family's beginnings – with a bright, modern, medium-bodied shiraz from South Australia's Wrattonbully. This has lively blackberry perfumes and vibrant, juicy mulberry and dark cherry flavours. It is very smooth and easy drinking now, yet with depth.

SPLURGE

2017 Credaro '1000 Crowns' Cabernet Sauvignon $85

Cesar Credaro paid 1000 crowns in 1922 to purchase his original Margaret River holding and this label celebrates the family and its story. The 2017 cabernet has a wonderful intensity, is fine and elegant with subtle mulberry aromatics and spicy blackcurrant flavours that are rich, powerful and concentrated. It is medium bodied with pleasing length. Cellar worthy.

PETER FORRESTAL

SMART SPENDING

SMART TECH

Smartphones that hit the sweet spot

It's hard to understate how powerful and advanced the most cutting-edge smartphones are today. What once were basic handsets with terrible cameras and a copy of Snake have been replaced by devices as fast and feature-packed as full-size PCs, with cameras so good the compact camera market is on its last legs.

Of course, you pay a price for all that innovation. Flagships from the likes of Apple and Samsung hover around $2000 (and even higher), raising the question: do you really need all those best-in-class bells and whistles? For most of us, no.

The best value in smartphones isn't at the pointy end of the premium market, but in the mid-range, where slightly less powerful tech can be snapped up for a fraction of a flagship's price. Android devices often cater to this segment; Apple rarely does, although its just-released new iPhone SE bucks the trend, making a compelling case for why mid-range phones are the value sweet spot. Google and Samsung have some affordable alternatives you might also do well to consider.

PETER DOCKRILL

What is it? Apple iPhone SE
How much? From $749
Pros: The second "Special Edition" iPhone (pictured) seems a contradiction: it's the cheapest iPhone but has the same cutting-edge processor as the iPhone 11/11 Pro, which cost several hundred dollars more. That means great performance (and a future-proofed device) on a budget, if you're happy with a slightly dated design and some modest sacrifices.
Cons: Smaller and less dazzling display; single-lens rear camera; no face ID. But an iPhone bargain.
apple.com/au

What is it? Google Pixel 4a
How much? TBC (expect about $649)
Pros: At time of writing, the Pixel 4a still hadn't been officially confirmed, but a series of leaks reveal the phone should be available by early June. The Pixel "a" models are Google's budget-friendly versions of its premium Pixel line. This time pundits expect a Snapdragon 730, 6GB RAM, 5.8-inch display, 12.2MP rear camera and 64GB storage.
Cons: None, but looks like there might not be a Pixel 4a XL this year.
store.google.com

What is it? Samsung Galaxy A20
How much? From $279, but shop around
Pros: If you're happier with an older, cheaper phone that now represents the low end of mid-range, you could do a lot worse than the Galaxy A20. For $1000 less than some of Samsung's other Galaxies, you still get a huge 6.4-inch display, dual rear cameras, eight-core processor and hefty 4000 mAh battery. Not all that long ago, a top-end spec.
Cons: Only 32GB on-board storage, but expandable.
samsung.com/au

GIVE IT UP

Bowel Cancer Australia

What is it? Bowel Cancer Australia dedicates itself to community awareness and the prevention of our country's second deadliest cancer. Bowel cancer claims the lives of 103 Australians every week and more than 15,600 are diagnosed every year, yet it's one of the most treatable cancers if found early.

Where your money goes: The community-funded charity runs campaigns such as Bowel Cancer Awareness Month (June) and the pharmacy-based BowelScreen Australia program. It also supports patients with its own nurses and nutritionist, peer support program, academic research as well as other patient resources.

How to donate: Go to bowelcancer-australia.org/donate or phone 1800 555 494. Donations are also accepted via post if you download a form and return it to: Bowel Cancer Australia, Level 2, 65 Walker Street, North Sydney, NSW, 2060. You can fax the downloaded form to: (02) 9923 8290 or email it to info@bowelcanceraustralia.org. Donations can also be made at any Westpac branch. DARREN SNYDER

WEBFIND

thinkeatsave.org

Think of this website as a try-before-you-buy experience for homeware purchases online. The site is heavily focused on kitchenware reviews, but there are other assessments on cleaning products. You can compare prices with the website's Amazon plugin. However, the plugin doesn't always list products in the order they're scored.

DARREN SNYDER

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BEAT THE BUDGET BLUES

How to manage your cash flow during Covid-19

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OVERVIEW

DARREN SNYDER

As this issue hits newsstands in June, Australian states and territories will be working through their plans to help us navigate our post-pandemic life. While we can't predict what the new normal will look like in its entirety, we can be certain there will be short-term and long-term financial pain for millions of Australians.

The immediate economic impacts are there for all to see. Look beyond the billions of dollars in government support and already there's a clear picture of how Aussies are faring with their finances.

Between the start of the pandemic in Australia in late January and the first week of May, at least 643,000 loans had deferred repayments, totalling about $200 billion. According to the Australian Banking Association, more than 392,000 of these were home loans, so it tells us that homeowners are feeling the pinch.

The Australian Bureau of Statistics (ABS) says a third (31%) of households reported their finances had worsened between mid-March and mid-April, while 14% reported an improvement. And compared with the ABS's 2017-18 National Health Survey, "almost twice as many adults reported feelings associated with anxiety, such as nervousness or restlessness" during the four-week period.

But among the gloomy statistics, there are some shining lights too. A separate ABS survey says 81% of Australians believe they could raise $2000 for something important within a week.

Then there are the stats that tell us Aussies are conscious about their financial problems and are taking steps to address them before major trouble strikes.

Research from comparison service Compare the Market says about two-thirds (64%) of Australian households experiencing reduced income as a result of the pandemic will stop or restrict their credit card use. And more than three-quarters (77%) of this cohort will draw on their savings.

No matter which way you slice and dice the good and not-so-good figures, it's clear the pandemic will force us rethink our finances and in many ways it will change the way we manage our household and business budgets.

In March we gave you the plan to restart your finances if you lost everything after the bushfires, drought and floods; in April we gave you the plan to grow your wealth when you can afford to do so; and in May we gave you the immediate ways to financially survive Covid-19.

Now we're giving you the new budgeting rule book to steer you through the recovery and beyond.

CREDIT CARD SUPPORT FROM THE BIG FOUR BANKS	
BANK	**WHAT THEY ARE OFFERING**
Commonwealth	• Will refund late fees and interest charges for March if minimum repayments have been missed.
Westpac and St George	A three-month credit card support package that includes: • No repayments, charges or interest on existing amounts owing on the card for three months. • No charges or interest on new card purchases or cash advances.
ANZ	• Financial hardship assistance on a case-by-case basis for those who can't make repayments. • Assistance to transfer to a card with lower interest rates, decrease credit limits or set up direct payments to help manage credit cards.
NAB	• Will reduce minimum monthly repayments to either 0.5% of closing balance or $5 (whichever is greater) until at least July 24, 2020. • Will waive late payment fees for at least the next three months. • Will reduce the interest rate on NAB Low Rate Classic Cards to 12.99%pa.

Source: Comparethemarket.com.au at May 12,2020

THE NEW NORMAL

To balance your income against your expenses is the first rule of budgets. Write down what money you have and what money you're expecting to come in; then write down what money you owe and who you owe it to. It sounds simple enough, yet several studies show Australians fail to budget.

Nobby Kleinman, money mentor and author of *Money Rules*, says during his 30 or so years working in personal finance, Aussies have always known how to create budgets. They know to spend less than they earn and to pay the highest-interest debt first – but they don't always know how to go about it. And it's where the best-laid plans come undone.

He says budgets fail when you only concentrate on the piece of paper in front of you. "People think budgets are only money in and money out, and if that's all it is then they're not giving up their glass of wine on a Friday night."

But budgets are so much more nowadays. And it's time to remove the stigma that budgets mean you have to lose significant parts of your lifestyle.

A common conversation Kleinman has with couples and families includes reducing their monthly expenses. Instead of spending $100 each week on takeaway meals delivered to your home, why don't you spend $150 one night a month and make it a date night?

"We've just saved them $250 a month or $3000 a year," says Kleinman. "You don't have to cut going out for a meal. You don't have to cut out spending on clothing. Whatever it is you enjoy, you keep doing. But if you're prepared to make [lifestyle] changes, think about what impact it will have."

Serina Bird, money blogger and proud "frugalista", wrote on *Money's* website in April that she believes a frugal lifestyle is the new normal. She says her frugal lifestyle choices – such as baking at home, cycling and playing games with her family at home – have been embedded for years and proven fruitful during the pandemic as frugality enjoys a renaissance.

Matt Morrison, author of *Freedom, Lifestyle & Legacy* and financial adviser at The Practice, says the frugally natured are in many ways better positioned as we rebound from the pandemic because they're making better decisions about what's necessary from an expenses point of view. "And if they maintain that simpler lifestyle, they might have greater savings ability when we're out of this current situation."

CLEAR THE BUDGET CLOUDS

Finn Kelly, financial adviser at Wealth Enhancers, says there's more to be gained by having a friend or an adviser look over your budget line by line. This can include checking bank and credit card statements too because there will be expenses you've forgotten or overlooked.

"Straightaway you can identify some easy wins," says Kelly. "We're in a subscription world these days and when times are good we just rack the subscriptions up and then suddenly we realise, 'Oh, I didn't even know I was paying that anymore' or 'Wow, that's a really big phone bill and I saw an ad on TV the other day that's offering an unlimited package for $30'."

He says an independent person looking over your budget can be a great way to also have proper conversations about where your money is going. They're likely to tell you you're paying way too much for a certain product or service. Once you have that clarity, you have to draw a line in the sand on your expenses, says Kelly.

The line becomes even more important for the millions of people living payday to payday. Kleinman says the pandemic has also shown how close people have lived to the poverty line and the full effects of financial trouble won't be felt for at least another three months as gov-

ernment support winds down and loan deferments lift.

Morrison says studies have shown that more than 80% of people spend everything they earn and 9% spend more than they earn through credit cards and personal loans. Now the pay has stopped and quarterly bills are about to arrive, there are people who are going to need a plan B ... and fast. (See table, left).

He says the quarterly, half-yearly or annual bills are the ones that often derail the best laid plans.

"You think you've got your cash flow under control and all of a sudden you've forgotten this annual bill," says Morrison. "I do encourage people to think in terms of their monthly cash flow. Most financially successful people really think in terms of monthly expenses and monthly cash flow. They certainly have a longer-term view, but they break it down to monthly instead of weekly and fortnightly expenses."

His tactic to make this work involves liaising with your utility providers (or whoever you pay bills to) and making monthly payments through direct debit. He says this evens out expenses over time rather than getting hit every few months with bigger bills that could eat into your savings. It also saves checking up on bills weekly or fortnightly.

Kelly prefers a weekly budgeting method – and if you become even more in tune with your finances, you can break them down into daily micro-budgets.

He still likes the idea of having three accounts (or buckets) where your income is divided into savings, investments and personal spending. However, he feels a month can be too long if you're really trying to get on top of your finances.

"The damage is already done within a month. One bad month and you can wipe out your savings," he says.

Collectively the advisers say that budgets are more about placing positive constraints on your lifestyle and empowering you to take control of your money. Budgeting

Growing credit card debt adds to the burden

The chief executive of a financial wellbeing app says he's worried that Covid-19 has created the perfect storm for Australians to increase their debt levels through an increased use of credit cards.

Andrew Fleming, of Financial Mindfulness, says the federal government's medical advice to "tap and pay where possible" will drive people away from using cash and towards their personal credit cards, increasing already high interest rate debt.

"There is almost one credit card for every adult Australian. In January 2020, just before the crisis, there was $42.6 billion owing on credit cards with $28.4 billion accruing interest. This situation, with lower incomes and increased use of cards, is a perfect storm for millions of Australians to deepen the financial holes they were already in."

Commonwealth Bank says credit card usage increased 21% month on month from February to March 2020 as the pandemic hit its peak. This comes on top of PIN limits for contactless card payments being temporarily increased from $100 to $200 to reduce the need for physical contact with payment terminals in retail stores.

Fleming says the Financial Mindfulness app can assist people to develop sound credit card management skills, as well as managing bill payments, mortgages, unexpected expenses and stress.

It's a timely tool given households are feeling insecure about their finances. A survey of more than 1000 Australians by Compare the Market says that of the 45% of households whose incomes are impacted by the coronavirus, four in five would be either freeing up or accessing cash by deferring mortgage or personal loan repayments, withdrawing funds from their super, breaking a term deposit, drawing on their savings or using a credit card less.

gives you more financial freedom because you know where you're money's going and it's not being wasted.

PUT YOUR BUDGET TO WORK

Nobby Kleinman says if you've put every dollar to work in your budget and there's no more income on the horizon, then it's time to start thinking about alternative sources of income.

He asks clients what they know from the training, education or experiences they've had over the years. He then asks whether the client can create a course that teaches other people and whether they could sell it.

"Even if it's producing $20 a day you start adding that back into your budget and you can see what it'll look like," says Kleinman. "You could work more hours and get another job or create ebooks – do something where you can charge people for your knowledge and ask yourself what that would be worth."

He says people often work tirelessly just to maintain an income, but this doesn't mean you can't find other streams of income in your regular job – and employers would generally be grateful.

Matt Morrison says the temporary shutdown of businesses has forced several of them to finally go online or accelerate other projects that had only just started or were hanging on to be completed.

Financial adviser Kelly says he has seen people with corporate skills share their knowledge and expertise with others who have different skill sets, and vice versa.

He sees the post-pandemic period as a time for the mini entrepreneur. "You need to learn these skills right now because, unfortunately, bigger companies won't necessarily bring back a lot of people."

TOUGH FOR BUSINESSES

Tristan Scifo, financial adviser at Purpose Advisory, says he saw a lot of sole traders who were strapped for cash and mostly living payday to payday during the peak of the pandemic.

While sole traders can be eligible for the JobKeeper payment, Scifo says it's still a big financial stretch for many business people. "A lot of them have moved house or moved back home; they have done what they need to do to make their budget work. And they wouldn't be spending much," he says.

Among small businesses, Scifo says it wouldn't be uncommon to see a scenario where an owner who manages a team of five to 10 people has been running the business threadbare – say with a $10,000 credit card overdraft.

"They haven't been able to pay their employees in order for them to get the JobKeeper because you were supposed to have paid wages by a certain date [and then the ATO pays in arrears]," says Scifo. "Some businesses

that only get enough income to pay their staff wages haven't taken up JobKeeper because they didn't have the cash flow to make it work."

He says other businesses might be doing okay for the time being but they'll find the next few months really tough. Once they've paid their staff (who, while receiving JobKeeper, might be earning more than they usually do), the money collected from the ATO in arrears might be used to pay for other debts and expenses, creating a cycle where it's hard to level the balance sheet again.

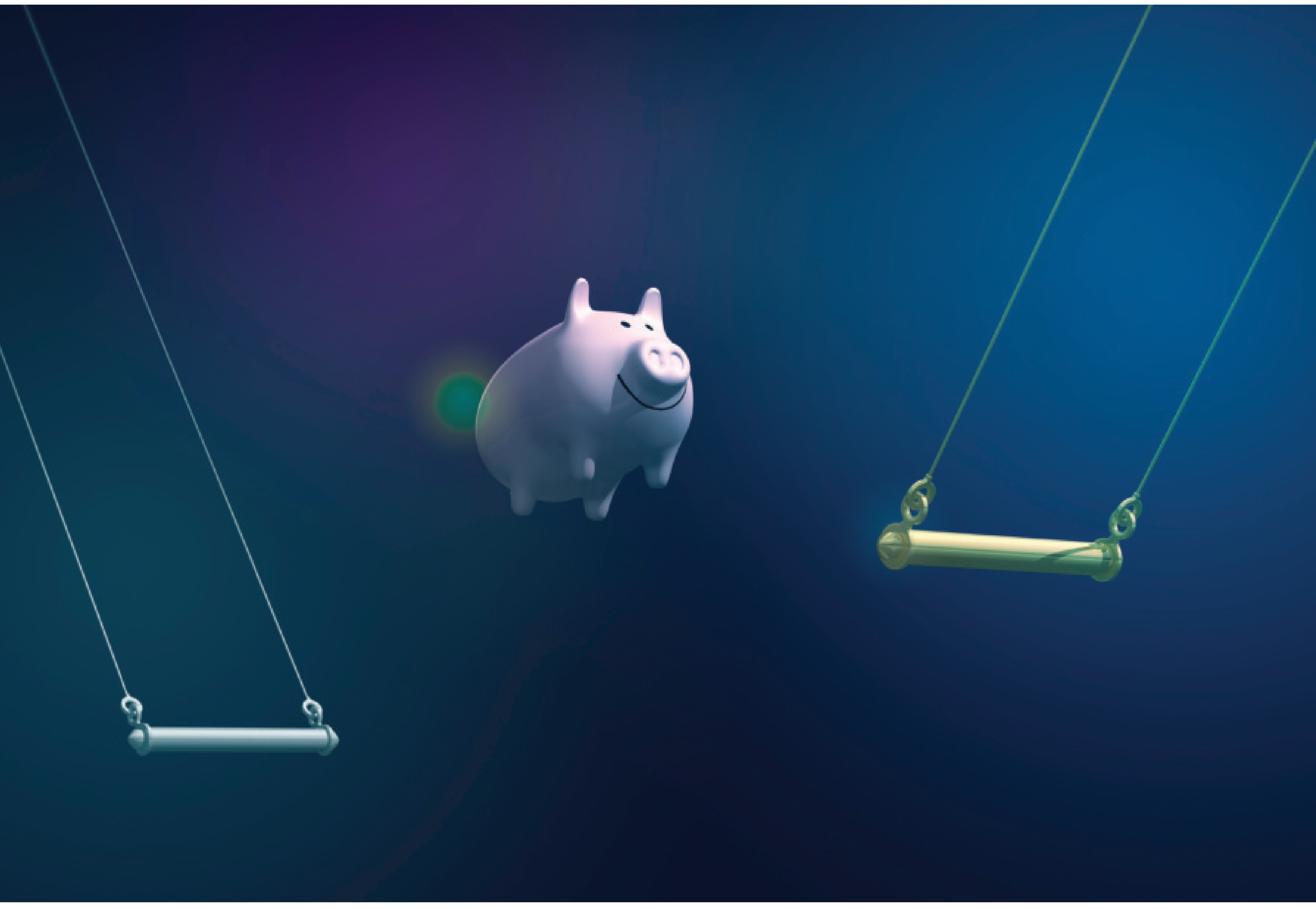
In the business world, owners like to plan and budget well in advance, says Finn Kelly. However, these same plans and budgets have "just gone rapidly short" and "if you don't make some short-term pivots right now, you might not have a business in three to six months".

"Cash is king and the most important thing right now for small businesses," he says. "The first thing I'd be looking at is whether you're owed any money. If you are owed money, you need to do everything you can to get it and the best way to do that is ask for it – call people and ask. Generally most people will act on it straightaway."

Both Kelly and Morrison say it's here that there are close similarities between personal and business budgets.

Morrison says he finds that small businesses are generally running some form of budget but there will definitely be some that didn't realise how crucial it was until now.

He says if a business was to readjust its budget, it should treat it like a personal budget. "Look at what



commitments or financial obligations you have with the bank, whether it's mortgages, car leases or car loans and really explore all options."

He says businesses that don't have a cash buffer but survive the pandemic and tougher economic times will look to have savings in the future.

Kelly says after making sure money owed to the business is on its way, the next thing he would do is look at all expenses, line by line. "Businesses are worse than individuals – there are so many different technology subscriptions and they creep up."

You need to stop and ask whether certain expenses are really contributing to the business's revenue growth. If they aren't, cut them – although cutting costs can only carry you so far.

He suggests providing your staff with regular updates of how the business is faring with its cash position because this way everyone can work together and pinpoint areas where improvements are possible, including revenue streams.

"Then [business owners] need to think again, 'How do I get more revenue? How can I add more value?' Create a pivot and go 180," says Kelly.

Money magazine has been running a series of articles online that look at businesses that have changed course during Covid-19. The series, *Making It Work,* has covered businesses that now do drive-through weddings or live-streaming of funerals, restaurants turned grocers and even an opera singer who became an online physics teacher.

JOBKEEPER BUDGET MANAGEABLE

Between March 14 and April 18, the ABS says the number of available jobs across the nation decreased 7.5% while total wages paid by employers decreased 8.2%. Industries that lost the most jobs in that time were accommodation and food services (down 33.4%), followed by the arts and recreation (27%).

Undoubtedly, these workers would have been among the 587,600 (as at May 6) who applied for the JobSeeker payment of $550 a week and among the 850,000 employers that applied for the $670 (after tax) JobKeeper payment.

The good news is that if your only source of income over the next four months is JobSeeker or JobKeeper (they last until September), then there are ways to successfully manage your budget.

Tristan Scifo, financial adviser at Purpose Advisory, says his dad – a taxi driver aged 76 – is likely to be receiving the JobKeeper payment for six months and they've already had discussions about how to manage the income. After tax he'll receive more than $17,000 over six months, and it presents an opportunity to save money for whatever might come his way.

Let's say Tristan's dad splits his fortnightly JobKeeper payment ($1340 after tax) into three buckets: rent ($600), savings ($370) and everyday expenses ($370). Over six months he could potentially save more than $4800. What's not factored into this budget is the age pension or other Centrelink payments. If you receive the JobKeeper payment, you must report it as part of your income to Centrelink.

Helen Baker, financial adviser at On Your Own Two Feet, says $1340 is tough to live off every fortnight but it's workable provided you make the necessary calls to your bank, landlord, insurer and utility provider to reduce or defer payments.

She's created a budget guide for individuals on both the JobSeeker and JobKeeper payments (see tables), but this relies on you negotiating lower rent or deferring your mortgage payments or other debt payments.

"Those who use this guide will also need to almost eliminate non-essential spending," says Baker. "The budget caters for a healthy, single person without large ongoing expenses or in need of ongoing medical support."

Financial experts agree you can live off these funds and manage your finances until you return to earning your regular income. Otherwise, it's not necessarily sustainable in the longer term as you're likely to want to return to your previous lifestyle.

Harry Goldberg, financial adviser at Purpose Advisory, says Australia is in a fortunate position to have its federal government willing to provide a solid social security system and increased financial support during the pandemic. However, he says relying on the government or family and friends to get you through the next crisis really shouldn't be your preferred method of survival.

Finn Kelly says if your employment was intact before Covid-19 but you're now a recipient of either JobSeeker or JobKeeper, there are a few questions you should ask yourself before revising a budget.

After you've established your essential needs, you must ask whether your income (including JobSeeker or JobKeeper) will cover you for the weeks and months ahead. If so, great, but if it doesn't then you need to ask "How long is it until I'm in trouble?"

JOBSEEKER BUDGET GUIDE

EXPENSE	BUDGET FOR JOBSEEKER RECIPIENTS ($550PW)
Rent	$200 per week
Electricity	$150 per quarter ($12pw)
Internet and mobile phone	$105 per month ($25pw)
Supermarket items and produce	$150pw
Cosmetics and toiletries	$7pw
Hairdresser	$0
Car (includes petrol, parking & tolls)	$50-$65pw
Public transport	$40pm ($6pw)
Streaming subscriptions	$24pm ($6pw)
Alcohol	$30pw
Eating out	$10pw

Source: Helen Baker, money.com.au/emergency-budgeting-guide

JOBKEEPER BUDGET GUIDE

EXPENSE	BUDGET FOR JOBKEEPER RECIPIENTS ($670PW)
Rent	$300 per week
Electricity	$200 per quarter ($15pw)
Internet and mobile phone	$105 per month ($25pw)
Supermarket items and produce	$140pw
Cosmetics and toiletries	$7pw
Hairdresser	$75pq ($7pw)
Car (includes petrol, parking & tolls)	$50-$65pw
Public transport	$40pm ($6pw)
Streaming subscriptions	$24pm ($6pw)
Alcohol	$20pw
Eating out	$20pw

Source: Helen Baker, money.com.au/emergency-budgeting-guide

BUDGET TO INVEST

A lot of the time financial disasters occur when you don't have money accessible for an emergency right there and then, says Kelly. On the flip side, he's seen people with the smallest pay cheque manage to have savings accounts because they use the right proportions with their expenses.

He says it's okay to use your savings when times are tough, but it should be for your needs only. Depending on how much you've saved, you could potentially pay for something that's nice to have and not necessarily needed at this time. But there's a strong caveat: you would need a decent forecast of when you're going to earn money again. And there's no way you should be paying for luxuries right now.

"You're literally sabotaging yourself if you're using any money on luxuries at this point. It's almost selfish and self-entitled as well because eventually you're going to be in need of someone else's financial help, whether it's the government, a friend or family," says Kelly.

He and other experts share a view that if there's any room to save money right now, this is the time to be doing it.

"I know there are a lot of people with their incomes going down, but there's also a lot of people with an opportunity to cut their expenses and build that emergency account or that 'get out of jail' account," says Kelly. "If you are lucky enough to have work right now, I'd be cutting heavily from your expenditure just in case and create a buffer so you have levers to move if things worsen or go wrong."

He says it's important to keep in mind that after September there are likely to be fewer government benefits available.

Tristan Scifo says once you've worked out your non-negotiable essentials, whatever remains in your budget should be split – pay yourself first and then have something left to invest for your future. Typically about 20% of your income is put away for long-term savings, but when tougher times hit this may not be achievable and you can lower the percentage.

To make sure you don't break your budget rules or tap into your savings, different accounts with different banks can make this work. You could even invest with micro-investing or robo-investing platforms such as Raiz, Spaceship, Stockspot and Six Park.

Let's say you have $300 left over from your budget - $100 could be transferred into a savings buffer or emergency fund, $100 into a longer-term investment (not super), then $100 into super. Nobby Kleinman says even if you put $50 of your salary every week into super, you'll adjust your lifestyle according to what's left and you'll be thankful in retirement.

"Everyone should be investing, regardless of your

situation. It's a powerful act to invest. It feels like you're now taking action to achieve your vision," says Kelly. "This is different from savings. Savings are great but the problem is they're too accessible and we naturally have a limiting belief on what's big or great when it comes to savings – for someone it might be $5000, for someone else it might be $100,000.

"And when you hit your savings cap you won't save any more. It's why people carry a certain amount of credit card debt as well. They get comfortable thinking that $10,000 in debt is okay and even when they're earning five times more they're still okay with it." *M*

5 budgeting apps to help you

MoneyBrilliant
Pocketbook
Moneytree
Goodbudget
Finder

7 ways to reduce your spending during Covid-19

Rent Speak to your landlord about decreasing your rent. If you've been a good tenant, this puts you in a better position. If you're a tradesperson, see if you can offer your services in exchange for lower rent. Your landlord might be better off decreasing your rent for the next few months and have the stability of someone paying, rather than risk finding a new tenant and having a potentially vacant property for an indefinite time.

Energy There are energy providers that offer pay-on-time discounts, so make sure you pay the bill on or before the due date. Do your homework and see what assistant schemes are available. For example, residents in NSW could be eligible for a one-time payment through the Energy Accounts Payment Assistance (EAPA) scheme.

Internet If you're paying for your internet and mobile phone separately, find out whether you can combine these into a bundle. You may be able to get a discount for being loyal to your provider and having multiple products with them.

Groceries Buy fresh produce at the supermarket and get takeaway once a month at most. It's always cheaper to buy groceries and make it stretch across multiple meals, even if the cheapest pre-packed meal costs you $8. Three pre-packaged meals a day at $8 each, seven days a week, costs $168 and will blow your $150 budget.

Car If you no longer need to drive, the estimated $200 a month you save could be put towards other expenses. Also consider whether you can push any car services or other maintenance out for three to six months.

Public transport If you're living on either the JobSeeker or JobKeeper payment, try not to spend more than $40 a week on train and bus fares. This may not be possible if you're commuting to work daily but if your hours have been reduced, you're likely to travel less and that's more money in your back pocket.

Streaming subscriptions Once you've watched everything you want to on one subscription, cancel it then sign up to the next one. Most platforms also offer a free trial, or you may be able to find a promo code online, so look at ways to cut back.

Source: Helen Baker, On Your Own Two Feet

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Stake your claim

STORY JULIA NEWBOULD

Every dollar counts, so make sure you are fully compensated for having to work from home

The tax office will receive a barrage of tax claims from July 1, as people experiencing financial stress try to get refunds as soon as possible.

Refunds may be higher this year, thanks to the new working-from-home deductions, and if you've lost work or income you may get a refund from the higher tax paid during the early part of the financial year.

The new deduction for people working from home is set at 80c an hour. You need to keep a record of hours worked but no further documentation, such as receipts.

Mark Chapman, H&R Block tax specialist, says that as a general rule people will get the highest deductions if they can claim actual costs such as phone, internet, heating, cleaning and depreciation. However, these are the hardest to work out so the 80c rule makes a great deal of sense.

"It isn't necessarily going to give people the biggest refund, but it is easy to claim. You simply need to record all your working hours from home in a diary, but you don't have to do anything beyond that. That then covers all your home-related expenses, including your mobile phone, internet, etc."

However, if you have a large mobile phone or internet bill and other expenses, it may be worthwhile collating any receipts, credit card statements or proof of expenditure. "If you don't have receipts you can't make the claim," he says.

Fight for every dollar

Adrian Raftery, principal at Mr Taxman, recommends keeping receipts for all expenses incurred while running your home office.

"Keep a diary or a spreadsheet of the amount of time that you are using your home for work purposes," he says. "Record a summary of the number of landline and mobile calls you make as well as the text messages that are work-related.

"A good idea is to keep a logbook, for at least a month, of your phone and internet usage, and give all this to your tax agent at year end and let them weave their magic to determine the maximum claim."

Raftery doesn't think the 80c per hour shortcut is adequate. Across 18 weeks at 40 hours a week that is just $576. "I would be almost certain that if you add up the work-related portion of your home internet, phone calls, electricity (especially in the cooler months), stationery, printer cartridges and other computer consumables and new equipment that you have purchased, such as webcams for Zoom meetings and headphones to keep the noise down, it would be more," he says.

"Even new desks and chairs are being purchased because people are complaining of sore backs from working too much at the dining room table.

"Just as you have two methods to claim car expenses (68c per kilometre versus a logbook), there will be some large differentials between the three methods to claim home office expenses.

"I really think the 80c an hour will be the lazy method and there will be plenty of legitimate deductions left off tax returns for those who will be lazy with their record-keeping."

Raftery estimates the deductions for working at home could add up to $1500. "I know that if I saw $20 on the ground I would fight you for it, so why not claim what you are legally entitled to? Every dollar counts right now."

When working from home, you can claim lighting, heating and cooling, cleaning, depreciation of furnishings, repairs to equipment, and other running expenses such as computer consumables and stationery.

Before the new allowance, the standard fixed rate for deductions was 52c an hour (heating, cooling, lighting, cleaning and depreciation), and you would still work out phone and internet usage, computer consumables and stationery and the decline in value on your computer. This is still available and people can work out which method best covers their expenses.

Unless your home is a genuine place of business, then you cannot claim for rent or mortgage interest, rates or insurance.

The ATO has a fact sheet available at ato.gov.au/workingfromhome.

Chance to catch up

Mariana von-Lucken, tax partner at HLB Mann Judd, says the ATO understands that people may not have met their tax obligations as a result of stress brought on by Covid-19.

"Don't stress over delays – there's been a deferral of the 2019 income tax return lodgement due date until

June 5 (if you're using a registered tax agent), and as a result of having a deferred tax return date, the commissioner may apply his discretion and allow these taxpayers the ability to access the JobKeeper payment," says von-Lucken.

"For taxpayers who haven't yet lodged their tax return, I'd recommend they do so. If they don't have the funds available to pay their tax liability, they can contact the ATO to request that the payment date be deferred or ask to enter into a payment arrangement."

In addition, von-Lucken says that if interest and penalties have accrued on your tax liability, the ATO may remit the charges incurred on or after January 23, 2020.

However, other charges you owe can only be deferred, but von-Lucken says this gives taxpayers the opportunity to catch up on their liabilities with no additional charges.

"Taxpayers may be thinking, I've got tax and other bills to pay and I know my tax won't go away, but maybe I can deal with it when the crisis is over," she says.

The ability to reduce the PAYG income tax instalment (through the cash flow boost scheme) is targeted at sole traders and SMEs and can be done through the ATO's business portal or the MyGov website when you lodge your activity statement. Alternatively, tax agents will be able to assist with this.

"It's a reality that many sole traders and small businesses have suffered financially from March, and possibly earlier. As a result the ATO is also allowing them to vary their income tax instalments to nil for the March and June 2020 quarters, and depending on the business's estimated tax liability for the current financial year, the ATO may refund any instalments paid in the September and December 2019 quarters," says von-Lucken.

Deals for small business

There are several tax areas where small business can benefit before the end of the financial year.

There is a $150,000 instant asset write-off ($164,000 including GST), which is generous if your business has been going well, says Raftery.

"But don't spend purely for the tax deduction because you're only getting 27.5% back on the original outlay – that is, saving $41,250 in income tax on an outlay of $150,000," he says.

Again, if the business is doing well, Raftery suggests contributing the maximum $25,000 into super for each business owner.

However, he acknowledges that for most SMEs it's a matter of survival right now and they should apply for the JobKeeper subsidy and complete their business activity statements in a timely manner to get the cash flow boost grant.

"Small businesses should look at scrapping obsolete stock as well as writing off bad debts before June 30 to get a tax deduction for it this year," he says. "If you operate via a family trust, ensure that the family trust resolution for intended income resolutions is written up before June 30.

"If there are any private loans, ensure that the appropriate principal and interest repayments are made by June 30, otherwise the ATO could enforce Division 7A and make the balance an unfranked dividend, leading to potential double taxation."

Raftery also highlights the company tax rate falling from 27.5% to 26% from July 1. "Businesses may consider deferring income until 2020-21 and bringing forward expenses in 2019-20. Saving 1.5% may not be much, but margins are tight and every bit helps," he says. *M*

How super is affected

If you are considering withdrawing funds from your superannuation (a limit of $10,000 applies this financial year), HLB Mann Judd's Mariana von-Lucken suggests thinking about how long it took to build up your balance.

"If it took no time to build it, then it will likely not take much time to build it up again. But if it took years, then people should consider other ways to manage cash flow," she says.

Government packages have been released quickly to deal with Covid-19 and some are still being tinkered with, says von-Lucken. Tax agents are asking questions and the government is releasing updates, which are helping to navigate details of the new rules.

For retirees, the government has halved the minimum rate to be deducted from an allocated pension. "This is useful because investments have probably plummeted and it's good not to have to realise those losses."

Keeping up with the times

Banks are making an unprecedented effort to help their customers

On the whole, local banks have been swift to act and adjust their terms and conditions to suit the mood of the time. It has been far from perfect, of course. To deal with the record volume of queries, banking customers were forced to submit requests online. It's pretty disconcerting when there's a six-figure mortgage or a business loan at stake.

But with expedience came scale. Within two months, banks processed payment deferrals on more than 700,000 loans, approved 77,000 business loans under more favourable terms and provided businesses with $8.3 billion in loan top-ups.

While there's no guarantee that the worst of the crisis is behind us, financial institutions are offering ways to help more people reduce the emotional and financial distress. Six key changes are:

Three- to six-month deferral of mortgage repayments for homeowners

According to the Australian Banking Association (ABA), 429,000 mortgages had been deferred as at May 16. This means that one in 14 mortgage holders has asked for relief. To expedite these deferrals, most if not all financial institutions have only asked for a personal declaration that the borrower has been affected by Covid-19. There were no laborious application procedures.

Business relief extended to landlords and renters

Many cafés, restaurants and tourism operators were caught out by the immediate lockdown of "non-essential" premises. In response, banks have offered a six-month deferral of loans to both the owner of the premises (if renting) and the renter. According to the ABA, 98% of all businesses with a loan from an Australian bank are eligible for this six-month relief.

Contactless payments lifted from $100 to $200

Since April, shoppers haven't needed to enter their PIN for transactions under $200 (previously $100). This is a temporary measure in place for three months, subject to a review at the end of June. Banks will still have to monitor fraudulent activity under this new limit.

Deferrals won't affect credit ratings

Banking customers who are up to date with home loan and credit card repayments before Covid-19 will have the same credit rating even if they request a deferral on their repayments. However, it is still prudent to contact your bank to have this confirmed once the deferral period is over. For customers who were already behind before Covid-19, banks will review their repayment history after the deferral period.

Loans with no repayments for six months

The federal government's SME Loan Guarantee Scheme allows financial institutions to provide new unsecured loans to businesses and not-for-profit enterprises in urgent need of working capital. These loans are 50% backed by the government, which means they are on a lower rate than ordinary business loans. Businesses that apply for this loan are also automatically eligible for a six-month deferral of repayments.

Debit cards for 500,000 passbook holders

More than half a million banking customers, many of whom are aged 70 years and over, have automatically received a debit card. This will allow passbook account holders to make payments and do other transactions while following the social distancing rules. The debit card is fee free and the cardholder is under no obligation to activate it. However, debit cards are going to become a necessity as more businesses stop accepting cash.

To date, banks have hired 1500 new staff and redeployed more than 2200 staff to handle urgent inquiries. The ABA has also set up a dedicated website (ausbanking.org.au/covid-19) that details all the relief packages available from its member banks and another site that lists all the financial hardship phone numbers and websites (ausbanking.org.au/campaigns/financial-difficulty). You can also view important contact numbers on page 89 of *Money*.

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.*

Old habits go down the toilet

Panic buying aside, the lockdown shows us there are smarter ways to live

During the pandemic, one of my sons had the good fortune of having a job at a local supermarket. This gave him front-row tickets to the Covid-19 human behaviour experiment.

At the height of the toilet paper panic, he was given the task of rolling a pallet of deluxe 18-pack toilet paper from the storeroom into the supermarket aisle – a simple two-metre, five-second trek from storeroom door to shelf. Pulling the trolley behind him at a slow pace befitting most teenage supermarket workers, he cautiously approached the store door and headed into the supermarket. By the time he reached the shelves seconds later, he turned to find the palate completely empty. Not a single pack of deluxe paper even made it to the shelf.

A lot has been written about the psychology behind panic buying and I'm not going to extrapolate on that here. What it highlights to me, however, is that people's spending habits and budgets have been thrown out the proverbial window. ABS statistics report Australians have spent 18% less overall while in quarantine, with overall wages dipping around 6.7%.

Even with petrol prices plummeting and a dramatic reduction in work-related, entertainment, health and leisure expenses during lockdown, many people don't seem to be better off financially. Of course, changes in employment status and an increase in spending related to the home office, home renovations, online food delivery and general panic purchasing account for much of this. But the point is that old spending habits have been broken.

This pandemic has forced us to break with past habits and attitudes and imagine our world anew. It is a portal, a gateway between the old and the new. As we emerge from the crisis, we need to take this opportunity to create our new world, and not just blindly go back to the way we were doing things.

There are definitely many elements of the lockdown we will not want to retain – I for one miss being able to build relationships over a meal. However, there are many practices that have not only created financial efficiencies but have also improved our health and family relationships that we shouldn't lose. Who would have thought that having a video-conference party for my nephew's 10th birthday would have been so much fun, and allowed family from all over Australia to join in?

We all need to take this opportunity to reassess our habits, so we become more conscious about our money and priorities. My advice is to sit down with your family, work colleagues and friends and ask four simple questions.

- What are the things we've grown to love during lockdown that we'd like to keep?
- What are the things about the pre-Covid-19 world we think we need to reinstate?
- What are the old habits we wish to consciously avoid?
- What other opportunities can be created as a result of the old and new worlds merging?

Think about each question in relation to ways of working and spending habits. Do we need the expensive gym membership to stay healthy? Do we really need to keep up with the latest fashion to work and socialise effectively? Do we need all that office space? When you drill down, there are hundreds of ways you can rethink how you are spending and get on top of your personal and work-related finances.

The point is to do it consciously and without high levels of emotion. Don't let the version of yourself that leapt for the extra toilet roll packet be the one who creates the habits for your new financial future.

Five things to keep in mind when reassessing your budget

1. Set up your 80/20 rule and stick to it. Live on 80% of your income and save 20%. This is what living within your means actually means.
2. Have an outcomes-based approach to spending. Inexpensive activities that achieve the same goals should be preferred over more expensive activities that we justify post hoc.
3. Don't fall for FOMO. The fear of missing out drives all sorts of misguided spending. We've missed out on many things during lockdown and much of it has made little difference.
4. Have faith in local. Sometimes we value things and people more if they come from outside our community, leading to us paying more for "exotic" things.
5. Learn to negotiate. Practise feeling comfortable with negotiating better deals. Just because a company is big doesn't mean you can't challenge things.

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

Lessons from a crisis

Young adults have been hit hard, but something good can come out of the pandemic

Young adults, like my own children, have been hit disproportionately hard by Covid-19. Their lives – and often those of their parents – have been turned upside down. How do you set them right again?

Many adult children are moving back home with their parents and seeking financial help. More than 10% of under-20s and 9% of 20-somethings suddenly lost their jobs in the pandemic lockdown. Or if they are still employed, taking pay cuts, working fewer hours or being stood down on unpaid leave are also leading to requests for financial help.

Already young adults are a generation with few resources. Many carry student debt and have to pay high rents in capital cities if they live away from home. They have low superannuation balances and are largely priced out of the property market, which is predicted to fall by as much 30% as a result of Covid-19.

Their short-term casual work, which is often in hospitality and tourism, means they often don't qualify for JobKeeper's $1500 a fortnight. But they do get JobSeeker's $1100 or, if they are under 22, the lower rate of Youth Allowance.

While parents want to help, in many cases their own income and retirement savings have taken a hit and they must ask themselves if they can afford it? You don't want to endanger your financial security and face an impoverished old age and have to rely on the same children you are trying to help.

When something like Covid-19 comes along, it shows up any flaws in what we do with money and shines a spotlight on past financial decisions.

It is an apt time

to evaluate our finances – probably the last thing young adults would want to do. But let's face it, a lifestyle of going out, shopping (buy now, pay later), ordering takeaways with home delivery and going on holiday has come to a screeching halt. What do they do now?

Some who have lost their jobs have told me how worried they are about their debts, car loans and mortgages. They are racked with regret and often ashamed and angry for not having saved more when they had a good income.

Dipping into super to help pay the bills appears an easy answer, but it will hit the compounding power of their nest egg. A 30-year-old who accesses the full $20,000 available under the scheme could lose more than $79,393 from their retirement balance, according to Industry Super Australia.

Watch out if your children cancel insurance for their car, health and home and contents. This would leave them vulnerable to accidents and theft.

Anyone with savings and little or no debt is in a better position than someone with money owing. To help improve your financial position, there are plenty of inspiring, detailed real-life blogs dedicated to living a simple life and saving hard.

Pat Seyrak, who writes about financial independence on his blog Life Long Shuffle, says a person with savings and lower lifestyle costs is in a far better position than someone living from pay day to pay day.

The key to these bloggers' financial security is cutting down their consumption to buy only the things that provide value and happiness.

Often they start out with debts. Young people such as Tasha, who runs Tasha Gets Frugal on Instagram, reveal how they pay it off, build an emergency fund and start saving and investing.

Another inspiring young adult is the 27-year-old copywriter whose journey you can find at thatgirlonfire.com. Or young families on Instagram such as frankonfire and treadingfire.

One of the most motivating savers is Serina Bird, author of the book *The Joyful Frugalista*, which is a hit with my youngest daughter. Check out Serina's website joyfulfrugalista.com.

Dave, from personal finance blog Strong Money Australia, retired at 28. He says bunkering down at home is a great time to start appreciating the simple life and for self-education, exercising and slowing down. At 31, he has been doing this for the past three years and says while the Covid-19 circumstances are far from ideal, and they're causing a great deal of anxiety, there are upsides that can make a difference to your life.

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

How to keep the lights on

Staying connected with your customers is more important than ever – and it can be done cheaply and effectively

With governments across the country doing their bit to help small businesses navigate Covid-19, staying commercially buoyant is not only about cash flow.

Research by online lender OnDeck shows that 75% of small to medium enterprise (SME) owners believe good communication is the top skill they need to succeed. This result also underlines the importance to SMEs of staying in touch with clients.

But before you start trumpeting away to your clients, Oliver Wade, head of marketing and partnerships at OnDeck, advises SMEs against sending out opportunistic selling messages.

"Pushing your products and services too hard in your communications is undesirable and can be a risk to your brand," he says. "But staying in touch demonstrates you value the client relationship. If you can offer helpful tips in these challenging times, so much the better. A wine cellar can share advice on new labels. A finance broker can provide a blog on the pros and cons of a home loan holiday."

In the current uncertain climate, consistent communication offers reassurance that your lights will still be on when the restrictions start to lift.

Spruce up your shopfront

A website, which is your digital shopfront, plays a vital role in keeping the lights on, says social media consultant Kate Mather, from Profile Digital Group.

And if the website is not up to scratch, it can hurt business. Studies show it takes no more than 50 milliseconds for users to form an opinion about your website. In a blink, browsers can determine whether they will stay on or leave your web page.

To check whether your online shopfront cuts the mustard, digital marketing consultant Mitch McCormick, from mitchmccormick.com, advises using a mobile phone to examine the pages on your website.

"Is it easy to navigate and click all the buttons without having tiny fingers?" he says.

"Also, concentrate on the area of each page that people can see before they start scrolling. This experience needs to be on-point to encourage customers to view the rest of the page and not leave."

A slow-loading website can affect customers' experience and hamper Google search

results. To assist your website analysis, McCormick suggests Google Lighthouse.

"Simply follow the prompts to use its free audit, which analyses your website and shows you how to improve speed and performance," he says.

If you need to freshen up your digital shopfront and are not ready for a new website, freelancing platforms such as Upwork and Freelancer can connect you with cost-effective designers and developers.

McCormick says designers charge as little as $10 per hour. "But you'd probably want to pay a bit more – maybe starting at $20 an hour," he says.

Keep the content fresh

Platforms such as Facebook, Instagram, Twitter and LinkedIn are affordable ways to maintain a consistent voice and generate traffic back to your website. Social media consultant Mather says consistent content, whether it's a blog, podcast or video, is crucial to pleasing the algorithms used by the social media platforms.

"A big no-no would be to put your social media activities into hibernation, and not engage across these valuable communication platforms to try and get leads back to your website and into your database," she says.

Some SMEs have the internal capacity to build and operate strategic social media campaigns. For those business owners needing some assistance, Mather says $600 could secure a single platform strategy on say Facebook or LinkedIn, page design, plus the daily posting of fresh content, page monitoring and networking with your followers who comment on or "like" your daily posts.

Copy that

The copy (or wording) on your website is one of the most important tools for convincing potential customers to buy from you or use your services, recommends McCormick.

"Concentrate on writing copy which focusses on your customers and how they can benefit from your business," he says.

"Don't fall into the trap of writing only about yourself."

Freelance writers are available on websites such as Upwork and elance. But in a competitive business environment like we now find ourselves, the written word should be as sharp as a samurai blade, as incisive as a cutlass and above all, an interesting read.

Whether you are writing copy for your website, a press release, a newsletter, blog, or customer letter, aiming for quality copy is essential. Also, do not settle only for written content. While the written word is essential, think about how you can add some video, infographics, and other content to your customer communications.

Video won't kill the SME star

Video marketing can help your business reach out to clients by telling them interesting stories that feel less like a sales pitch.

McCormick says video can also improve lead conversion rates – "one study from eyeviewdigital.com suggests using video on landing pages can increase conversions by 80%".

Moreover, with smartphone technologies improving at warp speed, you don't need to be a directorial genius to create valuable content that will resonate with prospects and customers.

Nor will you need a Hollywood-like budget to create engaging video content, says McCormick. "This is particularly true if you are creating video content for social media platforms such as Facebook and LinkedIn, where high-end video production can sometimes look out of place and be perceived as too corporate. A decent microphone is the most important piece of equipment you need."

Most smartphones can capture suitable video footage; however, without an external microphone the audio will sound unprofessional.

There are quality microphones for under $100 that plug into your smart device or laptop and they will make a difference to your video.

If you need help with scripts, storyboards, filming, post-production and other aspects of creating valuable video content, McCormick recommends hiring professionals by the hour from freelancing websites such as Airtasker.

"Using a simple Google search to connect with local video production agencies in your area is another option," he says.

Host your own radio show

For SME bloggers, a podcast is a valuable way to amplify your messaging. "Podcasts are valuable for brands who want to achieve deep engagement on subjects because in a 30-minute podcast you can communicate more than 4000 words," says Andy McLean, who runs a content marketing consultancy.

Few people are likely to sit and watch an entire commercial video that lasts for 30 minutes, reasons McLean. "But with a podcast they can listen [for extended periods] while driving, walking the dog, or jogging."

Podcasting is a relatively inexpensive communication exercise. Sharon Taylor, managing director of podcast hosting and distribution service OmnyStudio, says it's possible to create a podcast episode for just a few hundred dollars. Some podcasters record audio on mobile phones but, again, if you want better quality sound an external microphone will do the job.

To achieve maximum customer cut-through, SMEs must invest time and money in promoting the podcast. "Because even if your podcast is blindingly amazing, it's pointless if nobody knows it exists," says McLean.

To reach listeners with your podcast, the likes of Apple Podcasts and Spotify are critical. A common way to reach these channels is through a hosting and publishing platform, such as OmnyStudio. Podcast hosting services start from $30 a month, with pricing usually based on expected podcast downloads, says Taylor.

While this sounds like value for money, the key is regular client contact. Having spent years building your customer base, now is not the time to go into a communications hibernation.

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

STORY DAVID THORNTON

While housing has taken a hit from the pandemic, there are always opportunities for astute buyers

Be ready to make a move

The economic damage and uncertainty resulting from the coronavirus has derailed the property plans of thousands of Australians. Or has it? Experts can't agree.

Research released in early May from comparison website Finder shows that 24 of 42 economists and finance experts (57%) believe now is not a good a time to buy. Twenty-five economists felt that house prices in capital cities could drop between 6.4% and 10.5% by 2021.

While there are differing views about the short-term future, there's also evidence to suggest not all is lost for those wanting to buy a home.

Glenn Wealands, head of client experience at Rabobank, says that for people who were ready to buy a home pre Covid-19, or were looking to buy in the next six to 12 months, those dreams haven't been dashed.

"When looking at 10 years of data from our Financial Health Barometer, the 2020 results show that a record number of Aussies were planning to purchase a home in the next two years – stronger than in 2016," he says.

While buyer sentiment was strong before we reached peak Covid-19, predictions on the property market can be akin to using a crystal ball. There will always be opportunities and challenges for people looking to buy.

So is now the time to follow Warren Buffett's mantra to "be fearful when others are greedy and to be greedy only when others are fearful"?

Population growth slows

Property is likely to experience a double hit from the economic slowdown and the need to socially distance. With incomes and jobs lost, people previously in a position to buy a home will need to reassess.

Unlike other asset classes, buying property is a tangible experience of seeing and feeling as much as it is a number crunching exercise. Government measures to prevent the spread of the virus have made this process harder, but not impossible. At the time of writing, restrictions on open inspections were lifting in some states, but private or virtual inspections were still available; and public auctions were returning after being run online during the peak of the crisis.

Despite a decline in overall market activity and consumer sentiment, housing values have remained relatively stable. While most regions recorded a rise in April, the national monthly pace of growth has more than halved from 0.7% in March to 0.3% in April. The big capitals may have the biggest downside risk.

"Sydney and Melbourne arguably show a higher risk profile relative to other markets due to their large exposure to overseas migration as a source of housing demand, along with greater exposure to the downturn in foreign students, stretched housing affordability and already low rental yields that are likely to reduce further on the back of rising vacancy rates and lower rents," says Tim Lawless , CoreLogic's head of research.

Trent Wiltshire, economist at Domain, says buyers are worried about their finances, and this is affecting the housing market. Coupled with this is the long-term effect of low population growth.

"There are the travel bans and fewer students, so expect to see the lowest population growth since World War II, and that will weigh on demand for new housing," he says.

"Developers may also hold off building new projects. It looked like the construction cycle had started to turn after bottoming out in 2019, however it's a forward-looking market, so supply conditions will likely be subdued for some time."

Nerida Cole, managing director and head of advice at Dixon Advisory, is more optimistic and says while the housing market may fall in the short term, "when social distancing restrictions are fully lifted it could turn quite quickly, so keeping your options open and having accessible cash will be important for buyers".

Where to invest

Many of the areas badly affected by Covid-19 rely on tourism and hospitality. "The Gold Coast market will take one of the biggest hits," says Terry Ryder, from Ryder Property Research. But there are other areas that may outperform.

"Regional markets where the economy is based on agriculture and viticulture – and are not drought-affected – will do pretty well," he says.

"In NSW, regional centres like Orange, Mudgee and Griffith may do well. And economies where the resources sector is strong will surge, because I expect a resources boom to follow the shutdown, driven in part by China."

Property opportunities are available, but finding them is the tricky part.

Ben Kingsley, chief executive of Empower Wealth, says if you're in a secure financial position with job security, and you're thinking long term, you can potentially move on property when you have a motivated seller. But this comes with a caveat.

"They'll be a lot of junk stock in marketplaces where properties are cheap because they are oversupplied, and they'll remain cheap because they wouldn't be investment grade," he says. "Though there are fewer buyers, there's less stock, so finding a good asset in the current market is difficult."

He also questions whether prices will fall significantly over the long term due to rising unemployment. "According to data released by NAB, 33% of their clients have reserves that will cover their mortgage for two years or greater. There'll still be a price correction, but it will be 5% to 10% and that will be lower-quality stock. That will hit the median price, but the good properties won't lose value.

"Compare this to the 1990 recession – unemployment was 10% for an extended period, and that's where we saw property prices drop significantly."

Jarrod McCabe, from Wakelin Property Advisory, says investors should look for properties that have multi-faceted demand and are not reliant on one buyer profile. This means properties that can service first home buyers, investors and downsizers.

"If you've got multi-faceted demand, a downturn in one group will be offset by sustained demand in another," he says. "In Melbourne, the sub-$1.5 million

First home buyers are in a good position to take advantage of the down market

mark is quite strong, and these properties meet those multi-faceted markets – for example, the more established properties like cottages and terrace houses – because they work well for all those buyer profiles, including strong tenant demand."

What to avoid

At the other end of the spectrum, McCabe suggests buyers avoid high rise, off the plan and modern estates on the city fringes where there's a significant supply.

Similarly, Kingsley warns against high-density rental apartments due to over-representation among investors. "These kinds of properties will also suffer a downturn in rental demand as young millennials who were employed in hospitality and discretionary sectors will move into a share-house or move home, so we do anticipate that vacancy rates will be going higher over the short term," says Kingsley.

By the same token, he says buyers should look for house and land.

"Land is king," he says. "Land in diversified economic locations, such as the larger capital cities, is the good stock to be looking at – closer to these cities in areas where there isn't a lot of oversupply."

Ryder says first home buyers are in a good position to take advantage of the down market. "Most people will sit on the fence and wait for a signal that markets are rising again, which means they'll miss the best opportunities to buy well," he says.

"First home buyers in particular will find good opportunities because prices won't be rising, there will be little competition from other buyers, interest rates are ultra-low and there's plenty of government support at both federal and state levels."

Lenders tighten belts

Of course, intending to buy a property and getting finance are two separate things.

Money is cheap at the moment, with the cash rate at an all-time low of 0.25%. However, being approved is a more difficult task.

Morgan Stanley analyst Richard Wiles forecasts cumulative losses for the big four banks of $35.4 billion over the next three years, and this means lending criteria will tighten.

"We're talking to mortgage brokers – pre-approval is a very low priority for banks," he says. "There are certain industries from an employment perspective that are being outright rejected, even if you have a genuine income from it."

Banks may also request extra security to achieve a lower loan to value ratio (LVR), such as a higher deposit or more equity. Many banks have also wound back or eliminated higher-risk loans such, as debt consolidation or those with higher LVR ratios.

Moreover, ING has introduced more rigorous serviceability for those who are casual employees, contractors or self-employed, meaning you will be subject to tougher requirements.

"Lending conditions are challenging," says Kingsley. "There's far more scrutiny in terms of checking job security. Prior to Covid-19, a payslip was enough, but with a spike in short- term unemployment materialising, the banks are being more prudent about lending to people who can pay them back."

Nerida Cole says if you were ready to buy pre-Covid-19 but have decided to wait, you should consider moving your savings to cash.

"Cash over shares should be your first choice if you've got a deposit ready to go or aim to purchase within the next five years. This will allow you to seize any opportunities that arise," she says.

"If you think you will buy in the next six months, look at high-interest savings accounts. If you're looking at waiting for more than six months, term deposit rates are also worth checking out." *M*

Refine your buying plan

Nerida Cole, managing director and head of advice at Dixon Advisory, says Covid-19 presents an opportunity for you to re-evaluate your path to ownership, or come up with a plan B if the pandemic changes your circumstances. This would include:

- Don't be tempted to take a larger loan than you can afford.
- Aim for the golden rule of a 20% deposit – stick to at least that in this market.
- Make sure you have access to some of your deposit or additional savings of three to six months of living expenses in cash, in case of an emergency or drop in income.
- Be honest about your personal job security. If you feel there is low security for your industry or role, you should defer taking on a big financial commitment.
- Show how you can still make repayments if something does happen. For example, look at the loan set up with your bank: can you draw on your bigger than 20% deposit to make repayments? Or taking on a flatmate may boost your income and rebuild your rainy-day savings account – but don't bank on this as rental demand is down in the current market.
- Check that your personal insurance, such as income protection, is up to date. Be aware these policies cover you for serious illness and disability – not job loss or redundancy. And always remember that lenders mortgage insurance (LMI) protects the lender, not you.

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Ways to ease the pressure

STORY JULIA NEWBOULD

Renters and landlords have new rights during Covid-19. Here's what you need to know.

The fallout from the Covid-19 lockdown is hurting both tenants and landlords, but since each state released its own relief measures, the situation has become clearer and easier to navigate. Residential and commercial tenants impacted by the pandemic have protection to stay in their home up to September, but exactly how things will work has been left up to each state and, ultimately, relies on negotiations between both parties.

Banks will ease pressure on homeowners with mortgages – both residential and investment – with a moratorium on loan repayments for six months. This means that interest will still accrue on loans for landlords, and the duration of the loan will be pushed out accordingly – so it's a temporary measure.

In NSW, where a household is struggling to make rental payments and has suffered a loss of income equal to or greater than 25%, there is a new obligation to enter into negotiations with their landlord or managing agent before seeking a forced end to the tenancy.

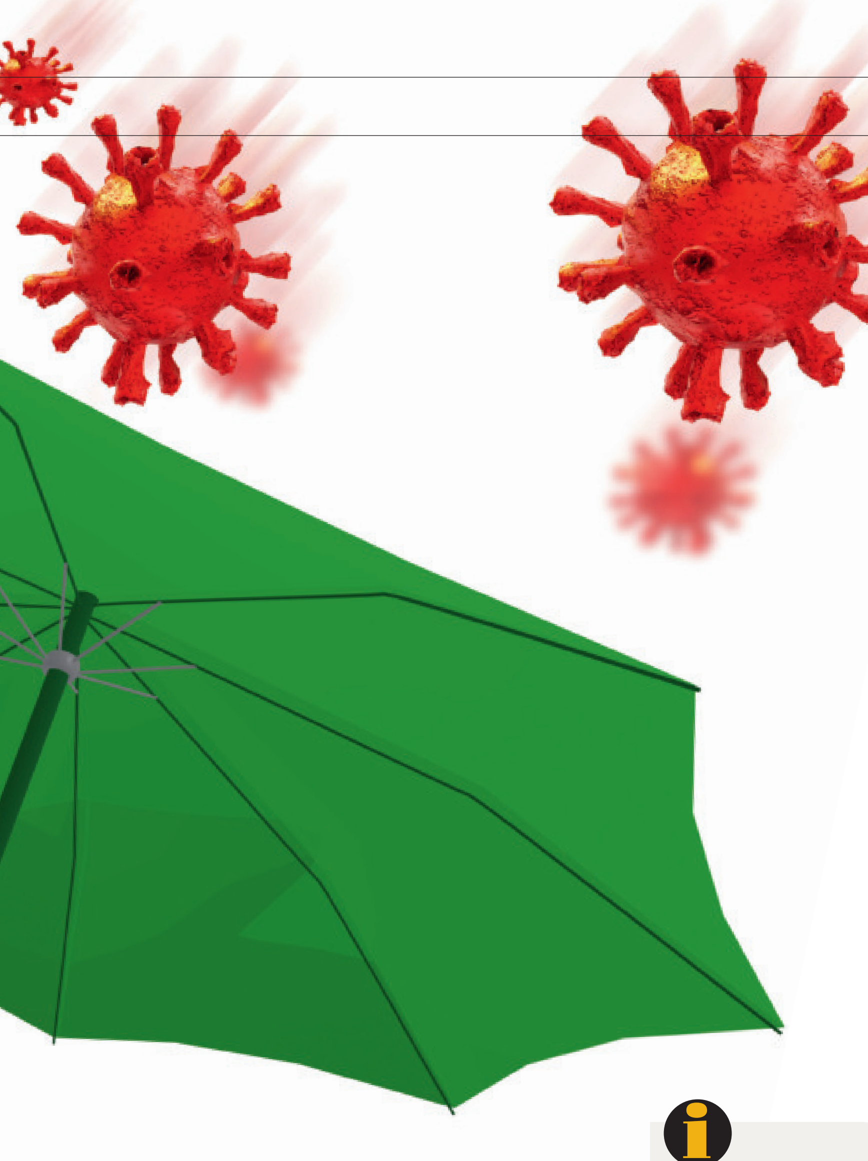
In Queensland, landlords cannot charge break lease fees for tenants who need to end a fixed-term tenancy early due to the financial, health or personal safety impacts of Covid-19.

The new laws, lasting until the end of September, all ask that renters provide information documenting hardship before they are able to end a lease early, and some will require negotiation with the landlord. Each state differs, so it's best to contact your local authority (see "State of the nation", page 59).

Servicing Sydney's inner city, real estate agency BresicWhitney has many tenants who come from the industries hardest hit by the pandemic – hospitality, travel and tourism, and the arts – and a lot of new rental stock hit the market as soon as travel restrictions were announced. In addition, the short-term Airbnb rental market switched to longer-term arrangements.

"A number of tenants have made decisions to leave their current rental and move back with parents or back to their home states. Some have agreed to part ways where they can't find a middle ground with landlords," says Brendan Fearn, BresicWhitney marketing manager.

"A lot of share houses have largely disbanded, which



has seen a shift away from the way those larger properties are now marketed. Younger families are now looking at properties previously rented by sharers."

Before the government set guidelines, Fearn says many landlords came forward to check on their tenants in advance, being proactive with negotiations.

"Some landlords can afford some flexibility; others have assets but not cash flow," he says. "One landlord got in touch to offer a rent rebate to their tenant who is a nurse – they wanted to say thank you for her service on the front line.

"Any property owner with good tenants in place will know the best approach in these conditions is to keep their residents where possible.

"Everyone is in a different situation financially, and in their life circumstances. That [government] framework was really helpful because now there's a clear process and documents which need to be provided so fair and sensible decisions can be reached."

:Different Property Management, which looks after properties in NSW, Victoria and Queensland, has found similar situations in all states.

Operations manager Shannyn Laird says of all the rental requests they've received, only 10% have needed to go to mediation for a satisfactory outcome.

"What has been really nice is seeing compassion from a landlord's perspective, from mum and dad investors trying to help tenants," says Laird. "There's no guaranteed standard of what to do – some landlords have been able to gift a month's free rent if they have no mortgage themselves, but in most cases it's been a deferral of payment and working out what they can commit to so the tenants are kept."

She says typically in NSW it was common for people to ask for about a 25% reduction in rent, but while payment plans were agreed, it was on the basis that things would be reassessed in time.

There have also been cases of tenants breaking the lease to return home to New Zealand or China, but most have stayed in their homes, which is the desired outcome, Laird says.

Find the middle ground

Brook Monahan, managing director at Mosaic Property, says his business has to work in the best interest of both landlords and tenants. "Being the intermediary who can support them through a balanced perspective and without emotion has been powerful in reaching a resolution that works for all parties," he says.

With more than 1000 properties in its rental portfolio, Mosaic has had to deal with only a small number of relief cases and more than 95% of them have involved a level of negotiation between parties.

"The balance has seen the landlord or tenant accept a tabled offer. We have managed to reach a mutually agreed outcome in all cases," says Monahan. "In some cases landlords have requested arrears payment plans and others have entirely waived this."

Jennifer Porter, financial planner at Bloom Advisory Group, says while none of her clients have been impacted by the need to reduce rent, she has been personally affected as a landlord.

"We've been told our renter wants relief and, as the code says, we've asked for evidence of why they can't make rent and are waiting to respond from there," she says.

As an adviser, Porter says she wouldn't have an investment property, or tell a client to buy one, without cash reserves. "Property isn't an investment that's cost free – there's always something that can come up, so investors should always have a buffer.

"For non-insurance-related expenses in an apartment or house, you might have to deal with a special levy or non-tenancy. We'd like to see clients with six months of mortgage payments set aside, even in an offset account."

Porter says investors often receive conflicting advice from accountants, mortgage brokers and advisers who might suggest good reasons for investing in property

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cbos.tas.gov.au

ACT
covid19.act.gov.au

NT
coronavirus.nt.gov.au

Rent relief: steps to take

Tenants

- Determine your income from employer and/or through any government support, and how long this is likely to last
- Consider any savings you can use at this time (excluding superannuation).
- Calculate your essential expenses.
- Work out how much you can pay for rent. It should not exceed 30% of gross income if you are a couple or family.
- Collate your evidence of hardship: termination letter, proof of JobKeeper or JobSeeker, etc.

Landlords

- Investigate what support is available to you if you agree to reduce the rent.
- Consider your options if a tenant can't pay.
- Calculate how long can you afford to go without rental income.
- Check whether you have any cover from insurance.
- See if your mortgage holder or lender can help.

Mediation is available through most state government websites.

with less than 20% deposit. A buffer is important in situations like this.

Everyone's business is affected by this ... everyone will lose a bit sooner or later

There's worse to come

Madgwicks lawyer Nicola Carnevale, who looks after retail and commercial property, says generally there's an atmosphere of everyone wanting to act reasonably. "Everyone's taking Covid-19 seriously and can empathise with each other's situations," she says.

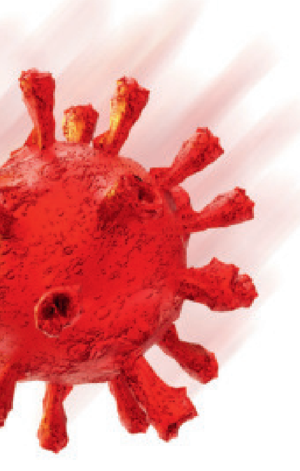
A commercial retail lease is often a long-term relationship between tenant and landlord, she says. "In my experience there's a tendency to reach a reasonable settlement or arrangement that works for both parties because this relationship can go on for five to 10 years beyond this. There's a tendency to give it a red hot go to negotiate."

Carnevale says she doesn't think we've reached the low point yet. "We really haven't gotten down into the hard negotiations but they will definitely happen, and it will get to a point where it will happen with arguments on both sides as to why certain agreements will work in a certain way," she says.

Meanwhile, a couple of her clients reached an agreement over a retail lease even before regulations were handed down. "The landlord had the flexibility to give a rental waiver that was much needed by the tenants; that's what it's going to come down to going forward," she says.

She's seeing a variety of scenarios, and for some smaller landlords who really rely on the rent relief measures, including deferrals on land tax, will not be enough. Then, she says, there are larger landlords who are looking to renegotiate leases in multiple locations, and it will be interesting to see where they direct their relief – they will have to weigh up how to split it across tenants who need help.

Currently landlords and tenants are working with regulations that apply from March 29 to September 29, 2020. Some are questioning whether they should look at relief month by month, or in three months, and what might happen at the end of the six months.



Andrew Grima, property specialist at Coleman Greig Lawyers, says the big issue for him was that it took a long time for the national framework to be developed and put into place. "We've now been given a framework, but that also means the necessity to negotiate and that is hard for those who aren't commercially savvy or don't have the help of a bigger organisation."

Grima says the crisis has changed the nature of his own work for now – from transaction-focused business to advising clients of their options. "Everyone's business is affected by this," he says.

NSW has given land tax relief to landlords. If they can show they have passed on a reduction in rent, they're entitled to a 25% discount on land tax.

However, Grima says there are many complications in the negotiations. Landlords want to see the relevant information before allowing reductions, and this can create privacy issues for people.

Further, as a tenant you are allowed relief for a finite period, but quite a few landlords want to assess the situation on a monthly basis and make any adjustments based on the business's turnover. And the issue of rent deferrals (meaning that at some point the tenant will be paying over 100% rent to make it up) is also a large impost for some businesses.

Grima recommends all parties behave in a reasonable way. "Everyone will lose a bit sooner or later, and for some it will become extra legal costs. Just try and lock something in and get something," he says.

The even bigger question further down the track is whether businesses can continue to be viable when the government support stops. *M*

Why A-REITs are in better shape

While the sector has been reformed since the GFC, dividends are still at risk

Is the Australian real estate investment trust (A-REIT) sector in for a severe downturn in the wake of Covid-19, such as it suffered after the GFC? Or does it now represent good buying after prices plummeted in the five months to April 30 – the S&P/ASX 300 A-REIT index fell 30% compared with a drop of about 20% in the S&P/ASX 300 index.

And with many investors relying on the sector for regular income, will A-REITs also cut their dividends? This is an especially important question given some banks and other high dividend payers are either slashing or deferring their dividends.

Undoubtedly the sector disappointed investors during the GFC. Far from delivering a steady income with less downside risk, it produced negative returns. In 2008, the S&P/ASX300 A-REIT accumulation index returned -55.3%.

The main reasons for the poor performance were high gearing levels, unsustainably high dividends, big fees paid to related companies and less-stable earnings sources – such as development, funds management and under-researched overseas property, rather than traditional Australian property rental.

Many in the industry point out it has totally reformed itself since the GFC. Gavin Peacock, co-portfolio manager of A-REITs for the UBS Property Securities Fund, says sector gearing levels are now about 29%, whereas they were around 40%, and in individual cases much higher, at the time of the GFC.

A-REIT sector debt is also lower, from more diversified sources and longer in tenure – the average debt term is almost six years, meaning it isn't due to be repaid for many years, according to analysis from JP Morgan. These factors mean that REITs are far better placed than they were in the GFC and that the chances of highly dilutive capital raisings are low. "We believe the liquidity picture is far superior than recent pricing suggests," says JP Morgan.

The sector currently represents about a 30% discount to underlying values, says Peacock. And dividend yield for the sector is about 7.5%.

But some sub-sectors are expected to hold up better than others.

Peacock favours industrial, which is being driven by the rise of e-commerce, and convenience retail. No-go zones include funds that hold hotels, which are closed, discretionary retail, because of the huge drop-off in foot traffic in shopping centres, and some office funds, because of increased working from home and the impact of an economic downturn on office space take-up.

When considering future opportunities and risks, there are a few key themes to watch, says Grant Atchison, co-founder and managing director of Freehold Investment Management, a specialist property and infrastructure fund manage.

"Covid-19 has, in our view, fast-tracked a number of themes," he says. These include the impact on the demand for offices over the medium term as employers embrace a more flexible work environment. This change has been coming for a number of years, but with some resistance. And data centres and related IT infrastructure are likely to become more mainstream, as businesses fully transition to the cloud.

But the security of A-REIT dividends is not certain in the short term. "If you're investing in REITs this year, be aware dividends could be at risk," says Morningstar analyst Alex Prineas, who believes a lot of REITs will cut dividends, particularly those exposed to retail or cyclical areas such as housing development.

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.*

Three A-REITs to watch

Goodman Group (ASX: GMG)
This fund is uniquely placed as its logistics assets are leased to the likes of Amazon, Walmart and Wesfarmers, among others. While some future projects may be delayed, as tenants take longer to commit to expansions and projects take longer to build and lease, there's little threat to fiscal year 2020 guidance. Source: The Bull (thebull.com.au).

Rural Funds Group (RFF)
This farmland REIT aims to increase its distribution by 4% a year, a goal it has achieved so far, partly thanks to automatic rental indexation. Its asset base is diversified with farms producing almonds, macadamias, vineyards, cattle and cotton, spread across different states and climates. And it's already provided guidance for a 4% distribution increase in 2020-21. The forward distribution yield is 6%. Source: Motley Fool (fool.com.au).

National Storage REIT (NSR)
Shares in this self-storage company are down only about 10% in 2020, significantly beating the index. It's also a potential takeover target – in the pre-coronavirus world it had attracted several private equity offers. And the business model could be a good medium-term buy as self-storage could boom if more people are forced to sell their properties or want to change up their way of life in the wake of the pandemic. Source: Motley Fool (fool.com.au).

Make the most of it

The sharemarket crash can provide valuable lessons on how to protect and grow our retirement savings

STORY DAVID THORNTON

Superannuation is a unique investment vehicle. For many of us, we set and forget. Employers contribute 9.5% of our ordinary wages and we, hopefully, watch the value of the nest egg grow.

"There are a lot of people who over time, as they've been accumulating, haven't been focusing on their super," says Bryan Ashenden, head of financial literacy and advocacy at BT.

But is set and forget the right way to go, especially during the pandemic?

"We shouldn't forget about it. Once engaged, stay engaged," says Ashenden.

Early access to super

The outbreak of Covid-19 saw the tax office move to allow people access to $10,000 of their super until June 30, 2020, and a further $10,000 from July 1 until September 24, 2020.

The Association of Superannuation Funds of Australia (ASFA) estimates that as of May 7, super funds had made about 1.2 million individual early payments, totalling $9.4 billion in financial support.

"People need to understand the consequences of accessing their superannuation early," says Ashenden. "Of course, there are people who need access to that money. If the cost of debt outweighs what they'd make on super, it might be the right move."

But there are consequences. If you're withdrawing money at the bottom of financial markets, your account has to work harder to recoup the losses.

"Some of that cost is the forgoing of future investment earnings and for some members the cost may materially impact their income in retirement," says Shawn Blackmore, group executive member experience and advice at AustralianSuper.

Mark Wilkinson, financial adviser at BDO, shares this view. "While accessing your super right now might provide some relief, if you're facing significant financial pain, there should be a big, red 'proceed with caution' sign warning that your future self will pay the price for this move.

"There have been similar arguments in recent years for accessing super as a way of helping first home buyers get into the market. But the numbers just don't add up.

"Although $10,000 doesn't sound like a lot, for a person who is 25 who loses their job due to Covid-19, that $10,000 today could be worth $160,000 when they retire in another 40 years."

As such, you should understand the difference between the benefit of accessing super now with the drag it will have on your future financial position.

Accessing your super early may also rob you of other benefits.

"People who accessed up to $10,000 out of super may lose their insurance cover, depending on their balance, so they should check what level of insurance they hold," says Ashenden.

"People who withdraw should check that they still have a big enough balance to keep paying insurance. You don't want a situation where the fund doesn't have the money to keep paying those insurance premiums."

If you're unsure about whether you can or should access superannuation early, it's always a good idea to seek professional advice.

"If people do believe that they need to access their super, I suggest they get independent advice so they make sure they understand the consequences," says Ashenden.

Widespread early access to super also threatens the capacity of funds to manage their assets in the usual way.

According to the McKell Institute, some funds may have to sell assets – at the bottom of the market – to allow for this unexpected access. Those funds "with sufficient liquidity to cover the cash call won't be able to use these reserves to purchase under-priced assets that would assist in their recovery".

Time to reassess risk

Uncertainty surrounding the coronavirus has led to a bear market, with investors shifting their portfolios from growth to defensive assets.

Dominique Bergel-Grant, a financial planner and director at Leapfrog Financial, says investors should consider how much risk they're willing to have in the sharemarket and what level of volatility they are prepared to accept.

"It is the perfect reminder that not all investments carry the same level [of volatility] and to really test to see if you are the type of investor who will panic and move to cash, or be the type of investor who sees the current Covid-19 crisis and corresponding sharemarket volatility as an opportunity."

Of course, selling when the market has already hit the bottom could result in missing gains from more growth-oriented investments when it recovers. On the other hand, if there are further market drops, switching to defensive assets could help contain further losses.

Comparison of constant strategy versus switching to cash after bad times (log scale)

$1,000,000
$100,000
$10,000
$1,000
$100
$10
1928 1938 1948 1958 1968 1978 1988 1998 2008 2018
$595,510
$185,869
Fixed 70/25/5% mix of Australian equities/bonds/cash
Switching portfolio (calendar year switching)
Value of $100 invested in July 1928

Source: ASX, Bloomberg, AMP Capital

"Switching to cash after a bad patch is not the best strategy for maximising retirement savings and wealth over time as it locks in the loss with no hope of recovery," says AMP Capital chief economist Shane Oliver.

"The best approach is to simply recognise that super and investing in shares is a long-term investment. The exceptions to this are if you are really into putting in the effort to getting short-term trading right and/or you are close to, or in, retirement."

Contribute and get ahead

As we approach June 30, it's good to know whether you can capitalise on tax incentives through voluntary super contributions. There are two different ways to do this.

The first is through a non-concessional (after-tax)

> Super and investing in shares is a long-term investment

contribution. Here you can add up to $100,000 each year. This can be done without a working test if you're under 65. Those over 65 can still do it, but they have to satisfy a working test.

Moreover, until you turn 65, you can bring forward up to two years of contributions, so make up to $300,000 in contributions.

The second way is through a pre-tax contribution, which is tax deductible. This can be up to a value of $25,000, and includes anything your employer has contributed over and above the base contribution, such as through salary sacrifice. If you've salary sacrificed $10,000, for example, then you're able to make another $15,000 in pre-tax contributions.

NON-CONCESSIONAL CONTRIBUTION CAPS

Financial year	Non-concessional cap	Tax on amounts over cap
2018-19	$100,000	47%
2017-18	$100,000	47%
2016-17	$180,000	47% (plus 2% budget repair levy)
2015-16	$180,000	47% (plus 2% budget repair levy)
2014-15	$180,000	47% (plus 2% budget repair levy)
2013-14	$150,000	46.5%

Source: ATO

What should SMSFs do?

For all self-managed super fund (SMSF) trustees, this is the time to assess the viability of your fund, not just in the short term but to question the long-term needs of your members and the risks you take, says Dominique Bergel-Grant.

Generally SMSFs incur higher fees than those experienced by regular super funds. Whereas public super funds charge members a percentage fee of the total funds under management, SMSFs typically charge flat advice and service fees. This can make them less cost-competitive when fewer funds are managed.

"If you are only holding shares, cash and managed funds, really question if it is worth continuing to incur the audit, accounting and other compliance costs when such low-cost non-SMSF options are available," says Bergel-Grant. "Remember the theme here is to cut unnecessary spending."

Property held by the SMSF can also pose challenges.

"Have you got enough liquidity if your tenant cannot afford to pay the rent?" she says. "What if your tenant leaves, and you are left with an empty property for not just a few months but maybe a year or more?"

On the other hand, SMSFs may be better situated to weather the current volatility.

Research from Rainmaker Information, publishers of *Money* magazine, found that a quarter of the SMSF sector's exposure is to cash and 45% to shares. In contrast, other super funds hold on average 10% in cash and 60% in shares.

"This heavy exposure to low-risk assets like cash may prove to be fruitful in the current Covid-19 climate as they may be better protected than the average not-for-profit and retail fund," says Alex Dunnin, executive director of research at Rainmaker Information.

> Heavy exposure to low-risk assets like cash may prove to be fruitful in the Covid-19 climate

What should retirees do?

Roger Cohen, senior investment specialist at BetaShares, says people on the cusp of retirement and those in retirement should keep their superannuation invested despite the wild volatility triggered by the Covid-19 pandemic.

Cohen acknowledges that riding out market swings will test the mettle of even the most seasoned investors. He also notes that many retirees and pre-retirees set up SMSFs as a reaction to the GFC.

"Many SMSFs were not well governed or advised. Coming out of the GFC, they had large allocations to cash and therefore missed out on the recovery in equities," says Cohen.

He believes retirees, particularly those who sell out of the market irrationally, will not fully benefit from the recovery that will eventually take place, and any changes to the construction of portfolios as a reaction to the current situation will also have lasting consequences.

"A panic reaction will cause many to sell at the bottom or on a bounce. They will not benefit from a subsequent recovery. While others may rebalance their portfolios (which generally sees reweighting into growth assets) too soon or too late," he says.

"This is where rational and irrational behaviours can have a significant impact on the financial wellbeing of retirees.

"The decisions they make during this unprecedented event could make or break their retirement plans. It may leave some effectively 'retirement trapped' by their irrational decision-making." *M*

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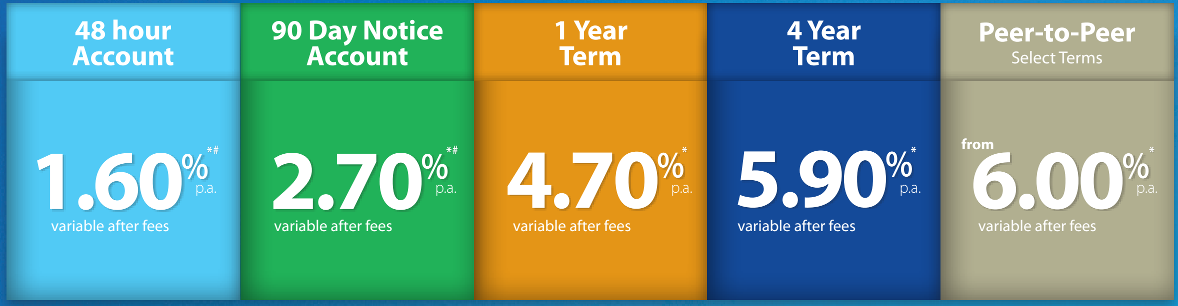

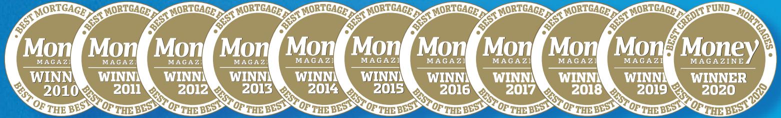

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While we have 12 months under the Credit Fund's Constitution within which to honour your redemption request, if there is insufficient liquidity in this Account at the time of your request, we will make every endeavour to honour your redemption request from your Classic 48 hour Account within 2 business days, and your 90 Day Notice Account within 90 days. At the time of this advertisement, there has never been a case in the history of the Credit Fund when we have not honoured a redemption request on time due to a lack of liquidity. ^La Trobe Financial's 12 Month Term Account was judged the Best Credit Fund - Mortgages for 2020 by *Money* magazine.

Looking out for ***you***®

STORY DARREN SNYDER

In a better place

A sector that learnt its lessons the hard way remains focused on preserving investors' capital and providing a reliable income

The coronavirus and its economic effects sent shockwaves through financial markets in the first quarter of 2020, and the impact on investors will be felt for months if not years.

At the height of volatile sharemarkets in March, and in the weeks that followed, comparisons were drawn (and will continue to be drawn) between the 2007-08 GFC and the global Covid-19 pandemic.

The GFC was started by the collapse of the US housing market. Once this ripple hit Australia, the crisis was more of a tsunami and investors rapidly moved their money out of higher-yielding investment products – mortgage trusts included.

GFC versus Covid-19

Several mortgage trusts survived the GFC and several folded. There were trusts that continued to pay investors monthly or quarterly income (loan repayments from borrowers) but had to limit or suspend redemptions because of significant liquidity issues (i.e., investment units in mortgages couldn't be sold and converted to cash quickly). Skip to 2020 and you haven't heard about these same problems during the coronavirus.

Louis Christopher, managing director at SQM Research, says its view going into the pandemic was that the bulk of the more recognised mortgage trusts were well placed.

WHAT DO INVESTORS LOOK FOR IN TIMES OF MARKET UNCERTAINTY?

"They came into this period with fairly conservative lending policies and during this current crisis a number of them have tightened up their lending criteria [including peer-to-peer lenders]," says Christopher. "This is a good move and quite a contrast to the GFC, where mortgage trusts were bashed. Many of the mortgage trusts went into the GFC with a liquidity mismatch where lending standards were looser, and we're not seeing it this time around."

For more than two decades the La Trobe Australian Credit Fund has managed billions of dollars for investors and it was one of the mortgage trusts that survived the GFC without having to suspend redemptions. It currently manages $4.9 billion for more than 40,000 investors.

Chris Andrews, chief investment officer at La Trobe Financial, says during Covid-19 the group's investment team has been at the ready to protect and maintain its "flawless liquidity track record".

He agrees the coronavirus is a "black swan" event that took markets by surprise, but it's also true that markets experience "surprises" that cause similar collapses at least once a decade.

It's a determining factor as to why La Trobe Financial builds capital-stable, income-producing investment products with low volatility and reliable returns. The need for these types of products "grows stronger as investors approach and enter retirement", says Andrews.

Within the La Trobe Australian Credit Fund there are five product offerings, each with variable incomes. At the time of writing, the 48-hour account was paying 1.6%pa, the 90-day notice account 2.7%pa, the one-year term account 4.7%pa, the four-year term account 5.7%pa and the peer-to-peer offering started at 6%pa, depending on which loans you fund. The one-year term account has won *Money* magazine's Best Mortgage Fund for 10 years and this year it won under the category of Best Credit Fund – Mortgages.

Is a mortgage trust right for you?

Over the past 12 months *Money* readers have asked numerous questions about mortgage trusts and whether they're a suitable investment for their needs.

One of the most common questions we receive is whether mortgage trusts are a suitable investment for someone who wants their money to work harder for them. These investors often have few or no shares and don't want to watch money markets constantly. They've also seen ads in the past 12 months for mortgage trusts that offer returns as high as 7% (variable) and want to know if that's a safe investment.

Andrews says La Trobe Financial's approach to this challenge is to offer investors a range of investment choices with a critical common theme.

"That theme is our asset class of choice: highly diversified portfolios of granular, first-ranking, mortgage-secured loans with a low loan-to-value ratio," he says. "We have enormous conviction in the ability of this type of portfolio to continue to produce consistent and repeatable returns for investors with high levels of capital stability. And we have seen it do so across seven decades of continuous operation."

Darren Thompson, head of asset management at Equity Trustees, says the firm's two mortgage income funds are deliberately at the conservative end of the investment spectrum. "So that's a 100% investment in first mortgages, with no residential and development activity. There's also no land holding," he says.

"The way our funds work is through a fixed unit price and what you really get is the income from the mortgages. There's no volatility in the capital price and, touch wood, there hasn't been a capital loss in the [EQT Mortgage Income] fund since it started in 1971. It gives you an indication of the conservatism with which it's managed."

Christopher says while La Trobe and Equity Trustees mainly invest in first mortgages, investors should still also be aware that each mortgage trust is placed differently on the risk scale.

"There's mortgage trusts with lower risks and generally lower returns, and there's mortgage trusts with higher risks offering higher returns," he says. "They range from mortgage trusts offering construction loans – and you'll often see returns of 8%-plus, but there's a lot more risk associated with these products. Of course, the managers of these trusts make it clear that's what they're all about.

"At the other end of the scale you have mortgage trusts offering returns in the 3% range, which is still a little bit above term deposits, and they tend to lend to the existing property investment buyers – basically mums and dads looking for a bit of service beyond the major banks and willing to pay more interest for that additional service.

"So the risk profile can be quite varied within the space."

In the peer-to-peer or contributory lending market, for example, you also need to read the fine print. Like some pooled mortgage trusts, in the peer-to-peer environment you will still be subject to a loan (investment) term and it is not always easy to make an early exit. If you're looking to redeem your investment before the loan term matures, generally you'll have to wait for other

> The peer-to-peer lending market has grown significantly in recent years

TOP RATED POOLED MORTGAGE TRUSTS

Mortgage trust	2020 rating	2019 rating
La Trobe Australian Credit Fund – Pooled Mortgages Option	4.25	4.25
EQT Wholesale Mortgage Income Fund	3.75	4.00
Trilogy Monthly Income Trust	4.00	4.00
AIMS Commercial Mortgage Fund	3.75	3.75
Boston Private Income Fund	3.75	3.75

Source: SQM Research as at May 14, 2020. Ratings are out of 5.

TOP RATED PEER-TO-PEER MORTGAGE TRUSTS

Mortgage trust	2020 rating	2019 rating
Australian Unity Select Mortgages Fund	4.00	4.00
Balmain Private (Balmain Discrete Mortgage Income Trusts)	4.25	4.00
Firstmac High Livez (RMBS)	4.00	4.00
La Trobe Australian Credit Fund – Select Mortgages Option (SMO)	4.25	4.00
RF Eclipse Select Credit Fund (previously Eclipse Prudent Mortgage Fund)*	3.75	3.50

Source: SQM Research as at May 14, 2020. Ratings are out of 5.* Indicates inaugural review.

investors to replace your interest in the loan. And in the Covid-19 environment, new investor interest is not always immediate, meaning you might have to wait for an extended period to redeem.

Christopher says the peer-to-peer lending market has grown significantly in recent years and "it will be interesting to see how those loans perform during this crisis".

Another common question from *Money* readers relates to whether an investor should use a mortgage trust as an income source to pay for an ongoing expense – for example, their children's education fees (often upwards of $8000 a year).

Andrews says La Trobe also hears from investors who are saving for a particular objective.

"What these investors need to know is that their investment capital [if invested with La Trobe] will not be subject to the 'mark to market' volatility that pervades the stockmarket and other key investment markets," he says. "This is especially the case when the investor will need that money on a specific date. It is simply not an option for such investors to 'ride out' market falls that can last for well over a decade."

He says that's where capital-stable and income-producing investments really show their prowess – they generally exclude market volatility and focus first on preserving capital. Secondly, they focus on generating consistent monthly income, and this can facilitate savings plans "for a whole variety of purposes, including the payment of school fees," says Andrews.

Cash still an option

Andrews says the top three concerns from La Trobe investors during the coronavirus have included: how do they invest in times of volatility; can they access their capital when investments mature; and how does La Trobe ensure its investment assets are high quality?

"Careful attention to liquidity management is a core component of our investment strategy. Across seven decades of operation we always returned investor capital when the investment matures," says Andrews.

EQT's Thompson says during the pandemic investors have been asking about asset quality, or what impact the virus has had on the underlying assets in the funds. They're also asking about what the impact on borrowers has been and their capacity to pay, or whether there have been applications to relax or defer repayment terms. And they're also asking about expectations for future returns as well as liquidity.

He says about 40% of assets in the mortgage funds are exposed to the retail sector, so there would be some impact in the near term. These are assets such as service stations and commercial buildings with retail premises or even strips of business precincts in urban areas where there are alternative land uses. On the commercial side, the portfolio ranges from industrial parks to small commercial office buildings and specialised sectors such as private schools.

"There's a variety of borrowers we lend to and they're spread [geographically] so there's no concentration risk. We also never allow more than 10% of the portfolio to be with a single borrower, and the limit on our loan-to-value ratio is no more than 66% on any asset," says Thompson.

Given EQT's investor base is largely charitable trusts and not-for-profits as well as retail investors, they generally don't allocate a large portion of cash to the mortgage funds because investors will already be positioned for volatility through other products in EQT's suite of managed funds.

When financial markets are experiencing heavy volatility, La Trobe's strategic and philosophical preference is to increase its cash holdings in individual products. This ensures the investment manager can comfortably meet its obligations to investors.

"We are currently holding 87% of our 48-hour account and 33% of our 90-day notice account in cash. We are committed to retaining these higher cash holdings for so long as market volatility persists," says Andrews.

The one-year account currently holds about 2% in cash, but the chief investment officer expects to increase this percentage further in the coming months.

This report was sponsored by La Trobe Financial but was independently researched and written.

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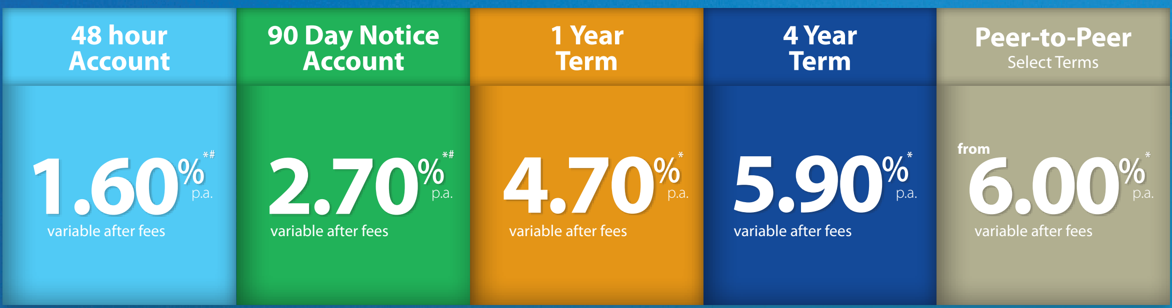

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Looking out for ***you***®

Welcome to the Asian century

Powered by China, emerging markets are flexing their economic muscles

This year marks the turning point for global economic order and it has nothing to do with Covid-19. I am referring to the fact that Asian economies, as defined by the United Nations, will collectively have a larger economy this year than the rest of the world.

It's not a blip of a single data point, but rather it's part of a well-entrenched growth trend that most of us have heard about anecdotally. Asia has grown from a 35% share of world GDP to 50% over the past 20 years, largely on the back of the Chinese growth engine.

The region is expected to continue growing over the next 20 years for a range of reasons. If anything, the trend might get stronger over the next two decades as China integrates the economic activities of other Asian countries, in a concerted way, with its own economy. For investors this is important in terms of asset allocation.

The Asian economic growth of the past 20 years was predominantly reliant upon an increasingly significant but single-engine economy of China with other regional economies playing a support act. This is all set to change as Asia is stepping up the way it will co-ordinate itself as a single economic bloc with state-of-the-art, pan-Asian infrastructure (famously named the One Belt, One Road project) to transport goods and people seamlessly throughout the region.

China is playing the central role in making this vision a reality by, firstly, leading efforts to lay the facilitative political landscape by engaging, unilaterally and multilaterally, with other countries in Asia. The project has been well received by most Asian countries with some scepticism from India, but we think it too will participate eventually.

Over the past 20 years, China has accumulated a large reserve of financial capital and know-how to achieve sustainable economic growth. It's now going to put its knowledge and resources to use for the greater Asian region.

China is not doing this for virtuous reasons alone; it has an ageing demographic (median age of 39 years versus 32 years for Asia) and slowing economic growth. It can no longer rely on low-value manufacturing for the future prosperity of its increasingly middle-class demographic; it needs to move to high-value manufacturing and service sector jobs that embrace productivity and automation.

As part of the One Belt, One Road vision, China plans to move its low-value manufacturing installations to surrounding Asian countries, which will become upstream producers and suppliers into China's advanced manufacturing and production system in fields ranging from superconductors and biotechnology to high-speed rail, power generation, machinery and telecommunications.

China will fund and develop the infrastructure in host countries through joint ventures and special loans programs. The economic benefit for other Asian countries is obvious through a boost in trade, tourism, employment and income for their citizens.

3 FUNDS TO WATCH

1 Platinum Asia Fund

The experienced Joseph Lai's fund skilfully harnesses Platinum Asset Management's local expertise within a broader global context. Its regional analysts work with the team's global sector specialists to find overlooked ideas. Platinum's success comes from investing in companies facing temporary setbacks, or where significant positive change is under-appreciated.

2 Fidelity Global Emerging Markets Fund

The strategy has a strict focus on corporate governance, sustainable business practices and robust balance sheets. This high-conviction portfolio of 30 to 50 stocks draws insights from more than 50 Fidelity analysts on the ground in emerging markets and 400 investment professionals globally. There is a focus on quality businesses and an objective to provide capital protection in falling markets.

3 Pendal Global Emerging Markets Opportunities Fund

Investing in emerging markets is a unique skill and the Pendal portfolio managers have been investing in emerging markets for 22 and 18 years, respectively. The Pendal strategy recognises emerging markets are not a homogenous block. Individual countries differ significantly on economic development, political systems, market maturity and idiosyncratic risks. These differences drive significant variations in returns between different emerging market countries.

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

SUPER **Vita Palestrant**

In the mood for a change

Before switching investment options, double-check you really will be better off

Hopefully you have used the coronavirus-induced "hibernation" productively and got to grips with your super. While financial markets have been battered, it's important to remember your super is a long-term investment and knee-jerk responses can be damaging.

This doesn't mean you should ignore things either. The more informed you are the better off you are likely to be.

At times like this, people sometimes question whether their investment option is the right one and whether they should switch. Most members are in their fund's MySuper default option, perhaps because they haven't made an investment choice. But apart from a few duds, most balanced default options have performed remarkably well since super's inception nearly three decades ago.

But there may be people who are better off in other investment options. Younger members, with decades ahead of them, may get higher overall returns with a growth option because they can ride out the market dips.

At the other end of the spectrum, members who are about to retire, or are in retirement and no longer earning money, may want to preserve their capital and prefer something less volatile, even if it means accepting lower returns.

To accommodate members who prefer a more tailored approach, funds offer various diversified, pre-mixed options such as growth, balanced or capital stable. They include varying exposure to growth and defensive assets.

Growth investments include shares, property and alternative assets such as private equity, hedge funds and infrastructure. Defensive assets include bonds, bank bills, debentures and cash. The strategic allocations for each option will move within a range depending on the outlook.

"Unfortunately, there isn't much standardisation when it comes to labelling in super," says Xavier O'Halloran, director of Super Consumers Australia. "As an example of the huge variations in labelling, the Hostplus MySuper 'balanced' option was classified by APRA as being invested in 93% growth assets. At the other end of the spectrum, the Commonwealth public sector's 'balanced' MySuper option was classified as only having 62% invested in growth assets."

Colin Lewis, head of strategic advice at Fitzpatricks Private Wealth, agrees. "The definitions between funds vary. What is a balanced option in one fund can be a growth option in another fund. You need to look at what the percentages are between growth assets and defensive assets."

Alex Dunnin, executive director of research and compliance at Rainmaker Information (which publishes *Money*), says there are some broad rules when it comes to labels, but if you want to compare how the same option varies from one fund to another, it can be quite a challenge (see breakout).

"You need to look at what asset classes they invest in, what portion is allocated into shares and the split in the types of shares they've got – Australian, international, emerging markets, etc – and what portion is in property, what portion is in bonds ... and obviously fees.

"If you are asking those types of questions, you are having a good look, but then it only matters if the fund has got a demonstrated track record. There are some products that do and some that don't."

Dunnin says the tricky aspect is that not all funds get the returns you'd expect given their asset mix. "The MySuper options of the major super funds are remarkably robust, tough and versatile. Jumping out of them may not always lead to the results you'd expect," he says.

In other words, look before you leap. You might be in the best option after all.

Finally, if you do want to switch super funds, be careful you don't forfeit any irreplaceable life insurance. And if you're in pension phase, check first that you are not going to lose any grandfathered social security benefits like the Commonwealth seniors health card.

And if in any doubt, seek professional help from a financial adviser to ensure everything is in good order.

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

What's in a label

Rainmaker Information's Alex Dunnin says classifying assets as growth or income is not always clear-cut or easy.

"The trouble is, people start to argue about how you should categorise some asset classes, like unlisted [direct] property and listed property. Is unlisted property that is held as, say, a building, a growth asset because the super fund expects it to grow in value or is it an income asset because it delivers rental income? It does both so a super fund may split how it classifies this asset."

Similarly, some funds may describe their infrastructure assets as income assets because they deliver income streams much like how a bond does. But critics will say these are growth assets because they are property. The truth is, they are a bit of both.

"These factors mean that when investors start to delve into choosing their own investment options, they need to look under the bonnet and, while taking note of the formal categories, be mindful that there is ambiguity around these.

"While this may seem a bit unhelpful it's not too different to how we should judge share funds. Some are aggressive, some are conservative, some are highly concentrated, some are deliberately speculative. Yet they are all 100% shares."

WHAT IF? Annette Sampson

Companies need more cash to cope with Covid-19

A capital raising gives investors the chance to top up their holding, often at a discount

DASH FOR CASH

The past couple of months have seen a rush of capital raisings by companies looking to shore up their reserves to get through the virus-induced downturn. Around $8 billion was raised by the end of April and the total is expected to rise well beyond that.

National Australia Bank (NAB) undertook a $3.5 billion capital raising in May. Other companies calling on shareholders for cash have included big names such as Cochlear, Webjet, Southern Cross Media, Flight Centre, Oil Search, QBE and Lendlease but they have by no means been alone.

Capital raisings can take several forms, but in an emergency companies often get the best bang for their buck by doing an institutional placement, selling a tranche of new shares to institutions such as superannuation funds. This can be done quickly and efficiently.

Companies can also offer shareholders a share purchase plan to add to their shareholdings, or some form of pro-rata entitlement plan or rights issue where shareholders are offered the chance to buy a specific number of shares based on their current shareholding.

To ease the process, the Australian Securities Exchange (ASX) and Australian Securities and Investments Commission (ASIC) introduced measures to make it easier for companies to raise capital until the end of July. ASIC has allowed the use of "low-doc" offers that provide limited information to retail shareholders and the ASX has lifted the placement capacity from 15% to 25% so long as they also offer a follow-on share purchase plan or pro-rata entitlement to shareholders.

THE BENEFITS

By tapping the market for extra cash, companies are ensuring they have the means to get through the crisis and out the other side.

It is likely some companies may not have survived the crisis without extra capital. Others are using capital raisings as insurance against tough times ahead. For example, NAB said its raising was intended to allow the bank to support its customers through the challenging times ahead, as well as preparing it for a range of possible scenarios, including a prolonged and severe economic downturn.

THE CHALLENGE Darren Snyder

Spot the dodgy deals

The regulator ASIC is warning retail (smaller) investors to be cautious when investing in fixed-term products that directly compare themselves to bank term deposits. It is seeing a surge in marketing and advertisements for fixed-term investment products that portray themselves as "alternatives" or "substitutes" for term deposits when this is hardly the case.

If these products really were like term deposits, they would be well capitalised, protected by the government guarantee (up to $250,000 per investor) and supervised by APRA. ASIC says investors should be cautious about products that are backed by concentrated portfolios of higher-risk unlisted and illiquid (can't be sold quickly) assets.

The saying "if it seems too good to be true, it probably is" works as a rule when it comes to identifying risky investments. That's why it's always good to consult a financial adviser before you invest in a product that you might not totally understand.

If you have confidence that the company will use the extra cash to build its business and emerge from the crisis stronger, capital raisings present a good opportunity to buy more shares at a discount and without brokerage costs.

THE DILUTION EFFECT

However, capital raisings have been widely criticised as being unfair to retail investors because of big institutional placements. Retail investors often have only a limited opportunity to participate and can see their holdings being diluted by the new shares.

Let's say you own 10 shares in ABC Ltd, which currently has 100 shares on issue. If it makes a placement to an institution of a further 25 shares, you will be left with 10 shares in a 125-share company. Your ownership, and entitlement to dividends, will have gone from 10% to 8%.

The ASX move to lift placement capacity only if there is an accompanying retail entitlement was an attempt to address this inequity. However, many shareholders may still be unable to buy as many new shares as they want, while others may be feeling the pinch and unable to take part in the offer.

DID YOU KNOW?

In 2008-09, during the GFC, Australian companies raised around $100 billion from shareholders. But the benefits were distributed far from evenly. A report in 2010 by ISS Governance found around half the money raised was through placements that could not be accessed by all shareholders.

BEST-CASE SCENARIO

A capital raising can be a win-win if it positions a company well for future growth and allows shareholders to buy more shares at a discount.

WORST-CASE SCENARIO

Some companies will inevitably struggle in the aftermath of Covid-19. Shareholders don't want to throw good money after bad.

THE WILD CARD

V-shaped, U-shaped, W-shaped or some other form of recovery?

WHAT TO DO

The ASX says if you had a gross income of more than $250,000 in each of the past two years or own net assets of at least $2.5 million you may be classed as a "sophisticated investor", which gives you greater access to capital raisings.

If you don't qualify, it's important to consider the implications of capital raisings by companies that you own to decide whether you want to keep your shares and, if so, whether you want to add to your holding.

Under a share purchase plan, retail shareholders can now purchase up to $30,000 in new shares whereas a pro-rata entitlements base is based on your existing holding, which means larger retail investors will get a bigger entitlement than smaller holders.

In most cases, retail investors are able to buy new shares at or below the institutional price (depending on market movements) so they definitely warrant consideration.

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.*
Disclosure: The writer owns NAB shares.

"If an investment product offers higher returns than a term deposit, it is more likely than not to be higher risk," says ASIC deputy chair Karen Chester. "In the current uncertain and volatile markets, higher-risk investment products are, more than ever, not for everyone. Especially for smaller investors ... when they are not investing as part of a diversified portfolio."

She says products spruiking even a 2% or 3% higher return than a term deposit represent significantly higher risk. ASIC is also seeing products offering only marginally higher returns with much higher risk profiles.

"Investment products marketed to consumers should be 'true to label'. Products should not be marketed as having features like low risk of loss, regular returns or easy access to withdrawals unless the product issuer has reasonable grounds to believe they have and will continue to have such features through the economic cycles.

"When choosing an investment product, carefully assess if the product is appropriate for your circumstances."

So how do you know what's appropriate? Knowing your investment risk profile will go a long way to determining what, when, how and why you or your adviser choose certain investments.

Troy Theobald, financial adviser and director of financial services at Robina Financial Solutions, says a good adviser will ask the right questions and not just give you the "guided tour" of your risk profile.

This includes asking how you think you would react and feel if a major financial event such as Covid-19 happened, and what it would mean for you. Your risk profile should be reviewed at least every six to 12 months.

"A structured approach with adequate cash buffers that quarterly re-weights the client's individual portfolio should allow them to hold their risk profile and actually benefit from market downturns," says Theobald.

STORY DAVID THORNTON

‘Sure things’ for the future

Investors’ favourite Aussie blue-chip companies are having trouble living up to their name

Blue-chip stocks have long been viewed as a sure bet for investors wanting to play it safe in the sharemarket. But as the economic impacts of Covid-19 reverberate through global sharemarkets, do blue chips still qualify as a safe investment?

For a label that’s bandied about as much as any other in the investing world, “blue chip” is without a common definition. As Jamie Nicol, chief investment officer and director at DNR Capital, points out, “the definition of ‘blue chip’ can be in the eye of the beholder”.

The term is derived from the game of poker, where the blue chips are traditionally the most valuable. For investors, it usually means companies that are best in class.

“The term in investment parlance conjures up characteristics such as being a market leader, immune to economic cycles, financially secure with a long track record of success,” says Max Cappetta, chief executive at Redpoint Investment Management.

Jun Bei Liu, portfolio manager at Tribeca Investment Partners, believes blue-chip stocks exhibit enduring business models and competitive advantages. “Their earnings growth will be supported by structural and cyclical drivers, and will be run by an astute management team with a consistent track record in execution and delivering strong cash flows,” she says.

But the Australian definition of a blue-chip company goes a step further, with added importance given to a company’s brand heritage.

Hamish Tadgell, portfolio manager at SG Hiscock, says the Australian notion of a blue-chip stock draws undue attention away from the more important features that should define them.

“Personally, I don’t like the ‘blue chip’ label as it invokes familiarity or reference to well-known household names, rather than necessarily focusing on the attributes and quality of the business,” he says. “The issue in Australia is that the top 20 largest listed ASX companies has been relatively entrenched, which is in large part a function of the fact we are a relatively small service-based economy.”

By comparison, in the US, the largest blue-chip companies that make up the index have been much more dynamic and have been driven by innovation and entrepreneurship.

“The strength of a companies’ competitive position, earnings power and management, and sustainability of these things, is what determines its leadership position, and ultimately whether it should be considered a blue chip,” says Tadgell.

Welcome to the new normal

The coronavirus has introduced, at least for now, a "new normal" characterised by volatility and diminished returns, and blue-chip stocks aren't immune.

"The Covid-19 pandemic has thrown a massive spanner into the normal functioning of the global economy in ways which we could not have imagined just a few months ago," says Cappetta. "We are being presented with a very different economic shock at this time, the likes of which has not been seen in generations."

But has it changed what a blue chip is or what it offers investors?

For Jamie Nicol, the answer is no. Rather, it's exposed companies that claim, yet fail to satisfy, the features necessary to be considered blue chip. "You get a clearer understanding of a company's competitive dynamics, earnings and balance sheet strength through times of market stress," he says.

"The greater impact on blue-chip companies in recent years has been the lowering of interest rates and the increased advent of technology. Investors have gravitated to companies with earnings or dividend certainty, such as CSL and Woolworths, or those with a more reliable growth outlook such as Xero."

Meanwhile, technology-driven businesses are undercutting many of these business models, offering tailored services at lower prices and cutting fat profit margins built over many decades. "Within the banking sector, they face a combination of regulation, higher unemployment, a weaker property market and cuts to net interest margins as interest rates settle near 0%," says Nicol.

Now we're seeing heavy discounts on blue-chips stocks.

"Over the last month we've effectively seen some of the best blue chips go on sale," says Dermot Ryan, Australian equities portfolio manager at AMP Capital. "For bargain hunters, the market plunge has opened up stocks that would otherwise be too expensive."

This includes traditional defensive stocks and those that benefit from people staying home to maintain social distancing.

"We are favouring investing in essential services, supermarkets, infrastructure, packaging and hospitals and aged care," says Ryan. "We expect telecommunications and service providers also to do well from the downturn as households increase their mobile and broadband packages and carriers start their 5G capex spending."

The term blue-chip share is associated with high-dividend-paying, old-fashioned businesses

Dividend debate

Australia's love for blue-chip stocks dovetails its love for dividends – fully franked if possible. Not surprisingly, Covid-19's impact on company revenue has seen many dividends slashed.

However, experts are split over whether dividends are a healthy feature of the market, be it now or during normal market conditions.

"Dividends are the outcome, they're not the process," says Paul Taylor, a portfolio manager at Fidelity. "They come at the end of the day – the stability of the company and earnings lead to dividends."

Taylor hits back at the argument that Australian companies are at a disadvantage because they pay out dividends, rather than re-invest earnings into the company. "Companies that pay higher dividends generally outgrow companies that pay low dividends," he says.

This is because the distribution of dividends leads to greater capital discipline.

"Because a company only has a limited amount to invest after distributing dividends, they make sure they generate a high rate of return on their invested capital," he says. "On the other side, companies that pay out no dividends and reinvest typically generate a low return on investor capital, so the money is burning a hole in their pocket."

Taylor also disagrees that paying out dividends prevents capital expenditure or acquisitions. Rather, it means companies go to investors and ask for the money.

"Just because companies pay out high dividends, it doesn't mean that they can't come back to the market and do acquisitions and capex. But they have to justify to investors why they want the money."

Kanish Chugh, co-head of sales at ETF Securities, agrees that capital discipline can be the result of high dividend payout ratios, but he adds an important caveat.

"From a company perspective, high dividends promote capital growth, but what if they're borrowing to pay dividends," he says. "At the end of the day, that puts them in a worse position. Investors should view that as a net loss."

Investors might have to look at investing in growth companies

Chugh also proposes that income investors broaden their view about the way income is generated.

"Rather than hang onto hope that dividends bounce back, investors might have to instead look at investing in growth companies, which they can then sell to earn income from the capital appreciation," he says.

The investment case

So what does a blue-chip stock look like in a post-Covid-19 world?

Drew Meredith, director and financial adviser at Wattle Partners, believes the days of relying on the most well-known names and biggest businesses are gone. "The age of the internet has seen barriers to entry erased and sent many a blue chip to the brink of bankruptcy.".

In his view, the "new" blue chips should be global businesses. They should embrace technology, invest in themselves rather than pay dividends and be constantly growing revenue and cash flow rather than relying on debt or equity.

Cappetta adds that having a perspective on how companies manage their risks in terms of their environmental impact, social connection and governance (ESG) practices can help identify good-quality businesses that are being well managed for the long term.

"Combining this with rigorous analysis of the company's financial statements can provide new insights towards making better investments for the long term," he says.

The case for blue-chip stocks now may be much the same as it was previously. The only difference is that the pandemic has exposed the emperors lacking any clothes.

"Unfortunately, the term blue-chip share in Australia has long been associated with high-dividend-paying, old-fashioned businesses, like our big four banks," says Meredith.

"If the GFC wasn't enough of a lesson, the Covid-19 shutdown has reiterated that these 'blue chips' are anything but."

Case in point: Australia's top 20 businesses include two grocery stores, four banks, two mining companies and one healthcare business.

"Only one of those businesses is trading at or near its all-time high and has a record of increasing dividends almost every year, excluding the GFC. The others are cyclical, highly leveraged or prone to cut-price competition," he says.

"These businesses may well recover strongly, but they are not the sure things they have been perceived to be for so long. There is simply too much competition and they have generally become slow-moving, hamstrung businesses in need of more capital."

On the other hand, Covid-19 could be providing impetus for blue-chip companies to cut the fat and develop more modern and efficient ways of doing business.

"The huge impacts that Covid-19 is having on businesses and individuals is seeing much needed assessments take place and will likely see important decisions being made," says Meredith. "To once again become blue chips these companies need to become more nimble, more efficient, reduce capital expenditure and unfortunately improve productivity by embracing technology, regardless of any teething issues." *M*

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Password to performance

The big and boring super funds give members the chance to manage their own money

There are a couple of lessons to be learned from the recent correction. The first is that most fund managers didn't do much. And that's a fact of life for anyone in big super funds. It's not a criticism; it is simply reality. Big funds are too big to do anything material to respond to significant market events like the one we have seen this year.

Yes, it has been the best buying opportunity in a decade, and just maybe some of the funds have rushed money into the market when they could have taken their time, but by and large they have not responded to the "corona crash", and here is the proof. It is the performance of the major managed funds over the past three months:

AUSTRALIAN EQUITIES FUND MANAGER RETURNS*

	3-month (%)	1-year (%)	3-year (%)	Annualised 5-year (%)	Annualised 10-year (%)
LARGE CAP CATEGORY					
S&P/ASX 200 TR	-23.10	-14.42	-0.56	1.39	4.92
Large growth	-22.64	-12.75	0.04	1.72	5.10
Large blend	-23.67	-15.33	-1.66	0.32	4.17
Large value	-25.95	-19.94	-5.31	-1.84	3.94
SMALL CAP CATEGORY					
S&P/ASX Small Ordinaries TR	-26.72	-21.02	-1.33	2.52	1.10
Mid/small growth	-26.38	-17.76	-0.12	2.80	5.29
Mid/small blend	-28.41	-17.80	-0.21	3.30	6.40
Mid/small value	-28.07	-18.79	-5.17	0.29	5.02

* To March 31. Source: Morningstar

As you can see, on any level, big funds have performed bang in line with the market, less their fees. In other words, they did nothing. And anyone whose super is invested in the big multibillion-dollar funds should understand this and understand how the big end of town is looking after their money.

Again, it's not a criticism; it's actually an important feature of big funds: most big funds are collecting and administering your money, not managing it any more. They used to – performance used to matter – but the focus has moved from achieving and competing on performance to administering your funds brilliantly, at the lowest cost possible. And rather than outperforming, which is nice when it happens, the main performance focus is on avoiding significant underperformance that would draw negative attention and lose members.

Performance is no longer the point of difference for the big funds, which is why they emphasise low fees instead. Above all, it's about providing no reason for their unthinking members to think about moving. But don't dismay. It's okay. They are doing no wrong and it's not their fault, for a few reasons.

For one thing, they're too big to move big licks of money, billions, in and out of the small Australian stockmarket or illiquid international markets in any size in short time periods. There is no way they could duck and weave meaningfully through events like the corona crash.

Secondly, they would get crucified if they did. Taking radical bets against the markets is not their job. Come a crash the different asset classes they administer will wear whatever the market delivers. It's the way it's designed. It's normal.

Thirdly, these institutions don't allow autonomy within their structures. No one in the big-fund industry is allowed the discretion to stuff it up.

Disappointed that no one is managing your money for performance? You shouldn't be. Before you pull your money out of your professionally administered, big, compliant fund and hand it to a hedge fund manager driving a Lamborghini, let me tell you the good news. You can stay in your fund and, these days, manage it yourself. It is one of the greatest developments in the past decade. It's called "your big fund's website".

Over the past few years most big funds have spent a lot of money giving you new websites that provide previously unimaginable levels of functionality. All you need to do as a big fund member is find your latest letter or email with your account number on it, find out your password and log in to the website. Once in, and once you've discovered that you have three insurance policies you didn't know about that are draining your funds every month, and you've seen the annual administration costs, and you've realised their performance against benchmarks is no more or less than "average less fees", the next job is to find the page that allows you to set your own asset allocation.

If any of this is too hard, most funds have fabulous customer service (they can afford it) and they will direct you to the page that allows you to choose between options like balanced, high growth, conservative, stable and others. It used to be that you didn't have a choice at all. It used to be that you could only change this setting once a year. It used to be that you could change it once a quarter. Now most funds allow you to change it whenever you want.

Drill down and you will see the asset allocation that sits behind each "option" you can choose from. Here are the AustralianSuper options and their respective asset allocations as an example, showing the weightings in each asset class behind each pre-mixed option:

As a younger investor with a focus on growth, you would normally be drawn to the high-growth option. The high-growth option would have exposed 70.6% of your super to the equity markets over the corona crash. When the Australian equity market fell 38% from top to bottom and the US fell 35%, a back-of-the-envelope calculation suggests that this option would have dropped about 25% in value from top to bottom.

The stable option, on the other hand, with only 23% exposed to equities, would have dropped about 8%. That's from top to bottom. But as we stand at the moment, after the recent bounce, with the Australian market down 23% and the US down 13%, the high-growth option would only have lost about 11% and the stable option about 4%.

You can see why the big funds don't bother doing much. If the worst the market can deliver in the biggest correction in a decade is an 11% drop in their most aggressive option, what's there to worry about? Members will understand that. Sure, Bobby Axelrod, from *Billions*, might have been able to time things a bit better and get that 11% down to maybe 5%, but given the liquidity issues involved, even if he had no committees to hold him up and total autonomy to do what he wanted, he was never going to make much difference. And while we work with the luxury of hindsight, his attempts to save 6% were, win or lose, risking something far more valuable, which is member confidence.

Most super fund beneficiaries don't want Bobby Axelrod. If they do they can pull out easily enough, run their own self-managed super fund and seek him out. For the rest of the members, average returns less fees come with some big benefits: all your weekends and evenings not worrying about money at reasonable costs. The 24/7 transparency and peace in the knowledge that these businesses are highly regulated and run by boring committees means they are not going to stuff it up.

Oh, and if you really want to, as a member you still manage your asset allocation yourself, and in so doing protect yourself from disaster, or expose yourself to opportunity, if you really want to. All you need is a password.

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.*

Safety third, not first

STORY GREG HOFFMAN

Sharemarket investors can learn from those who know the dangers of the African bush

Boyd Varty has a bit of Bear Grylls about him. He grew up in the eastern part of South Africa, near the famous Kruger National Park on the family game reserve, Londolozi. It's an amazing-looking place, where Nelson Mandela went to recover after his 27-year imprisonment.

Last month Varty came to the end of a remarkable project. He'd spent 40 days and nights alone, living in a treehouse on a remote part of the Londolozi reserve. On each of those days he posted a short reflection via podcast. I enjoyed these wide-ranging reflections immensely, especially one titled "Safety Third".

"I think that safety occurs in three phases," explains Varty. "The first phase—and probably the most important—is a mindset and an awareness that you live in long before a dangerous situation. It's a voice that is always whispering inside of you. It says 'forward thinking, route planning, risk assessment, contingencies, knowing the terrain, local knowledge'. The second phase of safety is actually how you handle the dangerous situation itself, should one arise. The third phase is the safety itself, which is a result of the first two phases. Hence, safety third. Mostly the first phase done well—a safety mindset—will mitigate the need for the second and arrive you straight at safety third."

Varty describes putting this philosophy into action when planning a run in the African bush. "In my experience, overcast conditions can mean hippos out of the water, feeding, which is something they don't do when the sun is out and it's hot—experience, local knowledge. I'm aware that in a few sections, where the brush thickens, I must change my pace and walk, adapt to the terrain—forward thinking. I plan a route and choose a time of day and terrain that would avoid elephants—mitigation. With all of this done right, I have the opportunity to run for hours."

FROM VELDT TO BOURSE

It's a long intellectual hop from the African veldt to the Australian bourse but there's plenty investors can learn from Varty's bush wisdom.

Mindset and awareness are the first phase. What mindset and awareness do you bring to investing? Do you have a long-term or short-term outlook? Do you have an awareness of all of the things that might happen to you? Syed Shah certainly didn't.

You may have heard that in April, oil futures traded at a negative price. Shah was a day trader working from his house in the suburbs of Toronto. He began buying oil futures contracts in April. First at $US3.30 each. Then 50 cents and, finally, 212 contracts for just 1 cent apiece through Interactive Brokers.

According to Bloomberg, "what he didn't know was that oil's first trip into negative pricing had broken (his broker's system). Its software couldn't cope with that pesky minus sign, even though it was always technically possible ... Crude was actually around negative $US3.70 a barrel when Shah's screen had it at 1 cent. Interactive Brokers never displayed a sub-zero price to him as oil kept diving to end the day at minus $US37.63 a barrel."

Shah had started the day with $US77,000 in his account. At midnight, he was advised that he owed his broker $US9 million. (Interactive Brokers is reported to have said that customers who suffered losses will get their money back.)

It's our responsibility as investors to be aware of the risks we're exposed to. And Shah's story highlights that this awareness needs to start even before you buy your first share (or futures contract, in his case). For instance, what risks are involved in the stockbroker you use?

I use market-leading online broker CommSec. My wife uses competitor Bell Direct. Bell Direct is cheaper per trade, so why don't we move all our accounts across? I now hear the clipped tones of Varty's South African accent, "risk assessment, contingencies".

To access Bell Direct's cost-effective and very good online share trading platform, you must first invest your cash into the Bell Direct Cash Trust. Your share trades are then settled from this financial product.

The Bell Direct Cash Trust product disclosure statement explains that "all of the money invested in the Trust is lent to Bell Potter Capital and you are exposed to the risk that Bell Potter Capital may not be able to repay the loans and accrued interest ... neither your unit nor any of the loans made to Bell Potter Capital is a bank deposit and they do not have the benefit of the depositor protection provisions under the Banking Act".

If Bell Potter gets into financial strife, there's a chance that my wife will lose much of the cash that is held in the Bell Direct Cash Trust attached to her account. For that reason, she tends to hold only a minimal amount of cash there. In Varty's voice, "mitigation".

By contrast, the cash I use to settle my CommSec trades sits in a bank account where the first $250,000 is guaranteed by the Australian government. Varty again, "knowing the terrain, local knowledge".

Develop your own 'rogue's gallery' of directors and managers

BROADER PERSPECTIVE

When it comes to choosing individual stocks, the same applies. Local knowledge is especially important in a relatively small economy like Australia. Many Australian industries lend themselves to being effective duopolies or oligopolies. That has implications for businesses on both a day-to-day basis and also at a strategic level.

For example, bank shareholders should know about the "four pillars policy", which has prevented any of the big four banks merging with each other for the past 30 years. And airline investors have keenly observed the unfolding case study of the different impact the Covid-19 pandemic had on Australia's two main airlines. Being number one in a small market can have substantial benefits, financial, political or otherwise.

Local knowledge also helps in avoiding less reputable directors and managers. I encourage you to develop your own blacklist or "rogue's gallery". As you read about or experience corporate failures or frauds, note the personalities involved and map them across to other companies they may be involved in.

This "guilt by association" approach may rule out a few decent investments here and there but, over time, it's served me well. In the African bush, Varty's approach shuts off several possibly rewarding avenues. Yet that's a reasonable price to pay for avoiding potential catastrophe.

The second phase is how you handle the dangerous situation when it arises. This year is providing plenty of potentially dangerous situations both physically and financially.

A high school student could tell you that the idea in the sharemarket is to buy low and sell high. But I saw a number of investors dropping their bundle in the March crash and selling stocks.

We all know that panics are the time to buy in the sharemarket. The challenge is that when you're in the teeth of a crisis, it's easy to imagine things getting even worse. The problem is that if just about everyone is thinking the same way then, almost by definition, it's already priced into the sharemarket.

Rudyard Kipling was another man who was fond of South Africa. To paraphrase and mangle his famous poem *If*, if you managed to keep your head while all about you were losing theirs earlier this year, then you passed the second phase of safety with flying colours. In fact, you may have already landed at "safety third".

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 HEALTHCARE

Let's hear it for quality

Australia is lucky to have some star players who can take on the world

There's an old saying in finance when it comes to valuing stocks. Paraphrased: in good times, everyone focuses on earnings; in bad times, it's the balance sheet that counts.

It might be fair to update it slightly, in these days of companies without huge fixed-asset bases like factories and machinery. And I'd replace balance sheet with quality.

When the herd is running, it's tempting to ignore the quality underpinnings of a company, and just go for growth; to chase whatever's hot; to keep up with the go-go Joneses.

Of course, an economic shock like, say, a pandemic, can really muck up those plans. As Warren Buffett says, it's when the tide goes out that you find out who's been swimming naked.

Which is why, midway through our 2020 Best in Breed series, it's worth remembering just why we're doing this. We're not looking for speculative hot stocks. And we're not discounting that the lower-quality businesses of today could be the Best in Breed winners of tomorrow. No, we're doing it because quality counts.

Quality will win out, over time. And we're not talking longevity, popularity or ubiquity here – there are plenty of companies that would meet those standards but which, in my view at least, are poor-quality businesses.

Quality means, among other things, a competitive advantage. It often means pricing power, balance sheet strength, a customer base that isn't going anywhere any time soon, or a brand that is highly valued by its customers. Ideally, it means many or all of those things – and others, besides.

Let's turn our gaze, then, to the healthcare sector in particular. As we did last year, we're excluding companies that like to think of themselves as healthcare companies but really aren't. Prime among that group are aged care businesses that, by dint of their business models, are closer to property trusts than anything. And we'll put health insurers to one side (they're financial businesses that happen to insure health outcomes). Ditto health software which is, as the name suggests, software.

Even that leaves us a wide field. We have medical device makers, hospitals, diagnostic clinics and pharmaceutical manufacturers. (Everything is "biotechnology" these days, and while sometimes literally true and applicable it is increasingly used as a marketing label to attract investors).

This is one sector in which Australia boasts plenty of, if not world beaters, at the very least globally competitive players.

Some of the newer cabs off the rank include Nanosonics, whose ultrasound probe disinfectant technology is fast becoming the standard of care around the world. Both ResMed and Fisher & Paykel Healthcare (technically a New Zealand company, but we have a history of claiming the best Kiwis for ourselves) are dominant players in airway management. And not forgetting the biggest of them all (with a not-too-unlikely chance of becoming the largest company on the ASX in due course), CSL, which continues to take its plasma-and-vaccines business to ever greater success.

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Best in Breed's tips so far

SECTOR	STOCK	ASX CODE
Discretionary retail	Kogan	KGN
Consumer staples	Treasury Wine Estates	TWE
Resources	BHP	BHP
Financials	Insurance Australia	IAG
Healthcare	Cochlear	COH

Foolish takeaway

The winner (despite having run its balance sheet too lean, and needing to raise capital a short time back – hopefully a lesson it learns and something it doesn't repeat) is an Australian business with a dominant brand, high levels of practitioner support and recommendation, industry-leading technology and a long history of successful innovation. It has a large and growing market, particularly as the developed world becomes more affluent, and its clients are almost all, by definition, customers for life. The long-term future is bright, and the Best in Breed healthcare company is last year's carry-over champion, hearing implant maker Cochlear.

Best guess is not so great

Economic forecasts range from dim to grim, so we can't afford to let our guard down

Reserve Bank of Australia (RBA) governor Philip Lowe's statement – released after the Australian central bank's May 5 board meeting (where it kept monetary policy settings unchanged, including the targets for the cash rate and the yield on three-year Australian government bonds of 0.25%) – puts into black and white the collective and individual thoughts of all (not most) central bankers and governments on the planet.

"A stronger economic recovery is possible if there is further substantial progress in containing the coronavirus in the near term and there is a faster return to normal economic activity," says Lowe.

On the other hand, if the lifting of restrictions is delayed or the restrictions need to be reimposed, or household and business confidence remain low, the outcomes would be even more challenging than those in the baseline scenario, says Lowe.

So it all depends on the success or failure in containing/finding a cure/preventing a second wave of Covid-19.

It had better come soon. For even the RBA's best guess (baseline) scenario is not looking good.

"Output falls by around 10% over the first half of 2020 and by around 6% over the year as a whole. This is followed by a bounce-back of 6% next year. The unemployment rate peaks at around 10% over coming months and is still above 7% at the end of next year," the bank says, before returning to 5% by mid-2022.

In the March quarter, CPI inflation rose to 2.2%, but it is expected to turn negative temporarily in the June quarter, due to falls in oil prices, the introduction of free child care and deferrals of various price increases.

"Further out, in the baseline scenario inflation is 1%-1.5% in 2021 and gradually picks up further from there," says the RBA.

The drop in the Commonwealth Bank Composite PMI for Australia (that was released on the same day as the RBA's board meeting) to a record low of 21.7 in April from 39.4 in the previous month – as both manufacturing (down to 45.6) and services (down to 19.5) contracted at their fastest pace on record – gives credence to the RBA's gloomy outlook on Australian economic growth.

The Commonwealth Bank PMI survey is "designed to provide a timely indication of changes in business activity in the Australian private sector economy as a whole". Readings above 50 signal an improvement in business activity on the previous month, while readings below 50 show deterioration.

The lead from the ANZ job ads series – released a day before the RBA meeting – also supports the Australian central bank's dim view of the labour market. Job ads in newspapers and on the web plummeted by 53.1% over April and by 62.2% from a year earlier.

Australia's labour market outlook would have been worse – with the unemployment rate earlier predicted to reach as high as 18% – had it not been for the federal government's $130 billion JobKeeper scheme payments that limited the issuance of pink slips.

So much so that the Westpac-Melbourne Institute Unemployment Expectations Index dropped by 13.4% in May – indicating workers are more confident about their job security – after surging by 17.4% in April.

Not only this, overall consumer sentiment jumped to its biggest monthly gain on record in May following Australia's success in "flattening the curve" and justifying the federal government's gradual easing of social isolation and lockdown restrictions.

Still, Australia cannot afford to let its guard down. Not when the threat of a second wave of infection remains clear and present.

Easing social restrictions and lockdowns early would no doubt support a speedier return to normal and faster economic recovery but this comes at the risk of inviting a second wave – necessitating re-enforced restrictions that'll prolong abnormal business activity.

China, South Korea and Germany – countries that have earlier eased social restrictions – are reportedly experiencing a second wave of infections, prompting their respective governments to re-impose restrictions.

"I think we are going in the right direction ... But the right direction does not mean we have by any means total control of this outbreak," says Anthony Fauci, director of the US National Institute of Allergy and Infectious Diseases.

Benjamin Ong is director of economics and investments at Rainmaker Information.

From gift cards to gaming

This speculative buy has proved itself a skilful niche player around the globe

STORY MICKEY MORDECH

In many industries, traditional payment methods involve lots of friction; they are slow, rely on trust or have some other hitch. EML Payments exists to make it easier to pay digitally in a variety of situations, providing prepaid debit cards and virtual accounts for an array of applications.

The strategy is to go after niches, known as "verticals", appropriate to its prepaid payment solutions. The mix of fees across verticals varies, but the company earns money charging establishment fees, "breakage" fees where it collects unused balances on cards, interest accrued on deposits, transaction fees and interchange fees charged to merchants.

The company's main money earner is gift and incentive cards, where it supports more than 800 malls run by companies like Unibail-Rodamco-Westfield and German operator ECE. But EML has also branched out into niches such as salary packaging and sports betting, winning deals with bet365, GVC (which controls Ladbrokes, bwin and Coral) and several others.

EML is now dominant in Australia and is rolling out its technology with partners in Europe, the UK and the US, where online sports betting is gradually being legalised state by state. This summarises our first key pillar of the investment case: EML has shown that the company's solutions are applicable to many different verticals in different countries, giving potential investors many ways to win.

EML was born out of the purchase of emerchants in 2011 for $12 million. Tom Cregan arrived as chief executive and managing director in 2012. Back then, emerchants earned just $1 million in revenue – 90% of which came from one customer – and the company had just blown through $6.5 million in cash over the fiscal year.

With just a few months of cash in the bank, Cregan began the turnaround.

The company now operates in 21 countries, has more than 1200 card programs and the stock has risen forty-fold since 2012. With 6.6% of the company, he's well incentivised to continue building this business.

Nevertheless, Cregan has been quick to downplay expectations of a rapid recovery in EML's gift card division, suggesting it will be two to three years before shopping centres return to normal.

The company also benefits from a capital-light business model. Winning a contract and developing an appropriate solution are the only prerequisites to growth – no large financial investments are required. For the recent Smartgroup contract, for example, the company added just two staff to deal with the added workload. If capital is deployed, it's likely to be on an acquisition.

Relatively fixed costs mean EML has lots of operating leverage. If revenues grow, free cash flow should grow even faster. The company boasts a gross margin of around 75%, so almost half of any incremental revenue should come out as cash. We wouldn't be surprised to see it start paying dividends in the coming years.

Revenue growth in future years is underpinned by a number of contract wins that are yet to contribute to group earnings, the rollout of its gaming solution in the UK and the US, increasing adoption of gift cards globally, organic growth of its customers and a pipeline of deals.

EML has a $100 million cash pile – not including $25 million of breakage to be received in due course – which will leave it well placed to buy other businesses if opportunities arise. Recent acquisition Prepaid Financial Services will also be well incentivised to hit growth targets to trigger its earn-out payments.

The combined business will boast card programs as diverse as sports betting, government disbursements and digital banking. We're confident it will find new niches to enter in due course, thereby increasing its sliver of global payments over time.

Growth will stall temporarily, but the recent 80% fall in its share price to $1.33 was irrational. Mr Market has since regained his senses, with the share price almost tripling from the lows of late March, bringing it back above our original upgrade price. Speculative buy up to $3.50.

Mickey Mordech is an analyst at Intelligent Investor.

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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%	20/11/2002	$5,771m	-3.5%	42	4.0%	11
Vanguard Balanced Index Fund	VAN0108AU	0.29%	20/11/2002	$5,054m	-0.8%	24	4.0%	13
QIC Growth Fund	QIC0002AU	0.50%	06/03/2002	$5,051m	-6.1%	62	2.9%	38
Vanguard High Growth Index Fund	VAN0111AU	0.29%	20/11/2002	$3,028m	-6.2%	63	4.0%	14
Vanguard Conservative Index Fund	VAN0109AU	0.29%	20/11/2002	$2,388m	1.4%	12	3.8%	19
AVERAGE*		0.78%		$570m	-4.2%	99	2.7%	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%	30/06/1997	$10,822m	-14.6%	67	1.4%	63
Fidelity Australian Equities Fund	FID0008AU	0.85%	30/06/2003	$4,427m	-13.8%	55	2.4%	44
Dimensional Australian Core Equity	DFA0003AU	0.31%	03/07/2006	$2,116m	-20.1%	106	1.3%	67
Bennelong ex-20 Australian Equities Fund	BFL0004AU	0.95%	02/11/2009	$2,000m	-7.9%	10	7.0%	7
iShares Wholesale Australian Equity Index Fund	BGL0005AU	0.20%	31/05/1998	$1,915m	-14.7%	69	1.4%	64
AVERAGE*		0.79%		$439m	-15.4%	135	1.8%	116

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%	01/08/2012	$14,662m	4.6%	56	8.4%	35
Magellan Global Fund	MGE0001AU	1.35%	06/10/2015	$11,560m	14.8%	7	11.7%	7
MFS Global Equity Trust	MIA0001AU	0.77%	01/12/2004	$5,494m	2.9%	71	8.8%	24
iShares Wholesale International Equity Index Fund	BGL0104AU	0.20%	30/06/2016	$3,871m	4.5%	59	8.4%	32
Walter Scott Global Equity Fund	MAQ0410AU	1.28%	31/07/1996	$3,577m	6.3%	38	12.0%	5
AVERAGE*		0.92%		$633m	1.1%	147	7.5%	100

Top 5 Multi Sector funds by 5-year return %pa

Name	APIR code	Mngmnt fee %pa	Start date	Size ($m)	1-year return	1-year rank	5-year return (%pa)	5-year rank
IOOF MultiMix Growth Trust	IOF0097AU	0.96%	31/10/2000	$673m	0.2%	21	5.5%	1
Macquarie Balanced Growth Fund	MAQ0048AU	0.70%	28/02/2015	$727m	2.5%	5	5.5%	2
IOOF MultiMix Balanced Growth Trust	IOF0093AU	0.92%	23/09/2005	$1,886m	1.4%	13	5.3%	3
BlackRock Scientific WS Diversified Growth Fund	BGL0003AU	0.79%	01/07/2001	$486m	-2.2%	34	4.6%	4
IOOF MultiMix Moderate Trust	UFM0051AU	0.79%	10/11/2011	$606m	0.7%	17	4.5%	5
AVERAGE*		0.78%		$570m	-4.2%	99	2.7%	87

Source: Rainmaker Information. Data sourced as at March 31, 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
Selector Australian Equities Fund	DDH0002AU	1.18%	31/07/1997	$42m	-8.0%	11	10.4%	1
Bennelong Concentrated Aust Equities	BFL0002AU	0.85%	04/05/2006	$692m	-5.5%	5	9.8%	2
Fidelity Future Leaders Fund	FID0026AU	1.20%	31/01/1994	$516m	-9.9%	18	8.9%	3
Australian Unity Platypus Aust Equities	AUS0030AU	0.76%	30/04/2007	$119m	-2.4%	3	7.9%	4
Macquarie Australian Shares Fund	MAQ0443AU	0.60%	30/09/1992	$111m	-11.9%	32	7.2%	5
AVERAGE*		0.80%		$482m	-15.3%	121	1.9%	106

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%	01/11/2018	$255m	12.0%	12	16.6%	1
Franklin Global Growth Fund	FRT0009AU	1.13%	18/12/2018	$257m	8.9%	20	12.9%	2
Evans and Partners International Fund	ETL0390AU	1.25%	04/08/2016	$62m	11.6%	13	12.4%	3
Walter Scott Global Equity Fund	MAQ0410AU	1.28%	01/05/2015	$3,948m	6.3%	36	12.0%	4
T. Rowe Price Global Equity Fund	ETL0071AU	1.18%	31/01/2018	$3,228m	6.6%	33	11.9%	5
AVERAGE*		0.93%		$780m	0.9%	131	7.4%	89

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
MFS Prudent Capital Trust	ETL3276AU	0.90%	18/12/2018	$32m	22.8%	1	0.0%	
Intermede Global Equities Fund	PPL0036AU	0.99%	20/03/2015	$116m	16.8%	2	11.5%	9
Loftus Peak Global Disruption Fund	MMC0110AU	1.20%	15/11/2016	$83m	16.4%	3	0.0%	
Fiducian Technology Fund	FPS0010AU	1.36%	01/05/2000	$128m	15.9%	4	16.7%	1
CC Marsico Global Fund – Institutional	CHN0001AU	1.03%	10/12/2015	$26m	15.1%	5	0.0%	6
AVERAGE*		0.83%		$547m	-5.9%	353	3.6%	288

Bottom 5 funds by 1-year performance

Name	APIR code	Mngmnt fee %pa	Start date	Size ($m)	1-year return	1-year rank	5-year return (%pa)	5-year rank
Auscap Long Short Australian Equities	ASX0001AU	1.54%	01/08/2016	$217m	-45.4%	374	-7.6%	300
Allan Gray Australia Equity Fund	ETL0060AU	0.75%	21/12/2015	$1,185m	-27.0%	373	2.3%	195
Lazard Select Australian Equity Fund	LAZ0005AU	1.15%	15/02/2017	$138m	-27.0%	372	-0.1%	274
Dimensional Australian Value Trust	DFA0101AU	0.34%	01/06/2014	$536m	-25.6%	371	0.7%	258
Nikko AM Australian Share Concentrated Fund	TYN0040AU	1.00%	18/02/2014	$45m	-24.4%	370	-2.8%	295
AVERAGE*		0.83%		$504m	-6.0%	374	3.2%	301

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

DATABANK

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 – March 31, 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
State Super (NSW) SASS – Growth	Government	S	2.2%	1	5.9%	1	5.3%	5	Not Rated
Australian Ethical Super Employer – Balanced (accumulation)	Retail	S	0.9%	2	5.6%	2	4.8%	15	AAA
QSuper Accumulation – Lifetime Aspire 1	Government	LC	-0.2%	5	5.5%	3	5.7%	1	AAA
First State Super Employer – Growth	Industry	LC	-0.9%	9	5.0%	4	4.9%	12	AAA
AustralianSuper – Balanced	Industry	S	-2.2%	22	4.9%	5	5.5%	2	AAA
VicSuper FutureSaver – Growth (MySuper)	Industry	S	-0.4%	6	4.9%	6	4.7%	18	AAA
Media Super – Balanced	Industry	S	-2.0%	19	4.7%	7	5.1%	8	AAA
TASPLAN – OnTrack Build	Industry	LC	-2.0%	20	4.5%	8			AAA
Mercy Super – MySuper Balanced	Corporate	S	-2.5%	25	4.5%	9	5.0%	9	AAA
ANZ Staff Super – Balanced Growth	Corporate	S	-1.9%	17	4.5%	10	4.5%	23	AAA
CSS – Default Fund	Government	S	-1.7%	12	4.4%	11	4.3%	26	AAA
WA Super – My WA Super	Industry	S	-0.1%	4	4.4%	12	4.0%	34	AAA
Vision Super Saver – Balanced Growth	Industry	S	-2.0%	21	4.4%	13	4.6%	21	AAA
Cbus Industry Super – Growth (Cbus MySuper)	Industry	S	-2.7%	28	4.4%	14	5.3%	3	AAA
PSS – Default Fund	Government	S	-1.8%	13	4.3%	15	4.2%	29	AAA
UniSuper – Balanced	Industry	S	-3.7%	38	4.3%	16	4.7%	17	AAA
Military Super – Balanced	Government	S	-1.9%	14	4.3%	17	4.2%	28	Not Rated
PSSap – MySuper Balanced	Government	S	-1.9%	15	4.2%	18	4.1%	30	AAA
Prime Super (Prime Division) – MySuper	Industry	S	-1.5%	11	4.2%	19	5.0%	10	AAA
ADF Super – MySuper Balanced	Government	S	-2.0%	18	4.2%	20			AAA
SelectingSuper MySuper/Default Option Index			-3.6%		3.4%		3.9%		

Rankings are made on returns to multiple decimal points.

SelectingSuper Benchmark Indices – Workplace Super

INDEX NAME	Performance to March 31, 2020		
	1 year	3 years (pa)	5 years (pa)
SelectingSuper Australian Equities	-14%	-1%	1%
SelectingSuper International Equities	-3%	5%	5%
SelectingSuper Property	-15%	0%	3%
SelectingSuper Australian Fixed Interest	4%	4%	3%
SelectingSuper International Fixed Interest	3%	3%	2%
SelectingSuper Cash	1%	1%	1%

Source: www.selectingsuper.com.au and Rainmaker Information

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.

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

Superannuation Complaints Tribunal
1300 884 114
sct.gov.au

About *MONEY*

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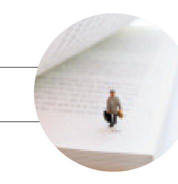

“Money allows me to have finite control over my life”

What was your first job?

My first job was in Brighton, England. I was a teenager and I lied about my age. I so wanted to work in trendy boutiques and I began as a “Saturday girl” selling clothes. I loved it … did that for four years in different but fabulous stores. It taught me about cold selling, being perceptive about people and how to engage customers. My first grown up job was in London, aged 19, working in a top public relations consultancy when the potential for a brilliantly conceived PR campaign was only just beginning to enter the consciousness of corporate marketing teams.

What’s the best money advice you’ve received?

Find a way to make money while you sleep.

What’s the best investment decision you’ve made?

Property. My husband and I acquire property, mostly when we can’t afford it, but it forces us to save as the investment will only return many years down the track. We’ve treated it as our superannuation. I personally prefer property to all other investments because I can see where the money sits; it feels solid. I hate the fickle nature of stocks and shares … and that it’s a computer transaction.

What’s the worst investment decision you’ve made?

Property. It beggars us. Our sons will benefit from decades of sacrifice and holding onto some wonderful property in places that have now become excellent investment areas.

What is your favourite thing to splurge on?

It’s a tough choice between winter boots and bakeware. I do like to splurge on boots but in the past five years I’ve realised I’m getting more of a rush from buying a Bundt tin, or replacing ordinary stuff with professional bakeware. It’s alarming how much joy it can bring.

If you had $10,000 where would you invest it?

Right now I would buy top of the range ergonomic furniture to help with the aches and pains of being a full time professional writer … and of course a new iMac. I upgrade my computer regularly but the present one is about four years old and it’s time to move on and up. Every upgrade makes the work go smoother.

Fiona McIntosh is one of Australia’s best-selling authors, whose books sell in more than a dozen countries. Her most recent novel *The Diamond Hunter* is set in Africa, and will be followed up in October with a new adventure set around Champagne and the region of Épernay and Reims during WWI. The next book in her popular Jack Hawksworth crime series that features *Bye Bye Baby* will be released in 2021.

What would you do if you had only $50 left in the bank?

I’d buy a lot of high-quality chocolate and drown my sorrows.

Do you intend to leave an inheritance?

Yes. Absolutely. I come from a background of leaving one’s children in a better position than we found ourselves at the same age. However, I think my husband would rather book back-to-back-to-back world cruises on a six star line and just keep going!

Why do you keep writing books?

Well, setting aside the pleasure it gives me to be a storyteller and instead focusing on the business side of writing books, I have to say I am deliriously happy that I have the talent to be a novelist because I don’t like working for someone. I’m a better boss than I am a worker. I am a decision-maker. I am a risk-taker. I prefer autonomy rather than group effort.

All of that suggests that choosing a career that is self-employment and solitary is wise. I’ve been self-employed since I was 24 when I opened my tiny PR consultancy back in the mid 1980s. When I joined forces with my husband to open a publishing company, we needed staff and that’s when it all started to wear me down. We worked hard for 15 years and enjoyed success professionally and emotionally, but I didn’t enjoy having to worry about a team … so I changed careers at the age of 39. I wanted to take back the reins of my life and go forward alone. Selfish, yes, and risky but it was the right moment to make the leap and I haven’t looked back, and my husband, a very wise man, was generous enough to allow his wife all the rope in the world. I am a very happy hamster in my hamster wheel of producing one to two books per year for the biggest publisher in the world.

Finish this sentence: money makes …

Me feel independent. It does not buy happiness or health … that we can all achieve through other means. It does allow me to have finite control over my life though … it takes years to achieve this, of course, but now, finally as I reach towards turning 60 (ugh), I feel that my husband and I have options and we can see ahead clearly … whereas a decade ago our choices were limited and life was controlling us.

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Life insurance protection
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1300 307 807

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