CREATING FINANCIAL FREEDOM

Money

INVESTORS vs TRADERS
P80

MAY 2024 • ISSUE 277

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ON THE COVER

UPFRONT

MY MONEY

NEXT ISSUE ON SALE MAY 30

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EDITOR'S NOTE

Lessons in life and money

There is a dearth of financial literacy in Australia, and the sad fact is that what is not taught during our early adult years is learnt as painful lessons during our adult lives.

Knowing how to budget, appraise risk and 'think' about money isn't a compulsory subject in the national curriculum. Instead, it's up to individual schools, if they so desire, to invite experts in for short sessions to fill in the gaps.

That means that most of us are left to educate ourselves about personal financial matters, all while possessing very little insight into how our early experiences with money, our inherited values and our natural temperaments, drive our financial decisions.

And all too often, into this knowledge hole step finfluencers, some of whom share useful budgeting tips but plenty of whom are purveyors of get-rich-quick schemes and scams.

It's time for this to stop. As such we devoted this edition to two important issues: how to understand the psychological forces that shape our thinking about money (which leads into some game-changing information about how to use this knowledge for financial success) and how to pick your way through the finfluencer minefield. They are important reads if you believe, like we do, that knowledge is power.

Michelle

Michelle Baltazar,
Editor-in-chief

GIVEAWAYS & SAVINGS

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YOUR SAY

Letter of the month

Success and failure

As an immigrant from India navigating the Australian financial landscape, 2022 presented daunting challenges with the Covid-induced market downturn. During the pandemic, I began a ritual of walking 5km each week to the library to get my hands on a copy of *Money* magazine.

Inspired by some of the insights, particularly in the Q&A section, I initiated my ETF journey, and took proactive steps such as closing my credit card and redirecting savings towards investments through platforms such as Raiz, BrickX and Superhero. Moreover, *Money* ignited my passion for property investment, and I am now saving for my first home. Additionally, I have embraced the importance of superannuation, increasing my contributions through salary sacrifice.

I would like to offer some feedback. I encourage you to feature stories of both success and failure. While success stories are inspiring, learning from the experiences of those who have faced setbacks can provide invaluable insights and prevent others from making similar mistakes.

Your dedication to empowering families like mine to achieve their financial goals is truly commendable.

Raj

Ed's note:

Thanks for your feedback, Raj. You might enjoy Rich Tran's inspiring story in our March issue or read it online at moneymag.com.au/rich-tran-ultra-fade-by-rich.

Advice really pays off

Thank you, Paul Clitheroe, for advice given 26 years ago when you suggested a good way to save for your child was by putting $100 a month into an investment fund (Colonial Mutual). We have invested $31,200 and it has grown to $102,000. I am 26 years older now; what is your next great idea?

Noelene

Diary of a lucky winner

I was one of the lucky winners of Jess Irvine's *The Money Diary*. I love budgeting and saving and I love a diary, so I cannot begin to tell you how surprised and excited I was to receive my prize. So, a very big thank you from a one-income family watching their pennies!

Gina

From our readers online...

Paying for a partner

Not sure why you feel you have to pay your partner's loan just because you will move in, especially when there's no mention of a change in title to tenants in common (Ask Paul, 'Should I help pay my partner's mortgage or save for my own place?'). Definitely negotiate a 'rental amount' and keep saving for your property.

Mandy

Trouble in the family

Many families have a sibling who is a snake in the grass and mine is no exception (Ask Paul, 'My sister conned my parents out of their house'). I have a sister who lives with my mother. She controls my mum, who is 92 and won't have a bad word uttered about my sister.

Paul's advice about getting your affairs in order before you lose decision-making ability is an important one, as is ensuring that everyone knows your wishes. I will adopt that principle. I now have no idea what my mum has or what she wants and it is too late to try to intervene, as my mum doesn't trust anyone except my sister.

Suzanne

Good money habits

When parents are high-income earners, they have no difficulty paying the mortgage or saving for retirement. But it does not mean it is fine to just 'share' the rest with the children (Ask Paul, 'My wife won't stop giving our adult kids handouts'). Doing so would likely encourage entitled or irresponsible financial behaviours. Teaching children to be responsible and autonomous financially by not over-giving is something I can afford to give to my children.

Nick

Corrections

- Our April article 'Super covers the circle of life' incorrectly stated that the 3% SG was introduced in 1992 'typically for public servants and white-collar workers'. This was incorrect. The 3% SG was rolled out on July 1, 1992 to all employees (or 4% for those earning more than $1 million).
- In the same article, the debate about extending the SG should have referred to employees younger than 18 who work less than 30 hours a week, not who earn less than $30,000.

'What is the biggest money myth you grew up believing?'

JOANNA TOVIA
Senior journalist

I grew up thinking that somehow everything would work out financially and I'd live a comfortable life. Luckily, I soon learnt that the more proactive you get about your finances, the more it pays off. Turns out the family we're born into influences how we view money, our place in the world and how successful we become. As I discovered writing this month's cover story, however, we can override our money psychology if we take the time to understand our own subconscious beliefs.

Read this month's cover story 'Think yourself rich' on page 34.

IVAN COLHOUN
Economist

I grew up wondering whether it was possible to get rich quick. Thirty-five years in markets and – while there are exceptions to the rule – it's clear that most rich people get rich slowly. Having good investment advice and especially good tax advice, investing in growth assets such as shares and property that compound across time, buying good assets when others are panicking, avoiding fads and building savings are all important aspects of accumulating wealth.

Read Ivan's economic outlook on page 10.

ANNETTE SAMPSON
Contributor

I was always told money can't buy happiness. There is a lot of truth in that, but life is a bit more nuanced. There's no question that not having enough money can be a huge source of stress, and life is easier if you don't have to worry about money. So having enough money does boost your chances of being happy. But it's not limitless. There's a point where more money and more things don't make you happier. Often, quite the opposite.

Read Annette's story about inflation and interest rates on page 48.

MARCUS PADLEY
Columnist

My generation used to think that when you started a job it was for life. That 'success' was working your way from messenger to chairperson and getting a gold watch for your trouble. In my first job interview with a London Stock Exchange broker at the age of 20, I asked them about their pension plan, as if I was going to be working there when I retired. These days I know that every desk I sit at is temporary. Which is good. Variety, after all, is the spice of life.

Read Marcus's column and find out why it's time to bust the myths about investors and traders, on page 80.

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Weather the unpredictability

In meteorology and economics, forecasters have to keep their eye on the big forces.

Some may have heard the joke about the economist and the weather forecaster, the punchline being that one profession exists to give the other credibility. A few years ago, a forecaster from the Bureau of Meteorology spoke at a gathering of economists. I found that much of the weather forecaster's approach could be applied to economic forecasting, and to forecasting in general.

The two key takeaways for me were:

- The starting point is important. Weather forecasters spend a lot of time collecting information about and understanding current weather conditions across the country. This is, of course, very important for the short-term outlook as weather mostly moves from the west to the east in Australia, with what is happening in Perth and Adelaide now allowing early insight into how the weather might develop in the southeast in coming days.
- In forming the forecast, the forecaster gives greatest weight, not surprisingly, to the big forces shaping the outlook. This might be a large high-pressure system over the Great Australian Bight (very settled weather) or, for a medium-term forecast, a Southern Oscillation Index reading suggesting the onset of an El Niño or La Niña event.

For me, there are direct corollaries for economic forecasting in general and for the outlook in these uncertain times.

First, it's important to understand the conditions that have given rise to current trading results.

If there are special factors temporarily boosting or depressing sales, a business owner or investor in a stock needs to be on top of these effects, otherwise their budgets, business plans and investments may go badly wrong. This aspect is of particular importance in the current circumstances following the pandemic, when there was strong spending in some sectors of the economy (especially goods), while spending on other items, mainly services, was significantly restricted.

Two prime examples are sales of home gym equipment and Peloton bikes, which surged during the lockdown phases, and overseas holiday travel, which ceased completely. Extrapolating the sales experience of 2020 and 2021 for either item would have produced extremely erroneous forecasts for 2023 and 2024.

So, while there are a lot of factors affecting the overall outlook, it's the large forces we need to get right if we are to get anywhere close to a reasonable forecast.

Here's my list of the big forces affecting the economic outlook right now:

- The ongoing and after-effects of the Covid pandemic.
- High interest rates (relatedly high inflation).
- The megatrends shaping the next five to 20 years.

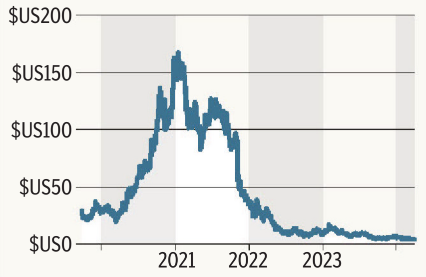
The simultaneous presence of so many individually large forces makes this a very complex and particularly difficult time for forecasters.

1 The pandemic factor

It's important here to distinguish between the shorter term impacts of temporarily boosted or pulled-forward demand (for example, spending on exercise equipment and household durables), pulled-forward but possibly ultimately more sustained increases in demand (four-wheel-drives, caravans/camper trailers, boats, pets, home office equipment) and deferred or pent-up demand (overseas travel and immigration), and changed behaviours that may or may not be more persistent.

Thankfully, many of the major Covid effects are now in the rearview mirror (border closures, lockdowns, the big switches in spending between goods and services and associated supply chain disruptions, the massive fiscal policy stimulus), however catch-up immigration and foreign student arrival remain important offsets.

Peloton Interactive share price



Source: NASDAQ

One of the biggest changes – and the jury is still out on this – is how working from home (WFH) has persisted. It had major impacts on CBD visitation, office demand, spending in metropolitan locations, purchases of property in regional locations and increased demand for additional space (such as home offices) in existing homes. While I expect there will be greater flexibility in many workplaces in future, it is likely that most businesses will revert to three to four days per week in the office and many of these WFH effects will largely unwind.

2 High rates and inflation

Much higher inflation – and relatedly much higher interest rates – was an important effect of the Covid era. I have considered this separately because I consider it to be the most important of the big forces shaping the near-term outlook. Much higher interest rates are seeing more money flowing into term deposits. Higher-income and older households with savings are benefiting, while younger households either with large mortgages or who are renting are pressured and cutting discretionary spending. These effects will continue to keep overall economic growth slow and slowing, until either inflation moderates or the labour market weakens and the Reserve Bank can ease tight monetary policy.

3 Megatrends

Running concurrently with the two major shorter term forces are a number of megatrends that will have a significant impact on how business evolves over the next few decades. My top five in no particular order are:

- Climate change and energy transition
- An ageing population
- Artificial intelligence and technological change
- Geopolitics
- Inequality.

Complex and unusual

The most important information we can take away from this is to fully understand the factors driving current business or economic performance before beginning any forecast and then to consider the biggest forces likely to affect the outlook. Any business or investor can sensibly use this construct in their budgeting, strategy or investment process.

At present, the outlook is complex because of the number, size and unusualness of the big forces affecting business in recent years. The long but ultimately mainly temporary effects of the pandemic were previously the main drivers. These are now mostly drifting into the rearview mirror, so the biggest force to be considering is the effect of interest rates on the economy and individual businesses. ■

Ivan Colhoun is an independent economist who has worked in chief economist roles for Qantas, NAB, ANZ and Deutsche Bank. He has also consulted for SEEK, Virgin Australia and IATA.

NEWS & VIEWS

THE BUZZ

Student debt set for a refresh

It's easy to imagine that the student loan balances accrued by many Australians in years past would hardly have been front of mind.

Sure, the regular raiding of each pay packet would have been a thorn in their side, but the indexation rate applied to HECS-HELP debt each year wouldn't have raised many eyebrows. After all, between 2013 and 2022 indexation rates almost always started with a '1' and only ventured above the 2.5% mark once.

That changed abruptly last year. As a result of soaring inflation – the indexation rate is based on the consumer price index (CPI) – indebted students' loan balances soared by 7.1% in June.

It's safe to say that the jump came as a bitter blow to many young Australians already feeling the pain of higher living costs. So much so that it has prompted widespread calls for the system to be reformed.

Those calls may finally spark some changes. In late February, the Minister for Education, Jason Clare, released the final report of the Australian Universities Accord – an undertaking which set out to explore improvements that could be made, among other objectives, to the affordability of higher education.

Call to limit increases

The authors of the Accord advocate a number of reforms to HELP, including limiting the extent of excessive indexation increases by pegging the indexation rate to CPI or the wage price index depending on which is lower, rather than just the CPI.

The Accord report also recommends a reduction in the repayments required from low-income workers and a review of bank lending practices to ensure that prospective home loan customers with a HELP debt are not having their borrowing capacity overly restricted.

Following the release of the final report, Clare announced that the government would respond to the recommendations in the months to come, leading to speculation that we might see some details in the Federal budget, on May 14.

The government is certainly under pressure to change the status quo. A petition launched in March by Monique Ryan, the Federal member for Kooyong, calling for changes to the way student debts are indexed, has garnered more than 250,000 signatures to date.

The almost three million Australians with an outstanding HELP debt will certainly be hoping for change, especially with another above-par indexation rate likely to hit balances from June 1.

Tom Watson

CALENDAR OF EVENTS

Thursday, May 2
Balance of trade

Tuesday, May 7
RBA interest rate

Wednesday, May 8
NAB business confidence

Tuesday, May 14
Federal budget

Thursday, May 16
Westpac consumer confidence
Unemployment rate

ON MY MIND

Why the gym should be tax deductible

BARRY ELVISH

The Australian government uses the tax system to encourage us to invest in our superannuation to reduce dependency on the age pension when we retire. Similarly, it uses the tax system to encourage us to take up private health insurance to reduce demand on the public hospital system. Why not, then, encourage us to take personal responsibility and invest in our health and wellbeing by making gym memberships, including Pilates, yoga and tai chi, tax deductible?

The existing healthcare system is universally acknowledged as being financially unsustainable: costs associated with treating our appalling rates of chronic disease, mental health and general sedentary habits far exceed the rate of inflation. Australians can claim donations to organisations dealing with diabetes and heart and kidney disease, for example, but have no tax incentive to mitigate the personal onset of these ailments through exercise and physical activity.

Investing in preventive health has long-term and permanent benefits for the health system, budget and individuals.

Barrie Elvish, CEO of AUSactive

▶ **Is health insurance necessary? See page 50.**

SCAMWATCH

Hearing voices: are they real?

If there is one thing you thought you could trust, it's a phone call from your child, partner or best mate. It sounds like them, so it must be them, right? Sadly, not any longer. With the advent of voice cloning, bad players can take mere seconds of a person's recorded voice, clone it, then manipulate it to say whatever they want.

So potent is this technology that OpenAI, which developed a tool called Voice Engine that needs only 15 seconds of a person's recorded audio, has delayed its general release during a year of elections, most notably in the US in November.

Voice cloning can be used for good – think voice preservation and helping those with speech disabilities – but it can also be deployed for a nefarious reason such as your 'loved one' urgently requesting you transfer money into their bank account.

Take two simple and fast actions before you hand it over. First, hang up. Second, call back on the number you have listed for them in your contacts or get in touch using another method such as WhatsApp or Messenger.

It may take a few seconds longer, but one day it may save you from a scammer.

Vanessa Walker

Tax incentives for start-up investors

If you qualify as an 'early-stage investor' you may be entitled to tax benefits on your investments in so-called 'early-stage investment companies'. These incentives are designed to promote investment in potentially high-growth start-ups where there is also a high degree of risk.

The incentives provide eligible investors who purchase new shares with:

- A non-refundable carry-forward tax offset equal to 20% of the value of their qualifying investments (offset capped at a maximum $200,000).
- Modified tax treatment, under which capital gains made or accrued on qualifying shares that are continuously held for at least 12 months and less than 10 years are fully exempt from CGT, but losses made or accrued on shares held for less than 10 years are disregarded.

An early-stage investor must meet either the 'sophisticated investor' test or their total investment in early-stage companies must be $50,000 or less for that income year. A sophisticated investor is one who has gross annual income of $250,000 or more in each of the previous two years or net assets of at least $2.5 million.

A company will qualify as an early-stage investment if it meets both the early stage test (it has less than $200,000 in revenue and less than $1 million in expenses) or the 100-point innovation test or principles-based innovation test.

The investor must determine whether they are eligible for the early-stage investor tax incentives, which means that the onus is on them to confirm that the company qualifies at the relevant test time. However, such companies usually advertise themselves by way of their prospectus to investors as being eligible.

If a company is later found not to be eligible and the investor has already claimed the tax incentives, the investor will need to amend their claims.

Director of tax communications at H&R Block.
mchapman@hrblock.com.au

NEWS & VIEWS

BOOK OF THE MONTH

Noah Kagan (Penguin Random House, $36.99)

Just the title of this book is enough to pique the interest of anyone sick of working too hard for too little money and yearning for a more lavish lifestyle. Serial entrepreneur Noah Kagan says there has never been a better time in history for entrepreneurship.

In this book, he sets out to help readers create a market-tested, scalable business idea in a weekend. Readers should expect to get out of their comfort zone, stop making excuses and take action. With real-world examples and advice on everything from building an audience through social media to avoiding common mistakes, Kagan offers a simple guide to building a business that works.

To win one of five copies.
In 25 words or less, share a tip for launching a business. Enter online at moneymag.com.au/win or send entries to Money, Level 7, 55 Clarence Street, Sydney, NSW, 2000. Entries open April 29, 2024 and close May 29, 2024.

PODCAST OF THE MONTH

FRIENDS WITH MONEY #145: RIDING THE RBA WAVES
Hosted by Tom Watson
Guest: Rachel Wastell

Interest rates have peaked. At least, that is the consensus among many experts. But how can borrowers and savers prepare for lower rates?

Rachel Wastell, personal finance expert at Mozo, discusses the possible timing and impact of rate cuts, what the Reserve Bank is saying, when economists are expecting rates to fall, and how many banks are already adjusting their interest rates in anticipation.

She suggests how mortgage holders can prepare for the potential rate cuts and what people looking to fast-track their savings goals should consider doing now.

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NEWS BITES

The world's largest marketplace for surplus food, Too Good To Go, is coming to Australia, starting in Melbourne on a date to be announced. It will enable retailers, restaurants, bakeries and cafes to sell their surplus food. The app will give consumers access to discounts on everything from takeaway meals to doughnuts, and prevents a whole lot of food from ending up in landfill

The cost of living, the NDIS and the net-zero transition are among the issues likely to be tackled in the 2024-25 Federal Budget, to be presented by the Treasurer, Jim Chalmers, on Tuesday, May 14. Tax is another hot topic: although the reworked stage 3 cuts are going ahead on July 1, other reforms could be announced, particularly those aimed at supporting jobs and boosting economic activity.

Splitting bills between friends at the end of a night out can be awkward. KttiPay aims to make it easier and avoid any tensions. The app allows separate 'Ktties' to be created for different purposes, and group members prepay directly into the app through their digital wallet – Apple Pay or Google Pay. A digital Visa debit card is issued for that Ktti, which can then be used to pay for the group-related expenses.

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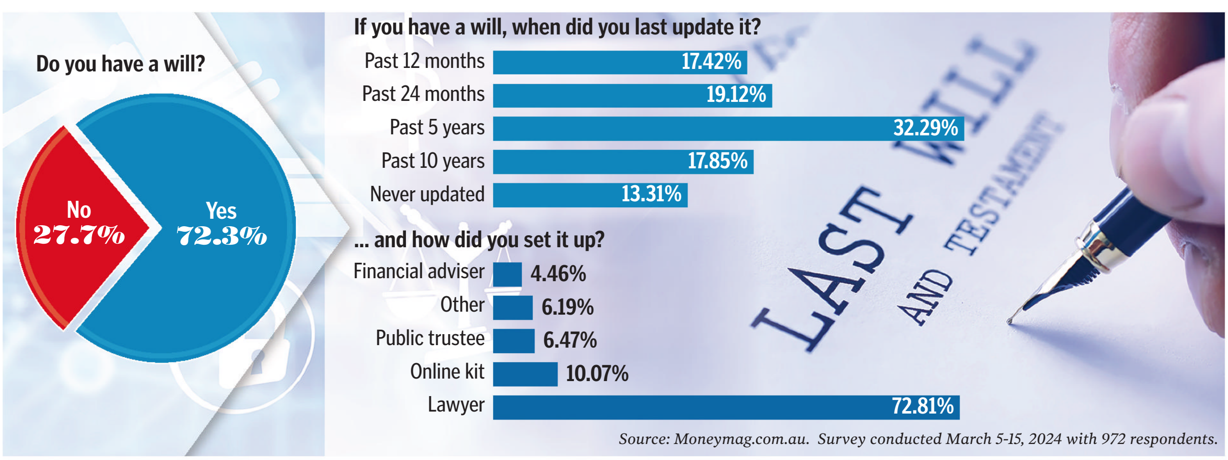
SNAPSHOT How prepared are we to pass on our wealth and wishes?



Source: Moneymag.com.au. Survey conducted March 5-15, 2024 with 972 respondents.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MY MONEY

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INSURANCE

Technology could cut the cost

Australians are being hit with some of the largest insurance premium increases in years, partly as a result of the impact of frequent natural disasters and higher claim costs for insurers.

In the 12 months to February, premiums across home and car insurance rose by 16.5%, according to the latest monthly inflation figures published by the Australian Bureau of Statistics.

But could an increase in the adoption of technology help reduce costs for both households and insurance companies?

Honey Insurance, a Sydney-based start-up that recently closed a successful $108 million Series A funding round (which follows the seed stage), certainly thinks so.

Unlike traditional home insurers, Honey equips its customers with three smart sensors to monitor their homes for signs of fire (through temperature changes and a smoke alarm), water damage (leaks) and theft (open doors and windows).

The logic is that by identifying a potential issue quickly, larger – and more expensive – problems can be prevented. In recognition of this, Honey gives homeowners who install sensors an 8% discount on their premiums.

Honey is by no means the only insurer embracing technology. Koba Insurance offers its car customers the option of plugging a smart device into their vehicle's computer to measure how many kilometres they are driving.

This allows Koba to offer personalised, pay-as-you-drive cover whereby drivers pay lower premiums if they drive less.

Credit card fraud ticks up

Nearly two million people fell victim to fraud involving their credit and debit cards, the latest data from the Australian Bureau of Statistics (ABS) reveals.

Fraud occurs when a scammer obtains a victim's card details and uses them to make purchases or withdraw cash.

"The personal fraud survey found that 8.7% of people experienced card fraud in 2022-23. This was an increase from 8.1% in 2021-2022," says William Milne, head of crime and justice statistics at the ABS.

The median amount stolen was about $200 per incident, with one in three fraud victims losing less than $100.

The ABS also found that the vast majority of victims either reported the fraud to their bank or were contacted about the incident by their financial institution.

Westpac recommends a range of security measures to help prevent card fraud, including using fingerprint or face scans for mobile banking, locking your card as soon as it's lost or stolen and never sharing your PIN with other people.

The bank also suggests covering your PIN with your hand when withdrawing money from an ATM or paying at the checkout to avoid skimming attempts.

1 in 6

The number of victims who lost more than $1000 to card fraud.

Source: ABS

COST OF LIVING

Renters and buyers want 'green' homes

Higher living costs and power bills are motivating Australians to place greater importance on the energy efficiency of prospective homes.

The majority of respondents to a recent survey conducted by PropTrack considered energy efficiency to be either important or extremely important when building, buying or renting a home.

"Regardless of their home-ownership status, Australians are looking to energy efficiency to help manage the cost of living, with 77% of buyers and 72% of renters considering energy efficiency ratings important in helping to reduce regular energy bills," says Karen Dellow, a senior analyst at PropTrack.

"With home prices and median rents growing across the country, adopting energy-efficient features could help Australians reduce their bills amid an ongoing cost-of-living crisis."

So which energy-efficient features stood out? Prospective home buyers are most interested in solar panels (85%), insulation (67%) and the aspect of the home (64%) in order to maximise the benefits of sunlight.

Renters also deemed solar panels to be the most important feature (67%). That was followed by efficient lighting and appliances (55%) and features related to airflow such as draught proofing and ventilation (53%).

The research also found that 40% of respondents were interested in moving away from gas by fully electrifying their homes, with the prospect of lower energy bills the chief motivator.

However, less than half of that cohort said they planned to electrify their homes within the next five years.

▶ MORE PROPERTY STORIES ON P60-65

National dwelling values keep rising

Property prices across the country have continued to rise at a steady pace, according to CoreLogic's national Home Value Index, which was up 8.9% over the 12 months to the end of March.

This took the median national dwelling value to $765,762 – $63,000 higher than it was at the same time last year.

Of the capital cities, Perth, Brisbane and Adelaide recorded the largest rises, while Hobart, Darwin and Canberra were the most subdued.

"Despite three rate hikes, worsening affordability and the rising cost of living, the increasingly entrenched undersupply in housing stock and above-average demand, thanks to strong net migration, have helped push values higher," says CoreLogic economist Kaytlin Ezzy.

Capital appreciation

City	Annual change
Perth	19.8%
Brisbane	16%
Adelaide	13.3%
Sydney	9.6%
Melbourne	3.2%
Canberra	1.9%
Darwin	0.6%
Hobart	0.3%

Source: CoreLogic, as at March 31, 2024

Of the 4625 suburbs analysed by CoreLogic, 88% rose in value over the year. Brisbane was the standout, with each of the 312 house and 167 unit markets assessed increasing in value.

Meanwhile, one market in Perth (houses in East Perth) and two in Adelaide (houses in Black Forest and units in Glenelg South) went backwards.

"Not only have the annual increases in these cities been fairly broad based, they've also been very strong, with the majority of suburbs recording double-digit value growth," says Ezzy.

▶ **Big changes could be coming to your suburb, page 60.**

COMPILED BY TOM WATSON.

INVESTING

▶ MORE INVESTING STORIES ON P66-77

EXCHANGE TRADED FUNDS

Fixed income reels in a record $7bn

Australian investors pumped $7 billion into fixed-income exchange traded funds (ETFs) during 2023, according to provider Global X ETFs.

That was the largest annual inflow to the Australian fixed-income ETF market, which is now valued at $26 billion, in recent years. Overall, the local ETF industry has roughly $180 billion in funds under management, meaning fixed income represents about 15% of the total.

Marc Jocum, product and investment strategist at Global X ETFs, says the recent interest has largely been fuelled by investors on the hunt for reliable income sources amid the current high-interest-rate environment.

"These conditions are driving a surge in popularity in income investments such as fixed-income ETFs, which offer more attractive yields and potentially a stronger value proposition for investors."

Jocum also expects the enthusiasm for fixed-income ETFs to continue during the year as investors search for stable sources of income and diversification in their portfolios.

"Market dynamics are shifting, with investors now viewing fixed income as essential 'building blocks' in diversified portfolios," he says.

"Income ETFs can help preserve purchasing power and create a sustainable passive income stream – a key reason for their popularity with those seeking investment income to supplement current job incomes, given sluggish wage growth, and to diversify income sources."

Global equities have stellar start to year

It's official: the first quarter of 2024 was one of the best in years for global equity markets.

The MSCI World Index rose more than 9% between January and the end of March which, according to an analysis conducted by global asset manager Insight Investment, ranks as the third best for performance in the first quarter since 2000.

Steve Waddington, co-deputy head of multi-asset strategy at Insight Investment, says that while there's been a lot of attention on the meteoric performance of individual companies such as Nvidia, there's been strength across the board.

Best first quarters

2012	11.7%
2019	12.7%
2024	9.0%

Source: MSCI World Index (2000-2024)

"Much has been written about continued excitement around artificial intelligence and the 'Magnificent 7'. Almost by definition, most stocks lag their index when the mega caps are leading, but breadth has been improving and a range of stockmarkets across multiple continents ended the quarter at or close to all-time highs.

"Eleven of the 23 major indices we track have hit all-time highs in the past 100 days. The numbers do not quite match the heady heights of the NASDAQ bubble in 2000 or the bull market prior to the great financial crisis, but it's an impressive count, nonetheless."

INCOME

Miners spoil the dividend party

Last year turned out to be relatively fruitful on the dividend front, with three in four Australian companies either increasing or holding their payouts steady, the latest Global Dividend Index from Janus Henderson Investors reveals.

However, some sizeable cuts by miners meant there was a 10.7% drop overall in payouts from Australian companies.

"Beyond the normal cyclical swings of the mining sector, Australian dividends continued to record healthy underlying growth," says Matt Gaden, head of Australia at Janus Henderson Investors.

Globally, dividend payouts rose by 5% over the year to a record $2.55 trillion, in part, of record growth in the banking sector.

In fact, the research revealed that banks contributed to around half of global dividend growth throughout the year, in many cases from higher margins attained on the back of higher interest rates.

World's biggest dividend payers

1. Microsoft
2. Apple
3. Exxon Mobil
4. China Construction Bank
5. PetroChina

Source: Janus Henderson Investors, 2023

"Crucially, our Global Dividend Index highlights just how important it is for income-oriented investors to have diversification across industries and across geographies," says Gaden.

"The changing global cost of capital and shifts in supply chains underscore the importance for investors to closely monitor their impact on high-dividend-paying shares."

Janus Henderson expects more good news for dividends this year, forecasting an underlying growth rate of 5% and a total global dividend payout of around $2.64 trillion for 2024.

▶ **High-flying banks face a bumpy ride, page 82.**

▶ MORE SHARES STORIES ON P78-85

BUY Sonic Healthcare (SHL)

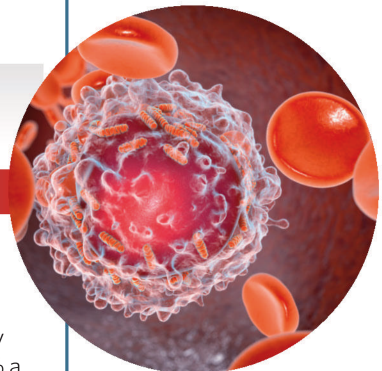
The Intelligent Investor Graham Witcomb

RECOMMENDATION

BUY	HOLD	SELL
below $32.00	up to $50.00	above $50.00

BUY at $27.49

Source: Intelligent Investor; price as at March 21, 2024, close of business



Sonic Healthcare's growth strategy is centred on a single principle: economies of scale. It drives increasing volumes of tests through its centralised labs to reduce fixed costs. Acquisitions are an important part of that strategy, allowing Sonic to cut duplicate expenses and improve efficiency.

The recent acquisition of the Switzerland-based Dr Risch laboratory group is an example of this approach. With 650 staff and $175 million in revenue, the company is a rounding error against Sonic's $8.2 billion in revenue. But it does expand Sonic's budding Swiss business, which accounts for about 10% of revenue.

Sonic has done well building major market positions in Australia, the US and Germany. Switzerland looks like management's next target, with Dr Risch adding around 21% to the division's sales.

We expect operating margins to increase as the company's market share grows in the region. Management will cut duplicate expenses from Dr Risch's labs and the larger combined group will have better negotiating power with suppliers. The Swiss pathology market is growing at about 4% a year, providing a decent tailwind.

Consensus estimates are for $1.41 of earnings per share in 2025, putting the stock on a forward PE ratio of 20. That's reasonable. **BUY.**

Graham Witcomb is a senior analyst at Intelligent Investor.

STORY ALAN DEANS

The art of the real

Profile
Robyn Sloggett

The art expert is frequently called upon to determine whether a painting is authentic. Away from the art world, she is an avid gardener who tends homes in the Dandenongs, outside Melbourne, and a retreat in Victoria's high country, where it is "ferociously cold in the winter".

Controversy erupts every so often about the authenticity of a painting by a famous artist. It happened a couple of years ago when court action was taken over a landscape called *Orange Lavender Bay*, which originally was sold as an artwork by the highly acclaimed artist Brett Whiteley, who died in 1992. Two men were initially found guilty of passing off a fake, but were acquitted a year later in the Victorian Court of Appeal when the prosecution pulled out.

The case is still avidly discussed in art and media circles, however, and the ABC in late 2023 ran an investigative news special. Art conservator Robyn Sloggett was an expert witness in the case. She is regularly called upon to assess and provide opinions on works of art. For collectors and investors, her forensic skills can make or break their dreams.

"The biggest problem is that the market is unregulated," she explains. "Works don't get pulled out, and the market is not required to demonstrate a chain of ownership, or provenance, as you would for a car, a house or a motorcycle. It's problematic because the market has been operating in an unregulated way for so long. Works that have a secure provenance have a premium in terms of value. But if you can fake a work, you can fake provenance, particularly with new technology. Many artists are not good record keepers so, for a number, there will never be secure provenance. It's a massive issue for the market, and it's something we need to deal with."

Art is regarded as an investment by many people, and sales in Australia hit $145 million in 2022. Fine art, such as Whiteley's paintings, made up about half that total. Auctions are one of the main ways that sales are conducted, with bids of more than $1 million now being common. Many more works fetch tens of thousands of dollars.

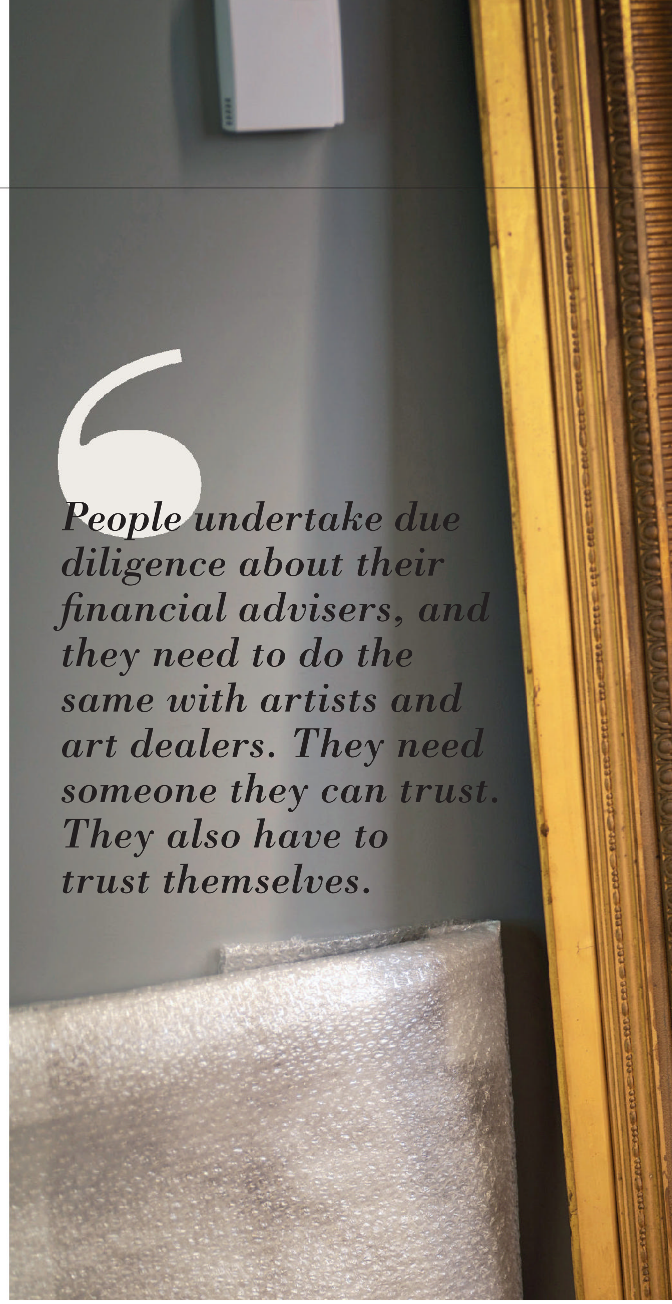
Sloggett says that the market is a matter of buyer beware. "I can't see it ever changing, actually, unless the generation of artists coming out now suddenly decide they are small businesses and manage their affairs a little better."

There are exceptions, however. She cites the works of celebrated painters Fred Williams and John Bracks. Williams's wife, Lyn, and Bracks's wife, Helen, have been dogged about recording the provenance of their work. That means there is a chain of proof.

"Gold provenance is if you have the first bill of sale from the artist, or it was included in the first time that the work was exhibited in a catalogue from a dealer," explains Sloggett.

PHOTOGRAPHY BY EAMON GALLAGHER / VICKI BELL.

The art market is not required to demonstrate a chain of ownership, as you would for a car, a house or a motorcycle.



Buyer beware... Sloggett says paintings often don't get pulled from sale even if there are doubts about their authenticity.

["If the] artist worked with one dealer, that dealer printed a catalogue of the work, you got a picture of the work in the catalogue and, every time it was sold, you got a receipt. But people don't keep receipts and pass them on when they sell their work. Very few create chains of provenance that are secure. There is discussion about blockchain technology being able to solve it, but any system can be manipulated."

She describes the investigative work that she undertook in the Whitely case as "pretty standard methodology". It basically came down to three things. "What is the story and does it have the provenance to match what is evidenced in the work? That's the materials analysis. What is the materials analysis, and does that determine whether it fits with the period? That can be difficult to determine if it's a contemporary work. Then there is the art historical analysis and art stylistic analysis. You're putting three things together.

"The story about the artwork, the history of where it might fit in the world, and the materials and techniques used. Do they align with what you expect? The body of evidence can be undermined by a new piece of evidence. That's what the defence put up [in the Whiteley case]. New evidence was heard about the provenance for that painting. "We never say that something is absolutely not [a particular painting], unless there's no chance at all that it can't be. It's totally a balance of probabilities."

Any art investor can become a victim of art fraud because fake paintings often find their way into the art market. Sloggett says paintings often don't get pulled out even if there are doubts.

Traps for investors

For people who are starting a collection of their own, she says: "The first thing is to educate yourself about what you are investing in. That's absolutely rock bottom. People undertake due diligence about their financial advisers, and they need to do the same with artists and art dealers. They need someone they can trust, someone who has obvious industry credibility. They also have to trust themselves.

"If you're doing it for investment, then you are clearly after appreciation. There are two sides to that. That's making sure you've got an authentic work, and it's also knowing what the market is doing. They are two steps, and they are separate things."

Traps can lie in waiting. A fake pulled from sale might be stored for a time and then come back on the market. "We've seen a number of works that we gave adverse reports to come back the next time it heats up. They're brought back to us for attribution because someone is trying to sell them, or else they bought one and are seeking attribution after a dealer told them it was a problematic work."

Sometimes, paintings that Sloggett previously found were fake even come back to her. "The thing is, we have absolute client confidentiality, so people don't know that we've already looked at something when they come to us."

She has sound advice for novice investors. "There are two due diligences you need. You need to do it on the market. You need to understand that you are entering an unregulated market. Also, dealers and auction houses have different guarantees on what they are prepared to do if something is appraised as not being correctly attributed. So, it is really important to find out who you are dealing with."

They also need to understand art.

"What is this commodity you are investing in and why have you chosen it over some other commodity? If they are coming at it from a financial perspective, they may not be interested in art, but just want to diversify their portfolio. If you are in there for the long term, there's a kind of pleasure being engaged in the market. I don't think people should overlook the pleasure and level of engagement that might come from good investment outcomes. There are a lot of galleries dealing in emerging artists, and it is interesting from an investment point of view to think about who is going to be the next big find."

Risk from climate change

Sloggett started her career as a conservator at The University of Melbourne after returning there to pursue a PhD. Its archives are extensive, but conservation was still an emerging skill. The university built specialised laboratories to examine art so they could establish a reputation for the diligence of their work.

"I was always adamant that we had to do fee-for-service work and have an outward focus. A university is about new knowledge, so you have to take that out to the world."

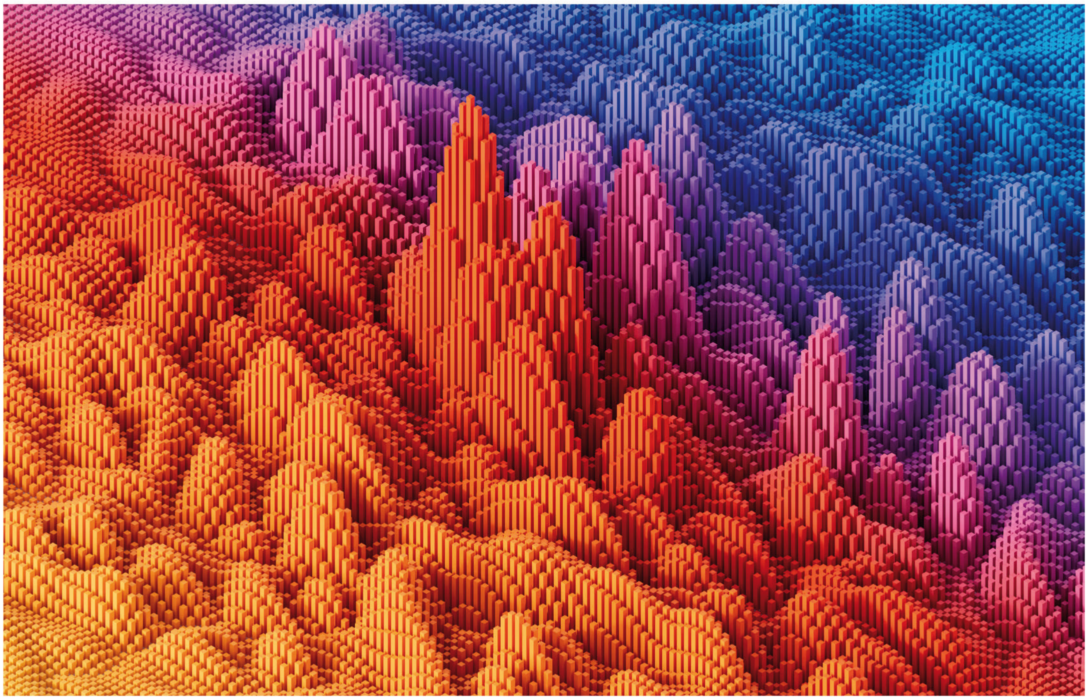
She pushed to spread the university's expertise into Asia and the Pacific, and also establish expertise in 20th-century art so that it would establish a reputation as being prestigious. A third focus for the university is Indigenous art, where strong relations have been established with various communities.

Key to that work is climate change, and how the art collections held in remote areas can best be protected in the face of that event. "They are going to be heavily impacted by climate change, and they are not well resourced to be resilient to it. There are extraordinary collections that sit in those communities, and we have done a lot of work and have more than 50 years of records." ■

▶ **Read The Luxury Goods That Make The Best Investments online at moneymag.com.au.**

PHOTOGRAPHY BY EAMON GALLAGHER.

ASK PAUL



Ruth is worried about locking in losses by rebalancing her super.

Think like an investor, not a punter, and let logic rule

Q I'm older than 60 and drawing on my superannuation to top up my income. I chose a mix of asset classes in the pension phase account that I'm drawing on. The fixed-income portion was withdrawn first and is now used up (the total balance is still more than it started with, happily).

My super fund gave me the option to rebalance the account on July 1 so that the different asset classes are in the same proportions that I originally chose. I ticked that box, but have since been wondering if maybe that's not such a good idea. Most of the remainder is in various share-type assets and if the market's down on July 1, I'll just lock in losses.

Would it be better to do it the hard way by doing my own rebalancing: for example, rebalancing once a month as a type of reverse dollar-cost averaging, or at least trying to avoid July 1 if it's low? Thanks for your help. I'm an avid reader of *Money* and your column.

Your question is an interesting one, Ruth. It takes us to one of the key issues in investment. Do we try to 'time the market' or let 'time in the market' do the heavy lifting for us?

After more than 40 years in the world of money, watching people's behaviour and the results they get, I am very much locked into what I learnt at university and in my early days as a researcher: those who spend 'time in the market' do best.

We all read expert opinions and are influenced by them. If we go back to what 'experts' were saying at the start of 2023 about the year ahead, we can easily find some predicting doom, gloom and a market crash. Others predicted a boom.

Of course, we got some of both. The market had a big dip into September, then a strong run upwards from the end of October. As I write this in early April 2024, sharemarkets have had a great run. So, like all of us in growth- or balanced-type funds, my super was down from January 1 to September, then, thanks to the big jump, it ended up returning about 13% for 2023. Seriously, who would have had the first clue!

What I do know is that we are humans driven by emotion, fear and greed. At 68, I'm a little older than you, but I know what I would do in your shoes. If your asset allocation – that is, your spread of money between asset classes – is right for you in terms of your risk profile and your objectives, I'd stick with it and rebalance. Rebalancing is fantastic. It takes the emotion out of investing. It makes you sell investments that have done well and reallocate your money. Dollar-cost averaging is also a proven strategy. It forces you to buy more at lower prices and less at higher prices.

I'd like you to be an investor, not a punter, so go with proven logic.

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*.

Andrea has had a run of bad luck and fears for her future.

These are critical decisions, so you need expert help

Q I moved to Australia in 2008, the year the GFC hit the UK. We lost $350,000 in the move and that caused my former husband to develop mental health issues. We limped on, but things got worse when we got moved to Melbourne from the Gold Coast.

The GFC had hit Australia by then. We lost another $150,000 on that sale and were done for. We divorced, but my husband was bankrupt by then. I received 25% of his UK super, to be paid in instalments, once he retired. I got none of that, as he closed the account. I fought it and received $200,000 in super. I still have that, now at $261,000.

I have 25 years left on my mortgage, with a balance of $407,000. I am unwell and wondering what on earth I can do to secure myself a future and a place to live. The house is now worth $620,000. Any thoughts would be appreciated.

Goodness, Andrea, you have been through a lot. What you are asking me are huge, life-altering questions and I can't give you the answers you deserve based on a few paragraphs. Things running through my head are your age, your employment status, exactly what your health issue is and much more. Obviously, you can't put all these personal things in a question to me in *Money* magazine for public viewing.

I think you need to sit down with a professional adviser and have a long conversation about all aspects of your situation now and your future plans. It may be that you are working and can keep working. This would build your super and reduce your 25-year mortgage. Or it may be that you cannot work. This could make selling your property and downsizing, while maintaining your super, a better option.

I'd chat to your super fund about what advice options it has for members. Your accountant may also be able to refer you to a trusted adviser, or you could speak to the Financial Advice Association about a referral.

The decisions you make now are critical for your future and I want you to get personal, detailed advice.

Rachael's young daughter is making the most of her money skills.

Saving 100% of your main wage is a great effort

Q My daughter has her first job, earning $50,000 a year. She also has a casual job as a sports coach for about 10 hours a week. She has changed her tax status on her casual job, so she pays tax on every dollar. She wants to save as much as she can while living at home and is looking at banking/saving her full-time wage, giving herself spending money from her casual wage and salary sacrificing into super from her casual wage to reduce tax. Does this sound reasonable?

Wow, this sounds terrific, Rachael. I, along with many other people, have spent a lot of my working life with government and industry, trying to build a schooling system and other financial literacy initiatives, so your question gives me great joy. It shows me a young woman who has a deep sense of financial literacy. Living at home using her part-time coaching money for spending and saving 100% of her salary is just great.

My only question is about tax. Despite her coaching job, her tax rate is still low. We do pay 15% tax on money going into super from our wages. I wonder if she wants money locked into super for possibly 40 to 50 years with no access to it. I doubt there is much of a tax break in super for her at this early age.

My general advice to young people is to appreciate the fact that super is building up through compulsory contributions, but unless there are exceptional circumstances, I think that saving money under her own control will give her more flexibility regarding investment options, including buying an investment property or a home in time to come. Well done and please pass on my best wishes. ▶

Q&A

Deb is salary sacrificing the maximum amount to maximise her income in retirement.

Super can supplement the age pension for years to come

Q I am 66 and working about 33 hours a week. I have about $170,000 in superannuation but don't own my own home. As super is going to be crucial to my financial security to supplement the age pension, I would like to maximise its growth while I am still working. Would you recommend switching to an industry fund to minimise costs?

I am currently salary sacrificing up to the $27,500 cap set by the government. I don't have a financial adviser, though I am considering engaging an accountant at this crucial time of my working life. My current portfolio was changed to lower risk/more cash reserves a few years ago. I would appreciate your assistance.

This is great. This month I have quite a few questions showing terrific financial literacy, which fills me with hope for people's financial future. Yours, Deb, is a very succinct summary of your situation and a logical strategy.

Basically, you have nailed it. You do need to keep building super, and putting in the maximum allowable by way of salary sacrifice is a great plan. The amount you have will leave you under the assets test for your age pension ($543,750 for a single non-homeowner). As a non-homeowner, you will also get some rent assistance when you start your pension

Each year you choose to work will obviously see a big improvement in your super and, of course, your salary means you don't need to draw on your super. This is a personal decision, but if you are enjoying your work, each extra year worked will greatly add to your retirement savings.

Taking lower risk in your super investment mix is fine; this is also pretty personal. I am hoping that your super will turn into a flow of income to supplement your pension for many years to come, so it could be argued it is a long-term investment and a balanced-type approach may suit you. But this is for you and your fund to discuss.

Industry funds do a good job, but there are also many financial institutions running low-cost, high-returning funds (see Top 20 MySuper funds on page 88). What I think matters is that you are in a low-fee fund and its returns are competitive. This is pretty easy to check out yourself.

I can only give general information in a column like this, so I always encourage people to seek advice if it is needed. An accountant may be one source of advice, but I'd also check if your super fund offers advice to members.

Katarina's business has been losing money and is deep in debt.

Take urgent action to save your music shop

Q Paul, I love your columns in *Money*. Thanks for all your time and effort reading and answering all the questions. This is mine, and I hope you can guide me.

Back in 2020, I opened a music shop with my husband. Covid was the best thing that happened to us. In the first year the revenue reached $900,000.

However, the following year the floods around our area affected the traffic and we had to get a $100,000 loan to pay suppliers. It was much better in 2022 and we stocked the shop thinking we could pay in time. It wasn't the case. We started to be three months behind in all our debts.

The year 2023 was devastating with the interest rate hikes, and we got another loan for $100,000 thinking that December would be better. But it wasn't the case. Now we are almost six months behind all the creditors and our net profit is -$80,000.

We have no idea how to recover. Our daily sales give us just enough to pay staff. At this moment our only hope is to sell the business before thinking of bankruptcy. Could I please ask for your thoughts about selling or other options? We are so stressed and overwhelmed that we cannot see the light.

Thank you for your generous comments, Katarina. I wish I could wave a magic wand and solve your situation. Small business can be really tough and you certainly have had your share of ups and downs.

After some 30 years of running, growing and finally selling a business, with my four terrific partners and a great team of people, I have also experienced the highs and the lows, but nothing as dramatic as the situation you are now in.

I have no idea about the music sector and the saleability of your business, but clearly a sale, a new partner who could add capital and business expertise, is a far better option than bankruptcy.

I don't know what business structure you are running your shop under – sole trader, partnership, company or a trust – but I am sure you will have sought advice about the right one for your situation. I am also sure that an accountant will be assisting with your business tax issues.

In your current situation, six months behind on creditors, with debts and continued losses, the one thing you can't do is to put your head in the sand. It is very clear your business is heading in the wrong direction and you need to take urgent action. Please go to your accountant as soon as you can with your latest set of numbers and seek advice. An experienced small business accountant is the right person to guide you from here.

I really feel for you and your husband; I do understand how stressed you must be. But I think taking urgent action with your accountant and agreeing on a plan for the future is the best way to deal with this situation. The path from here may not be easy, but regardless of the outcome, you can only start to rebuild once the issues facing your music shop are resolved. ■

Destination On the road again

Grand views... clockwise, from above, the Twelve Apostles on the Great Ocean Road; Ulura rises from the desert; Ebor Falls on Thunderbolts Way.

Three classic drives

1. Great Ocean Road, Victoria
Allow a good three days to take in the wonders of this incredible drive, which winds its way for 664km from Melbourne to Apollo Bay and Port Fairy. The first leg, from Melbourne to Torquay and onto Apollo Bay, takes you along a coastline as wild as it is beautiful. Next, you will drive through lush rainforest to the magnificent Twelve Apostles and sweeping views over the Bay of Islands. On day three, explore the fishing village of Port Fairy (or take a cruise out to the seal colony on Lady Julia Percy Island) before making your way back to Melbourne the same way you came.

2. Thunderbolts Way, NSW This stunning route was named after the bushranger Captain Thunderbolt. These days, the 290km drive is more about breathtaking views than bushrangers as you drive through rolling farmland and the pristine wilderness of Barrington Tops National Park – be sure to keep your wits about you as you navigate those tight turns. Country towns and more verdant views await as you drive on to Inverell, where this beautiful journey comes to an end. Take your time to explore the town's heritage buildings, boutiques, cafes and museums before continuing.

3. Explorers Way, NT and SA Get ready for a 14-day adventure from Darwin through the Red Centre to Adelaide. The 4290km journey begins with an easy 2.5-hour drive from Darwin to spectacular Kakadu National Park and on to Nitmiluk (Katherine) Gorge, stretching 12km through billion-year-old sandstone. From there, you'll make your way to Alice Springs and on to Uluru – stay at one of the nearby hotels so you can take in a sunset and sunrise. A seven-hour drive south will take you to the opal mining town of Coober Pedy (much of the town is underground) and on through Adnyamathanha country to the rugged landscape of Wilpena Pound – just be sure to watch out for kangaroos. The Barossa Valley offers a change of scenery and the chance to sample a wine or two before making your way to Adelaide. What a trip!

DRIVING PASSION

How to choose roadside assistance

Roadside assistance – the service to help drivers whose cars break down – is sold by State-based motoring clubs such as the NRMA and RACV, car insurers, some major car companies and dedicated providers.

Providers can put you in touch with a call centre, which will try to diagnose the problem and offer advice. If the issue can't be resolved, a technician will be sent out to fix your car or tow it to a service centre.

Roadside assistance differs depending on the plan, but common services include flat batteries, flat tyres, running out of fuel, towing and basic repairs.

"Extra features that come with more expensive plans include 'health checks' for your vehicle, child seat installation, accommodation if you break down away from home, and a hire car if your car can't be repaired quickly," says Daniel Graham, from the consumer organisation Choice.

How much does roadside assistance cost?

It varies from basic plans starting at around $100 to those with extra features costing upwards of $300. However, you may already have roadside assistance through your car insurance or new car after-sales service, so it pays to check.

Which one should I get?

Considerations when choosing a roadside assistance package include where you live and how much driving you do.

"If you live in a city, a budget plan might be enough to suit your needs," says Graham. "But if you live in the country or you travel a lot, then you should consider opting for a higher level of cover."

Additionally, some providers have weight restrictions for their cheaper options.

"If you have a trailer or caravan, 4WD or motor home, you'll probably need to look for a more expensive plan," he says.

What to consider

- You may already have roadside assistance through your car insurance or new car after-sales service.
- Some roadside assistance plans don't cover pre-existing conditions, so it's important to check if this applies.
- There may be a maximum number of callouts per year.
- Some services cover the driver and others the vehicle.
- There is a limit on the distance your vehicle will be towed before you have to pay extra.

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INDULGE

Worthy of display

Dinosaur Designs bridges art and nature with this gorgeous Wide Paradise vase in Grape – the scalloped edge makes it positively tulip-like. The 20.5cm-high resin vase can hold a bunch of beautiful flowers or stand alone as a sculptural piece.

How much: $430
Where from: dinosaurdesigns.com.au

WINE QUAFF

2021 Bremerton 'Selkirk' Shiraz $22

Now, here is a beauty! It's from Langhorne Creek, one of the best places in the country for consistently sourcing excellent-value shiraz. It is a touch restrained on the nose yet has marvellous, supple, fleshy texture. As well as this, it is full, powerful and velvety with pure black cherry and blackberry flavours that persist on a finish that is long and classy.

SPLURGE

2022 Oakridge 'Willowlake Vineyard' Pinot Noir $48

Australia's finest pinot noirs are special occasion wines and are priced as such. This second-tier wine from one of the Yarra Valley's finest producers is quite delicious: its quality will surprise (and delight) many. It has attractive redcurrant and red cherry aromatics, admirable balance and a silky smooth texture, with pleasing finesse and intensity that persists.

PETER FORRESTAL

SMART SPENDING

SMART TECH

On our radar: three gadgets that make life easier

Projector power

What is it? LG CineBeam Qube mini projector

This pint-sized, go-anywhere projector can turn any room into a movie theatre or dance floor, thanks to its auto adjustment tech and auto focus feature that optimise the screen's size and clarity based on the light conditions and dimensions. It weighs less than 1.5kg and has a 360-degree rotating handle that doubles as a stand, packs 8.3 megapixels and can project 4K UHD (3840 x 2160) resolution images up to 3m wide. Who needs to go to the cinema when you can set this nifty projector up just about anywhere – walls, screens and even ceilings? Party in the house!

Cost: From $2500

lg.com

Effortless lawns

What is it? Husqvarna Automower 320 Nera

You've heard of robo vacuum cleaners but why stop at making your life easier indoors when you can have a machine do the hard work outdoors as well? The Automower can tackle inclines up to 50% and lawns up to 2200sqm in size. GPS-assisted navigation adapts the mowing pattern to ensure an even result, whether it's a suburban backyard or a patch of rough terrain. You can control the boundary-wire-free mower with an app or voice control, and specify no-go zones (flower beds, for example) and areas that need mowing less often. Arrive home from work with a perfect lawn or sit back with a cold drink and watch your mower get to work – without lifting a finger.

Cost: From $5998 (with EPOS kit)

husqvarna.com

Flying high

What is it? DJI Air 3 drone

Folded up, the drone looks like a crouching frog getting ready to jump. Unfolded and in the air, it transforms into a sleek machine that's somehow high-tech and prehistoric at the same time. The dual-camera drone incorporates a wide-angle camera and medium tele camera that capture 4K, 60 frames-per-second video with ease. Both cameras can also snap 48-megapixel photos. The result? Dynamic landscape footage and stills with incredible detail and depth. Its omnidirectional vision sensing system allows you to capture real-time views from the front, back, left and right, making it easier to judge distances and navigate around obstacles. Maximum flight time is 46 minutes between charges.

Cost: From $1699

dji.com

GIVE IT UP

Domestic violence charity helps families rebuild their lives

With women reporting domestic and family violence every two minutes in Australia, it's clear we have a serious problem. Thankfully, when survivors are forced to leave home to escape serious harm to themselves or their children, charities such as RizeUp are there to help. It provides the practical support families need to move on to a life free of violence.

RizeUp founder and CEO Nicolle Edwards's passion for charity work began in 2012 when she helped a woman set up house after leaving a violent relationship. In 2015, she co-founded RizeUp to furnish homes, at no charge, for women and families leaving domestic violence refuges.

With donations of cash, furniture and household goods and the time and energy of volunteers, the charity now furnishes six to seven complete homes a week. It costs an average $6000 to set up a home for a family.

By providing such practical support, RizeUp hopes to empower families leaving domestic violence refuges to create brighter futures. As one recipient said: "This is the first time a home has felt like mine, like I am seen rather than I'm living in his house, in his shadow, where I need permission to touch anything."

She was particularly looking forward to baking in the kitchen and listening to her daughters play without fear of making noise.

Along with furnishing homes, RizeUp also provides vital resources for children beginning at a new school and endeavours to cover the cost of specialist counselling and medical support to help survivors recover from trauma and injury.

rizeup.com.au


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YOUR QUESTION

Should we sell our investment property and invest the money elsewhere?

We have owned a rental property for more than 15 years. It's in a good suburb in Victoria and is currently rented, but it's getting old.

We are 65 and have industry super as an allocated pension. We own our home in Victoria and live off rent and super quite comfortably.

Should we sell the rental property, pay the capital gains tax and consider a different State with fewer fees and charges than Victoria? We can put some into super or buy another rental property.

We understand that we can put money into super until we are 67 so we need to make a decision. Also, what are the inheritance rules for super and tax? Is the money better in superannuation or outside? What about the surviving spouse? What about the children, as they are not dependants anymore?

Maree

CASE STUDY

Maree pictured at an exhibition of French impressionists at The Lume in Melbourne.

HAVE A QUESTION?
If you have a question you'd like Paul to answer, 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.

PAUL'S VERDICT

Selling and buying is expensive, so check the numbers first

There is also plenty of time to top up your tax-friendly super account.

Wow, we have plenty to talk about, Maree. Thanks for this question. I think we can cover a fair bit of ground, which I know will interest not only you and your husband, but many other readers, in particular those in our age range. I suspect younger readers will also be interested in the issues around an inheritance.

I have had a lot of comments about the new taxes being introduced in Victoria from January 1, 2024. I could fill a couple of columns discussing these reforms, but as they are well covered in the media and easy to find online, I won't fill up space by repeating too much information that is readily available.

For non-Victorians, property investors are not all happy about these changes. They include removing the sharing of land tax on a sale, based on the contract date. The vendor pays land tax for the full year. Then there is a change to the 'windfall gains tax'. This is imposed if a property owner gets an 'uplift' in the value of their property above $100,000 due to planning decisions.

Victoria also has a 'vacant home' tax. Then, for investors, land tax cuts in at $50,000, down from $300,000, and the amount of tax increases on land valued above $300,000.

I'll leave it to you to read the details, but I'm not at all surprised, Maree, that you are asking about selling property to buy shares or a property in another State. Clearly, many Victorian property investors will vote with their feet.

The issue for you, though, is simply the outlook and potential returns from your property, plus the tax consequences. You mention that your property is in a good suburb and rents well, though is getting old. You need to work out your capital gains tax (CGT) liability on the profits from a sale. After 15 years, the CGT may be quite high. This, minus selling costs, gives you less to invest elsewhere.

Personally, I would be reluctant to sell a good-performing property, unless the maintenance required means it makes no sense to hold it.

Selling and buying, possibly in another State, is an expensive exercise. Please check your numbers carefully before you do anything. There is no rush – you can make voluntary contributions to super up to age 75, not 67, providing you meet the various conditions.

Super really is super

Moving along, there is no doubt in my mind that for most of us, money is better invested in super than outside it, because of super's significant tax concessions. I keep saying it, but let me repeat, super is a super investment.

There are, of course, enough rules about super to fill a shipping container. But I can answer your question about inheritance. Let's look at the rules first, then talk strategy.

When a person dies, the super fund pays the money to their 'nominated beneficiary'. Once we are dead and our super goes to someone else, it has a very factual name: a death benefit. This is very blunt, and while my death won't be a benefit to me, I guess any money going to someone else is indeed a benefit.

A spouse or a child younger than 18 is a dependant, so no tax is payable. From here it gets more complicated. If a death benefit is paid from super to a non-dependant, they will pay tax of 15% of the 'taxed component' of your super. This should be on your annual member statement, but any of us can call our fund and find out what this amount is. At 15% it could be quite a chunk of tax.

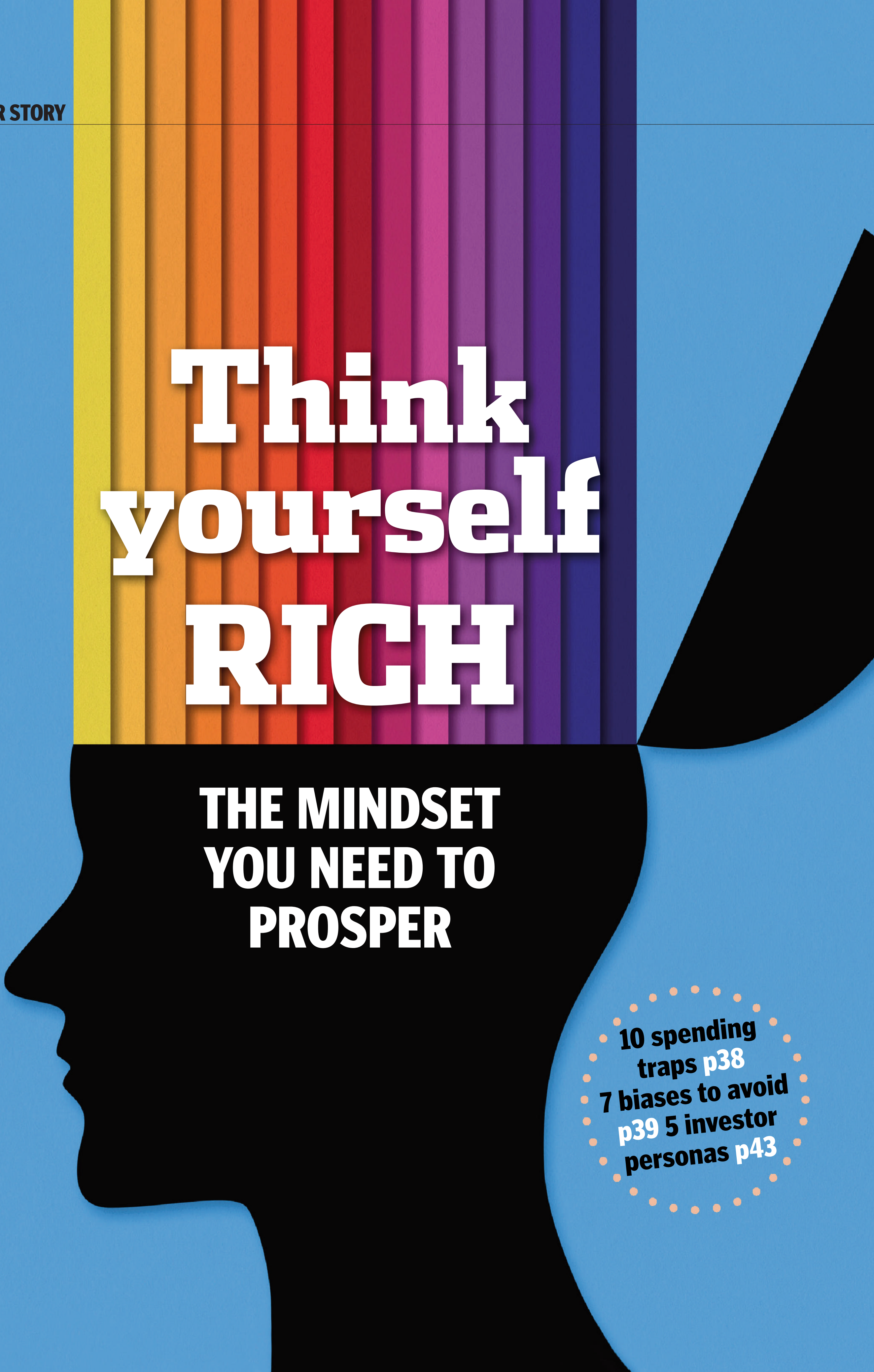
The strategy here, on paper anyway, is simple. Pull all your money out on your death bed and then it goes to your beneficiaries tax free. The minor problem is working out when we are on our death bed and also wondering if we are likely to suddenly drop dead.

If I drop dead suddenly, my wife will get my super tax free and, similarly, I would get her super if something happened to her. Yes, I know... what if we both died in a car accident? Sure, that is possible, but I am not pulling money out of super at age 68 when one of us may live to 90 – who knows!

Our money grows in value so much better in super. If we don't get it out and both drop dead, our three adult kids will be just fine paying the 15% tax. We'd look like a pair of complete idiots if we took all our super out now, then one of us lived for a couple of decades paying full rates of tax on our investments.

So, my final comment is that your non-dependent adult kids are more likely to benefit from you leaving money in super. When the surviving spouse gets close to the end of life, sure, pull it all out, but Vicki and I are not stressing about this. Super returns are so high (averaging around 9%-10%pa for many decades) that I'd prefer our kids to get a bigger amount from super, even after the 15% tax.

Another very important point. We both worked hard to put money into super, and we plan to spend it. ■



Think yourself RICH

THE MINDSET YOU NEED TO PROSPER

10 spending traps p38
7 biases to avoid p39
5 investor personas p43

Our fundamental beliefs and early experience of money can have a bigger impact on our financial wellbeing than our income. Read on to discover the psychological forces that are shaping your relationship with money.

STORY JOANNA TOVIA

Can income determine happiness? The answer to this simple question is complex. Your subjective answer will largely be determined by your subconscious beliefs about money – how you grew up and the experiences you had early in life that shaped your values around wealth. But on an objective level, the latest research reveals that money does buy happiness. To a point.

In 2023, researchers from the University of Pennsylvania and Princeton in the US found that higher incomes are associated with ever-increasing levels of happiness. Once an income reaches a certain level, happiness continues to rise along with income for most people.

"In the simplest terms, this suggests that for most people, larger incomes are associated with greater happiness," says Matthew Killingsworth, senior fellow at the University of Pennsylvania's Wharton School and lead study author. "The exception is people who are financially well-off but unhappy. For instance, if you're rich and miserable, more money won't help. For everyone else, more money was associated with higher happiness to somewhat varying degrees."

The study also concluded that there are three inherent levels of emotional wellbeing.

For the least happy people, happiness rises with annual income until AU$152,000, then rises no further even as income grows. For people in the middle range of emotional wellbeing, happiness increases in line with income. And for those at the highest range of emotional wellbeing, happiness accelerates when they earn more than $152,000.

Of course, happiness typically rises when there's more money coming in because it's so challenging to satisfy basic needs at lower income levels. Covering rent or mortgage repayments, paying bills, filling up the car and buying food are major expenses. Conversely, it's no surprise that low earnings are linked with stress, poor health and lack of leisure time. But the research proves that once people make enough money to cover the basics, and their income continues to grow, that it's a person's outlook and inherent wellbeing that determine whether their happiness levels plateau or increase.

The trick is saving and investing

Whether or not you buy into the notion that money can buy happiness, one thing's for sure, having enough of it does reduce stress. A study published in the journal *Social Psychological and Personality Science* found the 522 study participants experienced a similar number of distressing events, no matter their income. They recorded a similar number of daily frustrations, but those on higher incomes experienced less negative intensity as a result of those events. Higher income earners felt they had more control over negative events and that control reduced their stress. People with substantial incomes also felt more capable of being able to deal with whatever hassles may arise.

Jon Jachimowicz, Harvard Business School professor and study co-author, says money can provide a sense of calm and control, allowing us to buy our way out of unforeseen hiccups – whether dodging a soaking during sudden heavy rain by ordering an Uber or being able to handle an unexpected hospital bill.

"If we only focus on the happiness that money can bring, I think we are missing something," he says. "We also need to think about all of the worries that it can free us from."

Income is one thing, but saving, investing and creating wealth with it is quite another. If we spend almost everything we earn, we are in no better a position than someone on a low income when things go sideways.

The role of childhood influences

No matter what our financial situation in life is, one thing is for certain – how you got there comes down ▶

to more than just dollars and cents. What we really think about money and what 'wealth' means to us is often hidden in our subconscious, and can influence how we make decisions and measure success.

Siboney Corrales-Palacio, senior financial advisor at Advisor fp, says our perspectives on money, which often stem from childhood, shape our decision-making processes and impact our overall financial health.

"By addressing our values around money and using our values as a guide to plan ahead, we can enhance our overall wellbeing and achieve greater financial stability and fulfilment," she says.

30%

of Australians were finding it difficult or very difficult to manage on their income in August 2023.

Source: ANU Centre for Social Research and Methods

Understanding your values can help

Values drive behaviour and can be determined by how we grew up, which period we were born in, and our life experiences. Not sure what your values are? A good place to start is asking yourself what it is about money that is important to you.

"Some people will say security, some people will say comfort, some people will say peace of mind," says Corrales-Palacio. "When we start to unpack that and explore what it is about having peace of mind that's important to them, we start to go deeper into what is unique to that person about peace of mind and the deeper we go, the more we understand their money story."

Someone who grew up in a household where the parents just got by on their modest earnings will have a different money story from someone who grew up in a more affluent household with parents who viewed money as an opportunity to make more money.

"When we understand that value system for a client, then we can put a strategy in place in line with who they really are," says Corrales-Palacio. "Values are very difficult to change, but we can help develop them or channel them in such a way that's going to generate more peace of mind, more comfort and more opportunity and make sure there's nothing in their conditioning preventing them from achieving their goals."

Once clients understand their own values, Corrales-Palacio says it is like a weight off their shoulders and she can then help them with

strategies to achieve their short- and long-term plans. "The clearer you are about your values, the easier it is to make decisions," she says.

Why we process risk differently

Although money has been around a long time – King Alyattes of Lydia, now part of Turkey, is thought to have created the first official currency in 600BC – Morgan Housel, the author of *The Psychology of Money*, points out that the modern foundation of money decisions – saving and investing – is based around concepts that are 'practically infants'.

"The entire concept of retirement is at most two generations old," he writes, adding that before World War II most people kept working until they died.

"It was not until the 1980s that the idea that everyone deserves and should have a dignified retirement took hold. The way to get that dignified retirement ever since has been an expectation that everyone will save and invest their own money. It should come as no surprise that many of us are bad at saving and investing for retirement ... we're all newbies ... we're winging it."

Australia's superannuation guarantee, through which employers make contributions on an employee's behalf as a form of forced saving, has helped, but Housel says all our other decisions around saving, investing and spending are not usually made rationally but under the influence of emotion.

"We all make decisions based on our own unique experiences that seem to make sense to us in a given moment," he says. "All of us go through life anchored to a set of views about how money works that vary wildly from person to person."

Someone who grew up in poverty thinks about risk and reward in ways the child of a wealthy banker cannot fathom, he says, while the person who grew up when inflation was high experienced something the person who grew up with stable prices never had to.

Investors' willingness to bear risk is particularly dependent on their personal history. Loss aversion makes us more sensitive to dips in the sharemarket than spikes, for example, while irrational biases can cause us to make investment decisions that range from rash to overly cautious.

"In theory, people should make investment decisions based on their goals and the characteristics of the investment decisions ▶

6 signs of poor financial wellbeing

- Delays recognising or acknowledging a problem, such as ignoring emails from banks or not opening bills.
- Delays in seeking help.
- Prolonging unhelpful behaviours such as overspending.
- Withholding information from others including close family, friends and health professionals.
- Withdrawing socially from family, friends and work colleagues.
- Self-medicating and unhelpful behaviours, such as alcohol and substance misuse.

6 ways to improve your financial situation

- Acknowledge the link between financial wellbeing and mental health and think about how this affects you personally.
- Get in control of your finances by setting aside time for money matters – try and get into the habit of doing this regularly.
- Don't delay – the earlier you get on track with your finances, the better.
- If you need a helping hand, ask someone close to you who will offer help without judgement.
- Make a plan and take a step-by-step approach, acknowledging each task ticked off your to-do list as an achievement.
- Seek help from a free, financial counsellor available through the National Debt Helpline on 1800 007 007.

Source: Beyond Blue

Beware the psychological tricks that lure us into spending more

- **Celebrity endorsements** The more we respect or admire someone, the more likely it is that we will trust a product they endorse. Knowing they have been paid a tidy sum to do so makes no difference. If our favourite celebrities are using or consuming it, we're more likely to want to do so too.
- **Big-city status** Whenever you see LONDON PARIS NEW YORK in caps on product packaging, you're likely to hold that product in higher esteem. Especially when it comes to fragrances and fashion.
- **Jargon** Skincare products bamboozle consumers with scientific-sounding words that mean little but promise a lot, convincing us that they must be effective.
- **Lookalikes** When colours, logos and typefaces on a cheaper product resemble those on a high-end product, we find ourselves reaching for it because we are fooled into thinking we are getting a similar quality.
- **Reviews, comments and likes** As humans, we like to run with the herd. It is easier to trust products that have been tried and tested and endorsed by people we perceive are like us.
- **Sensory seduction** Setting the scene with music, lighting and aromas can get you in the mood to spend. Bright lighting and lively music in a shopping centre, soft sounds and sensual aromas in a luxury lingerie store, classical music and wine tastings at an upmarket cellar door – you get the idea.
- **Freebies and bargains** When you think you are getting a good deal or something for free, you are more likely to buy it. That is just human nature.
- **Strategic placement** There is a reason impulse buys (chocolate bars, magazines) are on display at the supermarket register, and that junk food targeted at children is on lower shelves. Fruits and vegetables are often placed in aisles closest to a supermarket entry (implicit priming means you are likely to add treats to your trolley in subsequent aisles if you selected something healthy earlier on).
- **Eye level** We are 35% more likely to give products we see directly in front of us our attention than those on display on higher or lower shelves. Premium products with the highest mark-ups are most likely to be placed at our eye level.
- **Confusing layouts** One-way entrances and hard-to-find exits make us spend longer wandering around a store, and so we are more likely to spot things we want to buy.

available to them at the time, but that's not what they do," says Housel.

Understanding why you spend

Money seems to slip through some people's fingers far more easily than others, but why? One reason is that the temptation to spend is all around us in the form of advertising and clever marketing ploys that play on our emotions. Dawn Thomas, senior financial adviser at The Wealth Designers, says needless spending is often a coping mechanism when we are feeling sad, angry or struggling to cope.

"There's that initial euphoria when you make a purchase, but then the guilt sets in," she says. "You're going between buying something to get that positive feeling and then you're cycling back to feeling really guilty about what you've done."

It's important to cut yourself some slack once you become aware that you've fallen into this cycle. "Just go, 'Okay, maybe I haven't been perfect up until now, but I'm trying', and then put things in place now to move forward so that you can avoid some of that guilt that happens through those actions."

Coming up with a realistic budget you can stick to and directing some of your earnings into a savings account is a positive first step.

It's easier than ever to make a purchase online, however, and Google and social media platforms track our behaviour and interests in order to target us with ads most likely to make us spend.

"Social media has a way of sucking you in and making it very easy to purchase, and making you feel in the moment that this is actually a need not a want," says Thomas.

Influencers with 'perfect lives' can induce envy-related spending, marketers play on our insecurities and spending can temporarily help fill a void. It's our emotions and psychological conditioning that get in the way of smart money decisions, and savvy marketers know it.

To regain control over how you react to outside influences, it's important to understand how your upbringing and past experiences influence your relationship with money, and determine how you earn, spend, save and invest it. ▶

Investment decisions: 7 biases to avoid

Our brains rely on subconscious beliefs to make sense of complex information. Understanding our behavioural assumptions can help us make better investment decisions and reach our financial goals sooner.

1. Overconfidence bias

You could be the smartest person in the room but still be guilty of this. It means you are so confident in your ability to predict what the market is going to do – and that you will buy or sell at the right time – that it can get in the way of you making balanced and informed decisions.
THE DANGER You take excessive investment risks that could lead to substantial losses.

2. Self-control bias

Ever heard of the marshmallow study? In 1970, young children were left in a room for 15 minutes with a single marshmallow. They were free to eat it but were told they would miss out on an additional marshmallow if they did so. Children from lower socio-economic families were least likely to wait for the second marshmallow, and subsequent studies have found that the ability to delay gratification is formed early in life. When it comes to investing, a little self-control over the long term can go a long way, but it's easier for some of us than others.
THE DANGER You sell high-performing investments too early and miss out on bigger rewards over the longer term.

3. Confirmation bias

People seek out information that backs up what they already believe. The ramifications can be dire when you are dealing with investments. This bias makes you pay attention to news or analysis that aligns with your optimism or pessimism about a particular stock, trend or industry, but causes you to unwittingly downplay or ignore information that contradicts what you 'know' to be true.
THE DANGER You can miss lucrative investment opportunities because of your blinkered decision-making.

4. Loss-aversion bias

Losing money is unpleasant, especially when you had such high hopes that the opposite would be true. This bias takes this fear one step further, to the point that any investment that could lead to a loss is avoided. You are so fearful that you feel paralysed when it comes to making a decision, or even investing at all, and care more about avoiding losses than making gains.
THE DANGER You hang on to loss-making stocks for far too long in the hope they will recover or sell winning stocks too soon for fear the upward swing will dive.

5. Herd mentality bias

Humans prefer to run with the herd – it often feels safer in uncertain situations. Instead of following the advice of legendary investor Warren Buffett ('be fearful when others are greedy and greedy when others are fearful'), most people tend to be influenced by the words and actions of others. This is especially true when emotions are running high – say, during a plummeting sharemarket or booming property market. Bubbles and crashes are the herd-mentality bias in action.
THE DANGER Panic-selling sound investments during lows can have you missing out on rewards – irrational buying during highs can have you paying too much for an asset that is near its price peak.

6. Anchoring bias

Emotionally reacting to a first impression can get in the way of rational judgement. An investment's recent performance, for example, can make you form an unshakeable opinion on whether it will do well or do badly in the future, without doing any more research that could better help you understand the big picture. The true potential of an investment can be overlooked as a result.
THE DANGER Predictions based on snap judgements can mean you miss high-performing investment opportunities.

7. Familiarity bias

It doesn't matter how often we are told that past performance doesn't guarantee future performance, those falling prey to this bias can't help but turn to investments that once did well in the hope that the gains will be repeated. Those gains could have been made in completely different market conditions, but love is love. The same goes when it is a company we know well, we respect the person running it or it makes products we like – if it is familiar, it can make sense to invest in it.
THE DANGER A lack of diversification in your investment portfolio can increase the risk of loss and reduce potential gains.

The money-mental health nexus

Life is littered with events we don't see coming, but they can have a big impact on our emotional health and financial wellbeing – the two are inextricably intertwined.

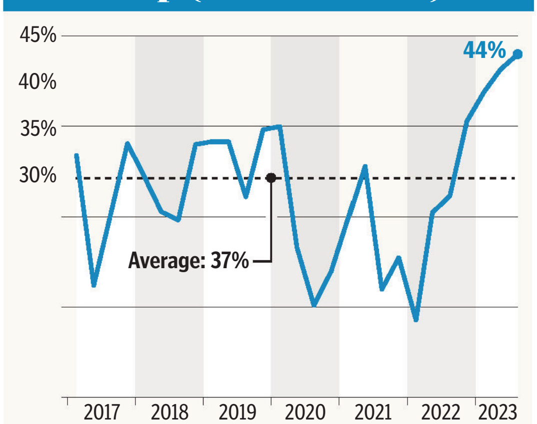
In Australia, the Covid pandemic affected a large number of people's livelihoods, many of whom are still struggling to get back on track. Combine that with the cost of living crisis, and it is no wonder mental health is on the decline. The *NAB Consumer Insights Survey: Financial Hardship* report, released at the end of 2023, found that not only are increasing numbers of people on lower incomes experiencing hardship, it is becoming more prominent among higher income groups, too.

According to the national wellbeing organisation, Beyond Blue, cost-of-living pressure is having the greatest impact on people's mental health right now. Lifeline, meanwhile, reports that one in five calls to its services is coming from people who are struggling to make ends meet.

The number of Australians experiencing some form of financial hardship rose for the sixth consecutive quarter in the third quarter of 2023 to 44%, the NAB report found. Rising inflation (particularly for everyday essentials such as groceries, petrol, gas and electricity), insurance hikes and rising interest rates have exacerbated the issue.

'Financial hardship' is experienced when someone is unable to meet their existing financial obligations for a period of time, such as not having enough for food and basic necessities, emergencies, rent, minimum credit card repayments, mortgage repayments, rent and personal loans. Typical causes of financial hardship are sickness, natural disaster, unemployment or credit card overcommitment.

Australians in financial hardship (Jan-Mar 2024)



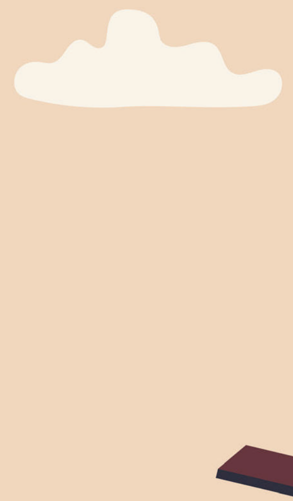
Source: NAB

When financial hardship takes a toll on mental health, as it usually does, solving financial problems gets harder.

Tracey West, financial education manager at the Ecstra Foundation, a charitable organisation, says the cognitive load for people dealing with mental health issues is consumed just by the effort required to get through the day. "It can be highly stressful," she says.

Managing their money and working on a way out of financial distress often has to take a back seat to more immediate concerns, such as figuring out how to pay for basic needs and keeping creditors at bay. Financial woes soon begin to compound when bills and emails are ignored, debts pile up and finding a way through feels impossible.

> *Managing their money and working on a way out of financial distress often has to take a back seat to more immediate concerns.*



17%

increase in enquiries from people in financial hardship to the National Debt and Small Business Debt helplines over the 12 months to February 2024.

Source: Financial Counselling Australia

Anxiety can go into overdrive for those who are falling behind on consumer credit payments from credit cards and buy now, pay later purchases with frequent calls, texts, letters and emails from creditors. The UK's Money and Mental Health Policy Institute says one in four people who has missed payments is contacted by their creditors every one or two days, while those with multiple debts say they often receive several letters, emails or calls every day. The more contacts people received from creditors, the more likely they were to say that this contact had a negative impact on their mental health.

The Institute says this causes unnecessary distress at a time when 50% of people who are behind on bills say they have experienced suicidal thoughts or feelings in the past 20 months due to rising costs.

When mental health deteriorates to the point that it affects their ability to work, things just get worse on all fronts.

"Mental health or health issues that stop you from working and keep you out of the workforce can be debilitating," says West. "There is help available around renegotiating some debt payments and bill payments but often people with a mental health condition are so consumed by managing day to day that they put those things on the backburner and it doesn't get done. And then it builds up and gets worse."

The shame and stigma many people still feel about anxiety and depression can also make it hard for people to reach out and ask for help to sort out their finances and address their mental health. "But reaching out for help, getting over that hurdle, is really important so they can start thinking about next steps," says West.

Beware the psychological spiral

Research by the Australian Securities and Investment Commission (ASIC) and Beyond Blue found that people experiencing financial challenges were twice as likely to be experiencing mental health challenges as those who weren't. Likewise, people experiencing mental health challenges are twice as likely as those who are not to also be experiencing financial challenges.

The research concluded that negative impacts of financial and mental health challenges can accumulate over time and be reciprocally reinforcing, leading to downward spirals and entrenched issues. Downward spirals can also progress more quickly and be more difficult to halt or reverse than the people experiencing them initially anticipated.

The way Australians talk about financial and mental health challenges can cause people to feel so stigmatised that they delay or avoid seeking help for either issue and withhold information about their financial and mental wellbeing from even their closest loved ones.

> *Australians equate financial wellbeing with success, and perceive debts and poor handling of finances as personal failings.*

The ASIC/Beyond Blue research found that Australians tend to equate financial wellbeing with success, and perceive debts and poor handling of finances as personal failings.

"This narrative can lead to shame, anticipated and perceived stigmatised responses from service providers, fear, denial and behaviours that make financial and mental health challenges worse," the *Money and Mental Health Social Research Report* states.

The good news is that a positive relationship between money and wellbeing also exists, supporting resilience and recovery. In other words, improvements in financial wellbeing can improve mental health and improvements in mental health can improve financial wellbeing. ■

Perfect match: 5 investor personas

Certain personalities are more suited to specific asset classes, according to behavioural economist Phil Slade. He explains how this can help you make better money decisions.

As a registered psychologist, I often find myself cringing at many of the assertions made in popular media about personality typing and their purported significance. Most of these profiles serve as nothing more than modern-day astrological signs or marketing tools for 'neuro' programs – essentially, snake oil for the contemporary intellectual.

With this in mind, it's clear that certain personalities are more suited to particular investment strategies.

An emerging body of research demonstrates correlations between cognitive biases (see page 39) and personality traits such as overconfidence, extroversion, loss aversion, individualism and collectivism, which can significantly impact investment decisions. For example, a 2023 study by Estera Szakadátová published in the *Economic Review* found that individuals with high levels of openness tend to make more cautious decisions under pressure, making them better suited for high-pressure trading scenarios.

The connection between personality and investment behaviour is a subject area with many complexities.

However, to simplify matters, here I have identified five investor personas to help match you to an asset class your personality is more likely to succeed in.

1. The Expert Fighter

These investors have a higher risk appetite and a longer investment horizon. They prefer to be actively involved in their investments and become experts in specific industries. Equities and stocks, with their potential for higher returns (and higher risk due to price volatility), are a good match for these individuals. This volatility motivates them to work harder, learn more and get involved, driven by excitement rather than fear.

2. The Cautious Planner

For these individuals, bonds are the asset class of choice. The regular interest payments and the return of the principal at maturity means that bonds are generally lower risk than stocks but offer moderate potential returns. Cautious planners are driven by a desire to minimise risk and volatility in their portfolio, making the steady, predictable returns of bonds more appealing.

3. The Extroverted Optimist

For these investors, who are prone to overestimating potential and experiencing a very real fear of missing out, stocks and bonds can be minefields. Real estate, including direct property ownership and real estate investment trusts, should be their primary focus. This asset class is less susceptible to market panic, providing steady income from rents and benefiting from its illiquid nature, which slows down those prone to distraction by new technology, sensationalist news reporting or inflated valuations.

4. The Data Analyst

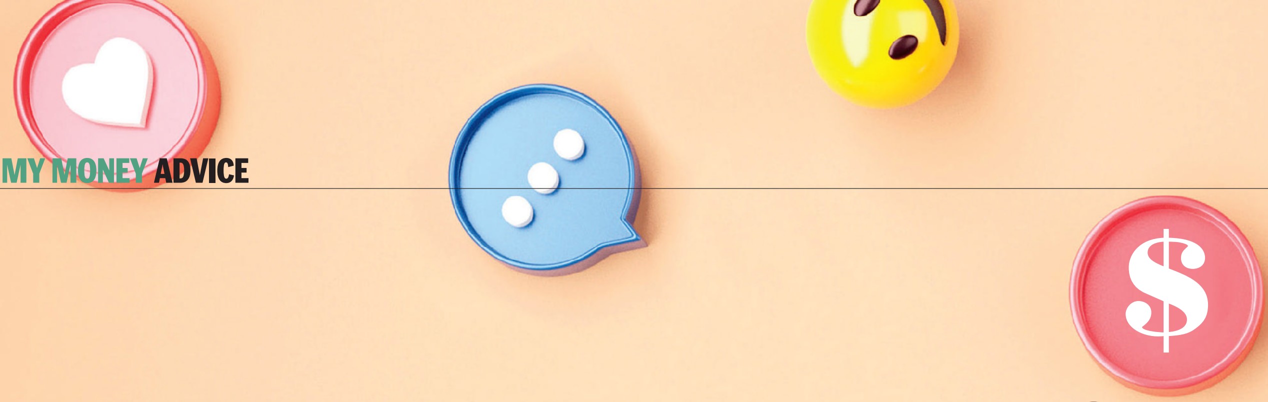
These individuals should focus on commodities, hedge funds, private equity and cryptocurrencies – asset classes that allow for decisions based on data, trends and algorithms. Data analysts may be somewhat blind to social trends and emotional influences on industries, so focusing on asset classes where ignoring those influences is advantageous should be the priority. This approach allows for a higher risk tolerance and diversification across alternative assets or industries to account for market fluctuations, without the need for deep expertise in a particular industry.

5. The Peace Maker

If you avoid conflict, detest uncertainty and enjoy watching the consistent slow creep of numbers going up, then cash and cash equivalents might be for you. This category includes savings accounts, money market funds and fixed-term deposits. Let your patience work for you, control your spending and let compound interest do the heavy lifting.

Remember, the more you know and the more experience you have, the less susceptible you will be to the quirks of your own personality. But knowing yourself will help you focus on areas where you're more likely to thrive.

Phil Slade is a behavioural economist, psychologist and co-founder of Emotional Intelligence company Switch4Schools.



The trouble with finfluencers

STORY NICOLA FIELD

The social media landscape is awash with amateur 'financial advisers'. While some do a decent job, it's an area fraught with danger for consumers.

It's hard not to admire Kim Kardashian. The reality TV star turned social influencer has made a motza flogging everything from cosmetics to body-sculpting underwear. But even her considerable star power failed to impress the US Securities and Exchange Commission.

Back in 2022, Kardashian was fined $US1.26 million ($1.93 million) for crossing over into 'finfluencer' territory, touting financial products on social media, in this case cryptocurrencies, without making it clear she was paid for the post.

With earnings said to be in the order of $US2 million ($3 million) per post, Kardashian can probably afford to drop a couple of million on a fine. The trouble is that she is far from alone.

Globally, the number of influencers is stratospheric. Around 64 million people worldwide are classified as 'influencers', flogging ideas or wares to their followers, in return for a fee (or a few freebies) from the companies whose products they promote.

Across the largely unregulated social media landscape, it may be harmless enough to promote hair styles, cosmetics or recipes. But it's a very different matter for people with zero financial qualifications to dole out money advice. Yet that's exactly what finfluencers do, using social media as a platform for financial tips that can range from the sensible to the bizarre.

Fortunately for consumers, Australia is an outlier in the finfluencer world. In 2022, our financial watchdog ASIC mandated that anyone touting personal finance advice on social media must be covered by an Australian financial services licence (AFSL). Finfluencers who ignore the rules can end up behind bars, and we're not talking about the sort that serve cheap cocktails at happy hour.

Phil Anderson, general manager of policy, advocacy and standards at the Financial Advice Association Australia (FAAA), says an AFSL is an essential part of the overall financial services regime "to ensure that consumer protections exist and that companies and individuals are held to account by the Australian financial services regulator and the courts".

Treading a fine line

ASIC may have set the cat among the pigeons by requiring finfluencers to operate under an AFSL, but there is nothing new about requiring a licence to give financial advice.

Nonetheless, Vince Scully, a financial services veteran and co-founder and CEO of online financial planner Life Sherpa, believes our licensing laws are a step forward. "Australia is the only developed jurisdiction with the requirement for finfluencers to be licensed, and that has to be a good thing for consumers."

A key factor behind ASIC's requirement for finfluencers to be licensed is the sheer scale – and nature – of their followers.

A survey by the regulator in 2021 found one in three 18-to 21-year-olds follows at least one financial influencer. Two-thirds of young people reported changing at least one of their financial behaviours as a result of following a finfluencer.

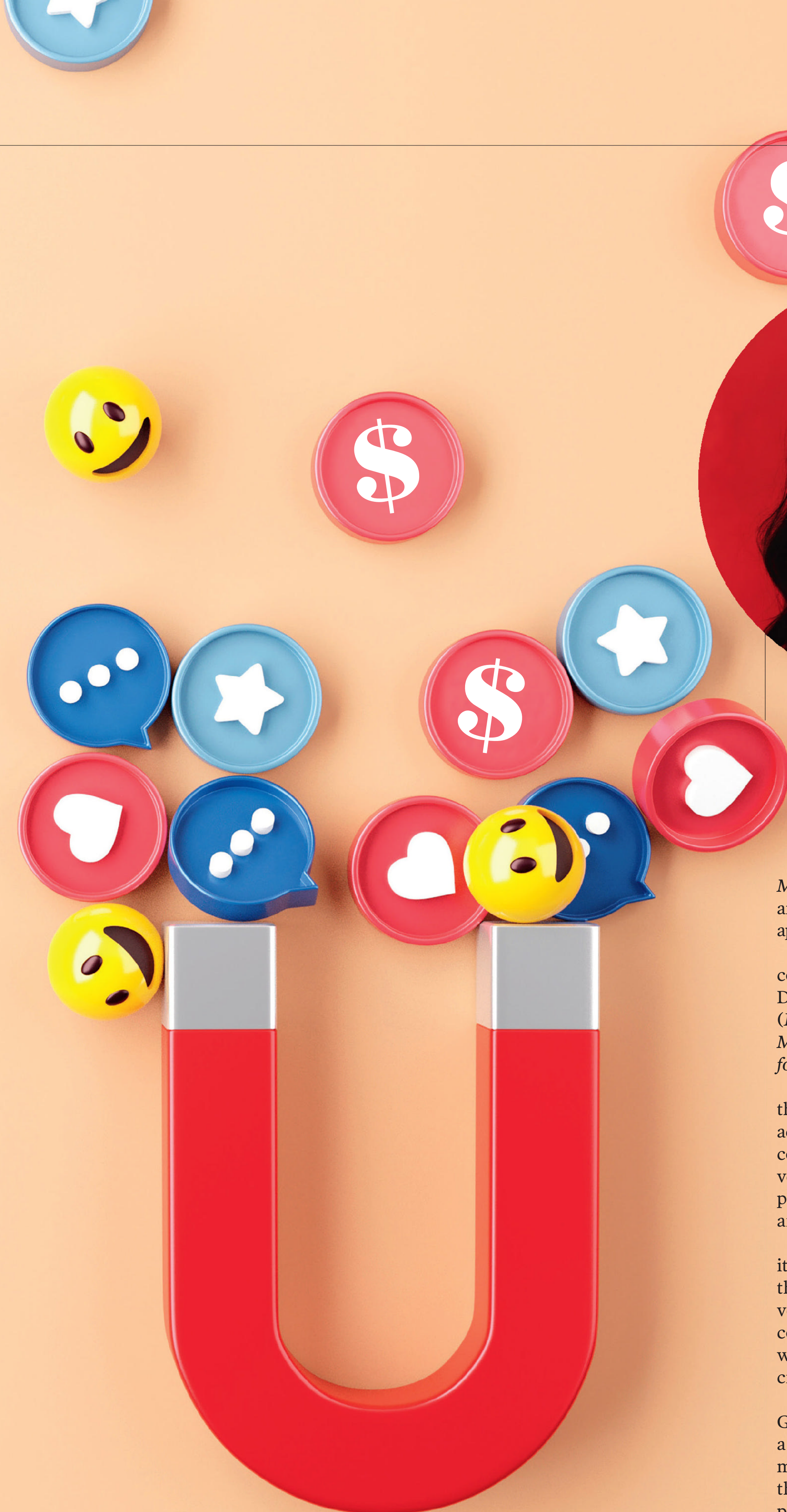
Those numbers haven't changed much in the intervening three years.

Research by the comparison site Finder shows that 30% of Australians still turn to social media for financial guidance, with most looking for tips on simple matters, such as how to save, budget and trim spending. Even so, Anderson says it is easy for a finfluencer to get caught within ASIC's regime.

To clarify, if there is no mention of a product or class of products (such as superannuation or shares), financial advice is not being provided. However, the legal definition of financial advice includes 'a class of financial product'. On this basis, offering tips about reducing spending to enable salary sacrificing into super, even without mentioning a specific product, would be regarded as financial advice, says Anderson. The upshot, he cautions, is that "unlicensed finfluencers need to be very careful".

Anderson acknowledges that finfluencers can have a positive influence as long as they stick to financial education.

"The level of financial literacy in Australia is generally low," he says. "So knowledgeable finfluencers can help people think about their situation."



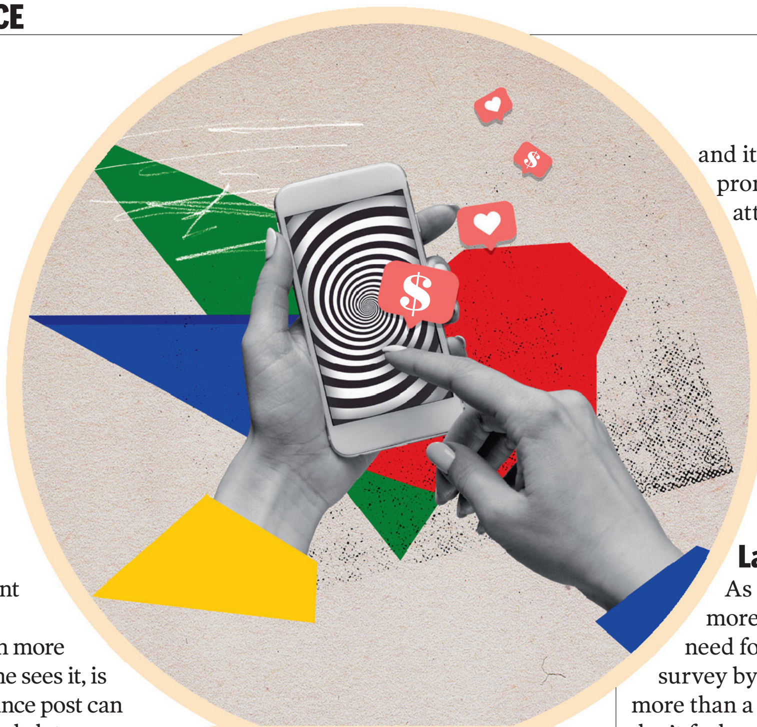
Some licensed advice firms also recognise the benefits that a finfluencer can provide. "We felt the need to licence a number of influencers long before ASIC mandated this," says Scully. "We started out licensing Glen James [*My Millennial Money*, now called *This Is Money*], and after ASIC's crackdown we were approached by a number of other finfluencers."

Today, Life Sherpa has a network of content creators that includes Victoria Devine (*She's on the Money*), Queenie Tan (*Invest with Queenie*), Betsy Westcott (*Inner Money Journey*) and Phil Muscatello (*Shares for Beginners*)."

Scully says part of his firm's motivation is that finfluencers can give more Australians access to financial education. But there is a commercial benefit, too. "It's also a business venture for Life Sherpa as there is cross-pollination between our member base and influencers."

Scully says Life Sherpa collaborates with its stable of finfluencers on content, noting that "as the licensee, we have a right of veto". Content is managed through a combination of education and supervision while trying not to interfere with the creative process.

"A number of our finfluencers, including Glen James and Victoria Devine, come from a financial services background, which makes compliance easier," says Scully. "For those who don't, such as Queenie Tan, we provide a good grounding in compliance." ▶



Despite ASIC's mandate for licensing, the social media swamp has not been drained. "It is not evident to us that the number of unlicensed operators has declined," says Anderson.

Part of the problem lies in the way social media platforms work – and the fact that all of us can access posts from finfluencers based in other countries that don't impose licensing requirements.

Sydney-based tertiary student Nicolas Michaels has followed finfluencers in the past to learn more about investing. The issue, as he sees it, is that viewing one personal finance post can mean being inundated by a whole lot more.

"The algorithms used by social media platforms are designed to serve up content they think a user will like," says Michaels. "So, each time I watch a TikTok video about investing, my feed is quickly dominated by more of the same. And it's hard to sort the good from the bad."

It's a problem without an easy solution. Vince Scully says the UK's Financial Conduct Authority is close to introducing similar licensing requirements to ASIC's. But, he says, "a lot of content is US-centric, and the sheer volume of resources that regulators would need to stamp out unlicensed advice on social media altogether makes it unlikely this will happen".

The road to quick riches

One thing is certain. Overseas-based finfluencers may be doling out questionable advice but that doesn't stop them raking in big money.

US-based Humphrey Tang has an astonishing 54 million followers, likes and subscribers across social media. It's easy to see why he's popular with posts titled 'How to go from $0 to $100,000+ in 2024'.

Also based in the US, Tori Dunlap has more than 26 million followers, likes and subscribers. Her videos come with titles that include 'How I saved $100k at 25' and 'How to invest like a millionaire' (in this video Dunlap introduces herself by saying 'Hi, I'm a multi-millionaire...').

It makes the posts of licensed Aussie finfluencers look tame in comparison, and it's a no-brainer that posts promising a road to riches attract attention.

"It's a lot easier to get views for posts spruiking 'how to get rich quick' than those that explain basic budgeting techniques," says Scully.

For the record, Scully singles out Reddit as "probably one of the worst platforms for financial misinformation".

Lack of confidence

As our financial lives become more complex, there is a strong need for financial education. A survey by Allianz in 2023 found more than a third of young Australians don't feel confident with their knowledge of financial literacy and 29% are embarrassed by their lack of money knowledge.

On the flipside, the high cost of face-to-face advice, currently averaging $4250 annually, is beyond the means of many Australians – young or old.

"Most Australians do not have sufficient knowledge to make major financial decisions without access to support and advice," says Anderson. Financial education should start when people are young. "Australians should not wait until they are ready to retire to find out about financial products and financial markets. As a country, we can do so much better."

Finder's money expert Taylor Blackburn says finance creators are helping to improve financial literacy in Australia. "From tips on how to save money at the checkout, to how to get out of credit card debt, social media may provide individuals with knowledge that was once out of their reach, empowering them to improve their financial future."

With so many money personalities popping up online, it is critical to be able to know who's the real deal. "What applies to one person may not apply to another, so it's important to check the experience and qualifications of people who supply financial advice on social media," adds Blackburn. ■

Scan code to hear about ASIC's crackdown on unlicensed finfluencers.

CHECK IF A FINFLUENCER IS LEGITIMATE

Life Sherpa's Vince Scully recommends looking at four key aspects of a social media post to work out if the advice is legitimate:

Is it Australian content?
If the influencer is based in Australia, they are required by law to be licensed.

Is the person licensed?
This is easy enough to spot. Head to the influencer's web page. Scroll down to the bottom of the home page, where it should state that the influencer is an 'authorised representative' of a licensed advice firm, with the AFSL number clearly displayed.

Who is paying for the post?
Scully says sponsored posts or posts that mention specific products should at least raise an amber flag for followers.

Is the influencer operating under a pseudonym?
If you can't work out the influencer's real name, this should be an immediate red flag. If their true identify isn't revealed, chances are they have nothing to lose from flogging dodgy advice.

With a little help from your tax friends

The ATO provides useful, free online advice… but you may need to call in an expert.

Depending on their situation, employees may be celebrating the stage 3 tax cuts that will kick in from July 1, but for small business owners the end of the financial year often brings extra administrative chores and, ultimately, a tax debt.

The nation's five million-plus small enterprises punch above their weight when it comes to tax revenue, contributing around one in every three dollars of total income tax collected.

Unlike their larger corporate cousins, small businesses rarely have access to in-house experts, and tax matters can be a minefield. Something as simple as holding an office party to celebrate the end of the financial year, for example, can trigger fringe benefits tax (FBT) if the party is held on a weekend instead of Monday to Friday.

The Australian Taxation Office (ATO) has recognised how complex tax is for small business, and while it hasn't changed the rules, it has launched a free online learning service pitched at small enterprises.

The 'Essentials to strengthen your small business' platform offers more than 20 short courses plus a calendar of key lodgement dates.

"Small business owners can now access short, free and flexible online courses to sharpen their knowledge of tax, super and the core aspects of effective small business management," says Will Day, the deputy commissioner for small business.

The platform supports a variety of learning styles, with videos, case studies, audio content and written information, as well as the option to test knowledge with quick quizzes.

Day adds that the platform includes tips on areas where the ATO sees small

business owners making mistakes, such as goods and services tax (GST) and business deductions.

"We know that a lot of small businesses don't have time to attend courses during business hours while they are busy running their business, so the beauty of our new platform is that you can do it at a time that suits you, save your progress and then pick it up again later," says Day.

Better decision-making

Bruce Billson, the small business and family enterprise ombudsman, believes the platform will be helpful to small businesses. "Business know-how and being able to benefit from the wisdom of others can be key to successfully turning an idea into an enterprise.

"The spark that inspires an entrepreneurial person into creating and growing a business is rarely the behind-the-scenes business of running the business. Yet this is where success and better decision-making can be formed."

That may be the case, but the ATO's online courses are no substitute for expert advice. About 96% of small businesses use a tax expert, often an accountant, tax agent, business activity statement agent or bookkeeper, and the professional fees involved are likely to be money well spent, especially as the ATO has its eyes on the so-called 'small business income tax gap'.

This is the difference between what the ATO expects to collect from small businesses compared with what it receives. And it's a lot bigger for small businesses than big corporations.

As a guide, for the 2020-21 tax year (the latest data available), the ATO estimates the small business income tax gap is $15 billion or 12%, meaning around 88% of the total theoretical tax was paid. By contrast, the tax gap for large corporations is just $3 billion or 4% of expected tax receipts.

Regardless of the structure of a small business – from company to sole trader – the ATO says fudging on income is a key driver of the tax gap. This being the case, its online learning courses are worth a look. Expanding your understanding of tax can only be a good thing.

However, as we head towards tax time it is important to get things right and resist the temptation to knock a couple of zeros off your annual revenue. The ATO can support small enterprises that are struggling to pay their tax bill, though it warns that 'firm action' will be taken if it detects deliberate avoidance. ■

Read more of Anthony's columns online at moneymag.com.au/author/anthony-o-brien.

Inflation has fallen, what will happen to rates?

HAS INFLATION PEAKED?

The consumer price index was holding steady at 3.4% in the year to February, indicating the worst of the rises may be behind us. From its peak of 7.8% in December 2022, inflation has been slowly easing, though it is still above the Reserve Bank's target range of 2%-3%. In its March statement on monetary policy, the RBA said it expected inflation to return to the target range in 2025 and to reach the mid-point of that range by 2026.

WHAT HAVE BEEN THE EFFECTS OF HIGH INFLATION?

As we all know, the biggest impact has been the higher cost of living. And while inflation is lower, this simply means that the rate at which prices are rising is less than it was, not that they are likely to return to pre-inflation levels. The harsh reality is that we're likely stuck with current prices and that they're likely to keep growing.

Over time, wage rises and economic growth should reduce some of the inflation pain that we've felt over the past couple of years, but for now many households will continue to have to tighten their belts and adjust to a reduced standard of living.

For households with mortgages, cost-of-living pressures have been exacerbated by rising interest rates. In simple terms, the Reserve Bank has been given a tough job. It wants to keep inflation in that 2%-3% band, but it has no control over many of the things that feed into inflation – such as what's happening in markets that we import goods from, the supply of labour and other production inputs, government spending or the prices that businesses charge for their goods and services.

If it wants to slow a 'hot' economy and bring inflation down, pretty much the only tool it has at its disposal is interest rates, as higher rates leave consumers with less money to spend. The bank has lifted interest rates by more than 4% from their low of 0.1% in April 2022, resulting in much higher repayments for borrowers.

ARE HIGHER RATES DOING THEIR JOB?

The economy's growth slowed to about 1.5% in 2023, with household consumption particularly weak. When announcing it was keeping interest rates steady in March, the RBA's statement said that while there were signs that inflation was moderating, the outlook for the economy was still uncertain. Inflation in the price of goods was moderating, but growth in the price of services was still high and the labour market was still tight.

It said that the growth in unit labour costs remains very high and that it has begun to moderate slightly as measured productivity growth has picked up in the past two quarters, but whether this trend will be sustained is uncertain.

AMP deputy chief economist Diana Mousina said services such as rents, insurance and financial services, holiday travel (domestic and international), medical and hospital services, education and restaurant meals make up a big part of the growth in services. But as population growth slows, consumer spending remains weaker and we start to see a weaker jobs market and slower wages growth, she expects inflation in services to fall as well.

WHERE DO WE GO FROM HERE?

As inflation has slowed, fears of Australia (and the world) falling into an economic recession have eased, though things are still uncertain. Inflation rates have been getting lower in other major economies and in March the US Federal Reserve signalled it may cut rates this year. However, as in Australia, US inflation is still above the central bank's target and needs to fall further.

In Australia, many economists predict rates will start to fall in the second half of this year. Mousina expects rate cuts to start around mid-year, though she says this could be pushed back to August or September if inflation doesn't fall as quickly as expected. The RBA is predicting interest rates to be around 3.2% by mid-2026. The big four banks are expecting faster rate cuts, with estimates of 2.85% to 3.6% some time in 2025.

However, the Reserve Bank governor, Michele Bullock, has repeatedly said the bank is not ruling anything in or out.

DID YOU KNOW?

Inflation in the OECD countries averaged 6.9% in 2023. The highest rate was in Turkey at around 64% while Costa Rica had deflation of -1.8%.

BEST-CASE SCENARIO

Hopefully we will enjoy a Goldilocks outcome where inflation eases in the coming months without widespread unemployment. This would likely lead to interest rates starting to come down later this year.

WORST-CASE SCENARIO

Services inflation remains high, both here and overseas, and could keep inflation (and interest rates) high for longer. If central banks had to keep lifting rates, this would increase the chance of job losses and possibly recession.

THE WILD CARD

The Reserve Bank has pointed to uncertainty about the outlook for the Chinese economy and conflicts in Ukraine and the Middle East as key risks.

"What we need to consider a rate cut is really to be much more confident inflation is coming back into the band in the future," she said. "The central forecasts have it not coming back into the band until 2025.

"So if we were to see some acceleration and get some more confidence that we are overachieving there, then possible rate cuts might be something on the agenda. But at the moment, we're not seeing that. We're in a position where we're cautious; we want to wait and see." ■

Read more of Annette's columns online at moneymag.com.au/author/annette-sampson.

Health insurance: is it worth it?

Life is already tough for young singles, but it pays to carefully consider private cover, weighing up the costs and benefits.

When my adult kids were kicked off my private health insurance policy because they were no longer dependants, I had a hard job convincing them to take up their own hospital and extras cover.

In their early 20s, they had finished university and secured low-paying, full-time jobs. Private health insurance is expensive, with regular price increases, and because they were living away from home they had a mountain of costs to cover. Besides, they argued, they were healthy and never got sick. They said they were happy to use the public health system, which was covered by a 2% Medicare levy on their taxable income.

Part of the reason I wanted them to have private health insurance was to give me peace of mind. Accidents can happen and they couldn't afford a sudden big medical bill on top of their tight budgets without going into debt. They value their financial independence and like to sort out their own health needs, but it could fall on me to pay the bills.

If they put off their medical, dental or other health needs because of the cost, potential problems could worsen over time. They would also be more prone to injuries from playing sport. With high wait times for elective surgery at public hospitals, private health insurance would give them access to medical treatment more readily.

In the end, my kids did take out private insurance. At the time, their earnings weren't high enough to be penalised by the government for not having private health insurance. That occurs when a single person earns more than $93,000 (2023-24 financial year) and couples or families earn more than $186,000. These people must pay a 1%-1.5% surcharge, in addition to the 2% Medicare levy. It can start at about $930 a year for a single, increasing to more than $2160 if they earn above the top threshold of $144,000.

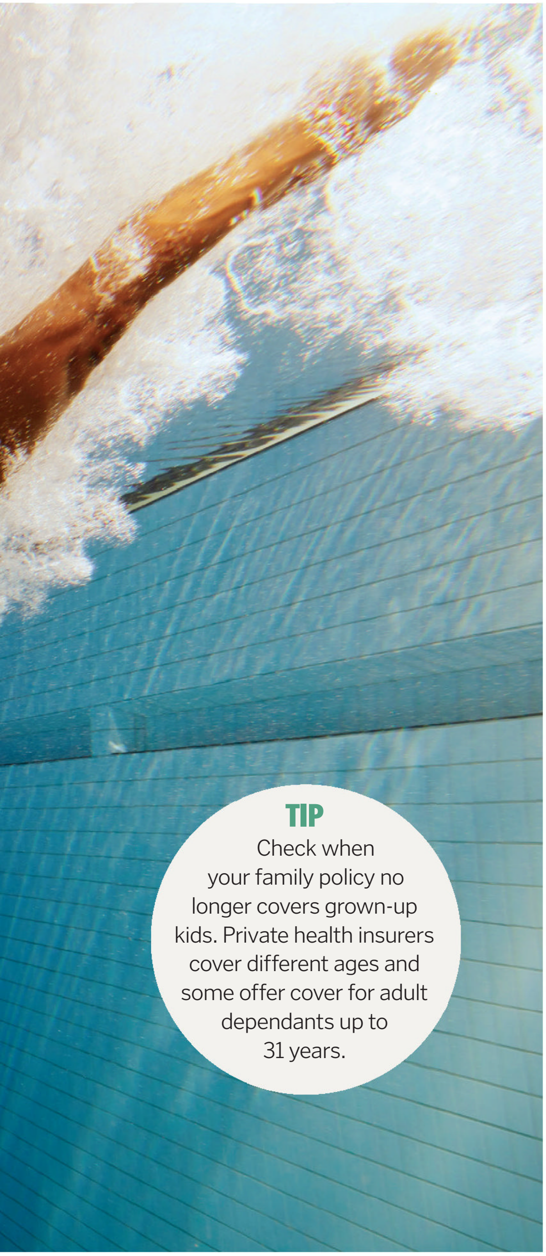
A couple of years after signing up for health cover, my daughter fainted at work and her colleagues called an ambulance to take her to hospital. She was shocked to receive an ambulance bill of about $1000. It was covered by her private insurance and she didn't have to pay a cent. (Some States do cover ambulance cover or charge a fixed fee.) It was an 'aha' moment for her.

As with most people, my kids probably won't get back their premiums in rebates. But they don't have the financial flexibility to handle a significant health bill, so it is better to have some support to take the sting out of a big hit. I didn't want the cost to influence their health decisions.

"Young people also need to think about protecting their health," says Ed Close, the chief executive of NIB's Australian residents health insurance business. "If they have a sports injury, are they prepared to wait for public hospital admission, or do they want to see a specialist and get back out on the field, and on with their lives, as soon as possible?"

More than 50% of Australians hold some form of private health insurance to reduce their out-of-pocket costs or to avoid being stung with the surcharge.

Another key question is whether you need hospital and general treatment cover, also known as extras or ancillary. To



TIP

Check when your family policy no longer covers grown-up kids. Private health insurers cover different ages and some offer cover for adult dependants up to 31 years.

avoid paying the surcharge, you only need to have hospital cover. You don't need extras, but it can help pay for services outside hospital such as dental, optometry, physiotherapy and chiropractic.

I know my adult kids probably wouldn't visit the dentist as often if, for example, they had to pay the full amount for a check-up and clean. But both go to the health insurer's dentist for check-ups twice a year and the cost is fully covered by their extras policy. ■

Read more of Susan's columns online at moneymag.com.au/author/susan-hely.

What to look for in an insurance policy

Young adults shouldn't buy the cheapest policy without checking exactly what they are getting. Even though they may be weighed down by living costs, they don't want a 'junk' policy just to avoid the surcharge. These generally pay low benefits.

"A lot of people purchase very basic policies that help them avoid paying the Medicare surcharge but boast very few features that can help if they do need to seek private hospital treatment," says Steven Spicer, general manager of health, life and energy for the Compare the Market website.

He recommends, if you can afford it, upgrading to a 'bronze' policy, which can include treatments relating to the brain and nervous system, eyes, ear, nose and throat, joints, digestive system and more. The higher and more expensive tiers are 'silver' and 'gold'.

If your adult kids haven't taken out private hospital insurance from the year they turn 31, a lifetime health cover charge of 2% is added to their hospital premium for every year older than 30.

For example, if a person takes out private hospital cover when they are 40, they would pay an extra 2% per year for 10 years. The maximum loading is 70% and it stops once they have paid for 10 years of continuous hospital cover.

Check the fine print to discover hidden value

The Federal government is trying to make the complex private health insurance system more transparent. PrivateHealth.gov.au is an informative website that explains how it works, and it lists and compares all 35 private health insurers.

Each insurer offers a number of products, so it is important to read the policy document carefully for inclusions, exclusions, excesses and waiting periods, says Spicer.

There are two types of private health insurers, according to PrivateHealth.gov.au and the regulator Australian Prudential Regulation Authority. One is a for-profit company that looks after its shareholders as well as its members. The other is a mutual, not-for-profit structure that does not embed a profit margin in premiums. For this reason, not-for-profit funds tend to pay out a bigger percentage in benefits, as a proportion of premiums, than for-profit funds.

PrivateHealth.gov.au also reveals the proportion of industry complaints the insurer has received compared with its market share. Ideally, your insurer should have the same proportion of complaints (or less) than its market share. It is a warning sign if the number of complaints far exceed the market share.

Of the 35 registered insurers, nine have restricted access and are only available if you work in a particular industry. For example, Teachers Health is for the education industry. If you belong to a certain employment group, such as education, check whether you can join one with restricted membership as you could get a better deal.

Spicer says if you change health insurers, the new fund will recognise any waiting periods you have already served out.

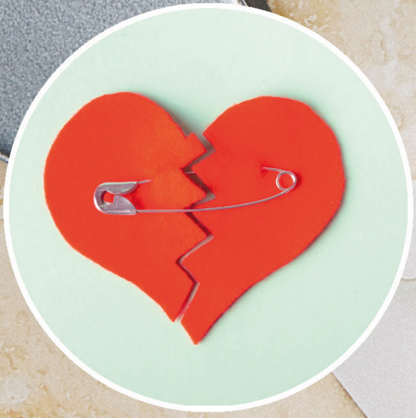
Government incentive

To get people to take out private health insurance, the government pays a rebate. It is income tested and applies to hospital, general treatment and ambulance policies from registered health insurers. It means you get money back from your health insurance premiums in the form of a reduction in the premium from your private health insurer or as a refundable tax offset.

10 basics of binding agreements

STORY VANESSA WALKER

With divorces and break-ups becoming increasingly common, couples can prevent conflict and save time and money by signing a contract that protects their respective belongings and assets.



A third of all marriages in Australia end in divorce. Add to that the number of de facto partners who separate and you begin to understand the vast number of relationship break-ups that routinely reshape the country.

Then consider this: the median age for divorce is about 46 for men and 43 for women, which means these new singles have years of financial history – be it wealth or debt accumulation or something in between – under their belts. A high number also have children (nearly half of all divorces granted in 2021 were for couples with children younger than 18).

Being in their prime, most of these people are also likely to enter at least one other long-term relationship in their lives. It raises the question: how does the better-off partner protect the wealth they are bringing into a new relationship? And, importantly, if they are creating a blended family, how do they ensure their financial wishes for their children are respected should anything go awry?

This complex but increasingly common situation has driven the rise of binding financial agreements, once called prenups. So popular are they becoming that Australia's largest family law firm, AF Legal Group, reports a 79% rise in enquiries between 2022 and 2023.

So, what are binding financial agreements and how can they protect you? We spoke to Damira Hidic, practice leader and managing director at Australian Family Lawyers Gold Coast, part of AF Legal, to find out the top 10 things you need to know:

1 What is a financial agreement?

It is a contract that outlines the distribution of property and financial resources after a relationship ends. This can include spousal maintenance. In Australia, prenuptial agreements (which are primarily known as financial agreements) can be made before, during or after a marriage or de facto relationship. They can decrease the legal costs that usually follow after a separation, protect businesses, wealth and inheritance rights, make accommodations for spousal support and ensure clear intentions and expectations in marriage or relationships are reflected. Additionally, they protect assets including pets and a future inheritance, protect you from the other party's debt, and provide certainty and flexibility in the event of separation. This is why having a financial agreement can help improve relationships and trust between partners.

2 In what situation should you contemplate having a financial agreement?

They are not just for the wealthy – the rising number of Australians in blended families or de facto relationships has triggered greater interest in this type of agreement. Examples of situations where parties should contemplate having a financial agreement include being in a new relationship where they have recently had a property settlement with their previous partner, when they are contemplating purchasing assets together, when using their separate property or gift/inheritance received from their parents or relatives to finance a new joint purchase, or if they are bringing in a significant amount of wealth (business, real property, and so on) into the relationship.

Those who have received, or will receive, an inheritance or a personal injury payout or those who are in a blended family and want to protect their assets/superannuation for the benefit of their children should also seek to put an agreement in place. They are useful when one party wants to limit the amount of spousal maintenance payable to the other party in the event of a relationship breakdown.

When it comes to intact de facto relationships or marriages, they are useful when issues such as infidelity, addiction and debt have arisen in the relationship and a person wants to try to save the relationship but wants to have financial security in case it does not work out.

3 How do they work?

Financial agreements promote open conversations about finances and eliminate the need for formal property settlements if a relationship ends. Before obtaining a financial agreement, it is important to ask your partner in advance and allow sufficient time for them to contemplate the agreement. Gather all necessary documents related to your financial circumstances, including loans, assets and debts. Consider how assets and liabilities should be handled during the relationship and in case of a breakdown, taking into account the impact of children.

Agreements should outline which items are marital or jointly owned and which will remain separate in the event of a separation. They are only legally binding in Australia if they meet certain requirements. They must be signed by all parties, who must seek independent legal advice and provide statements from their legal practitioners confirming that they have received independent legal advice before signing the agreement, and they must not have been terminated or set aside by a court.

Each party must have their own lawyer. The average time to finalise an agreement is one to three months.

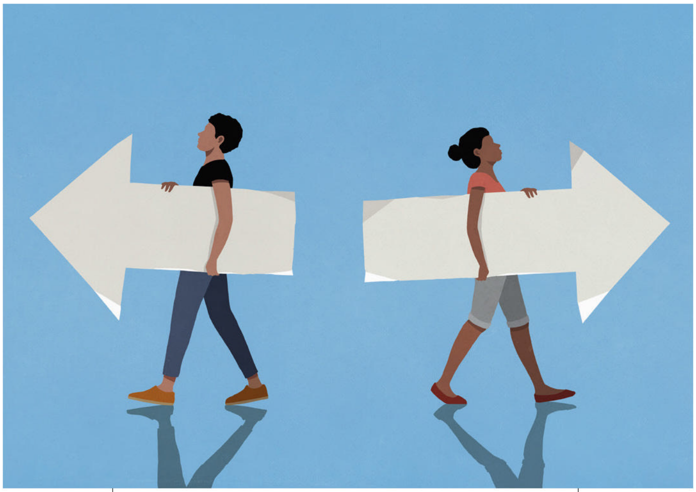
4 What is the difference between prenup and postnup style financial agreements?

Prenups are entered into before marriage and postnups are entered into after or during the marriage. The beauty of a financial agreement is that both married and de facto couples can enter into the agreement before or during their relationship. It is never too late to discuss it with your partner and agree on the assets that each of you will retain in the event of a relationship breakdown.

5 A stickybeak question: Do people who enter into financial agreements generally agree to keep the wealth proportions they bring into a relationship or do they agree to a split of assets if they separate?

Every relationship is different, and the terms of agreement generally depend on factors such as whether it is a first or second relationship for each party, the wealth of each party, and whether or not there is an intention to have children in the future.

Financial agreements should be fair and reasonable to avoid vulnerability to ▶



legal challenges. Parties should consider potential changes in their circumstances and aim for reasonable entitlements throughout their relationship.

An example of the terms that typically feature in agreements is a set-up where each party retains any assets that they bring into the relationship, including any inheritance that may be received during the relationship or provisions are included for a cash payment (usually to the financially weaker party) to be calculated based on an agreed amount for each year that the parties are in the relationship.

Where the agreement is entered into during their relationship, it may provide for specific assets to be retained by each party or a specific percentage of the total value of the assets owned jointly and separately.

6 What assets are typically included?

Any property and financial resource (for example, a future inheritance or an interest in a family trust) can be covered. These include real property, shares, bank accounts, interests in a business, interests in companies and trusts, superannuation, artwork, furniture, vehicles, collectibles, family heirlooms, current and future inheritance, personal injury payouts and redundancy payouts.

The agreement can quarantine certain assets, such as a family home or a business, and does not have to apply to all assets. It can also specify who owns any existing debt or debt incurred during the relationship.

7 Can financial agreements include unique lifestyle clauses (such as cheating)?

While it may be tempting for some parties to enclose a lifestyle clause, they are not enforceable in Australia and clients are discouraged from including them.

8 Are financial agreements enforceable – do they hold up in court?

They can be challenged in court. There are various grounds on which they can be set aside by the court, including if they were obtained through fraud or non-disclosure of material information, due to mistakes, uncertainty or incompleteness, duress, undue influence and unconscionable conduct.

They can be considered invalid if circumstances have arisen that make it impracticable to carry out the agreement, there are material changes in circumstances relating to the care of a child, or there has been inadequate legal advice.

To minimise the risk of an agreement being set aside, parties need to take care to comply with current legislation and requirements, make full and frank disclosure of assets, liabilities and financial resources, and draft the agreement in consultation with both parties and their legal representatives.

Fairness and equity in provisions, including provisions for children, occupation of the family home and cash settlements are vital to ensuring financial agreements remain enforceable. Parties must allow sufficient time for preparation and negotiation, and avoid overbearing conduct during negotiation.

Finally, the orderly signing of the financial agreement after compliance with the above matters is critical. Seeking high-quality, independent legal representation for each party will also minimise the risk of having an agreement set aside.

9 What happens in the absence of a financial agreement?

In the absence of a financial agreement, married and de facto couples' property settlement and spousal maintenance entitlements will be decided under the *Family Law Act 1975*. The court follows a five-step process to determine a party's entitlement to property adjustment under the Act.

These steps include assessing the just and equitable adjustment of property interests, identifying and valuing all property, considering financial and non-financial contributions, evaluating various factors, such as age and income-earning capacities, and ensuring the proposed order is fair and equitable in the specific case.

The Federal Circuit and Family Court of Australia has a wide discretion when determining the parties' property settlement entitlements and maintenance and the outcomes are uncertain. The proceedings can take more than two years to conclude and can cost thousands of dollars.

10 How much does a financial agreement typically cost?

This will vary depending on the complexity and time required for the legal representatives to draft the agreement and advise their respective clients. However, it can be relatively low if you and your partner agree to reasonable terms. If there is a significant financial disparity between the parties, it is not uncommon for the party who arranges to have the agreement drafted to either contribute towards the other party's legal fees or pay the total cost. ■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BMW i4 eDRIVE35.
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Assuming a NSW drive away price of $86,737.00. Applications must be submitted, approved and settled, and vehicles ordered and delivered, between 01.04.2024 to 30.06.2024. Fees, conditions and eligibility criteria apply. Tax saving is based on a comparison with BMW Consumer Loan with same drive away price and term, a balloon equal to the quoted lease Residual Value and an interest rate of 3.99% equal to the implicit lease rate assuming: 1. an annual salary of $130,000; 2. FBT electric vehicle exemption applies; 3. 100% private vehicle use. Tax savings can vary depending upon personal circumstances and tax advice is recommended. BMW Full Circle Novated Lease includes a guaranteed future value option with no residual value risk on lease expiry provided fair wear and tear and kilometre requirements met.

A luxury EV needn't cost the earth

BMW's new line-up of competitively priced, fully electric vehicles brings style and sustainability within reach of a wider range of buyers.

Australia is in the midst of the most dramatic change to the automotive landscape: we're shifting away from traditional petrol and diesel engines towards an electric future. Electric vehicles can significantly reduce carbon emissions, and the Federal government is embracing this pivot with a range of incentives to help buyers get a better deal while also doing their bit for the environment and transitioning to a more sustainable future.

In July 2022, the Electric Car Discount Bill was introduced with the aim of making new fully electric and plug-in hybrid vehicles more attainable to a broader number of people. The way the bill helps you save money is by removing fringe benefits tax (FBT) from the cost of vehicles below the luxury car tax (LCT) threshold, which is currently $89,332.

For example, through a novated lease a consumer could make pre-tax monthly repayments on the vehicle and not be slugged with the FBT – which in some cases for internal-combustion-engine (ICE) vehicles could run to more than $1000 a month. Over a typical lease period, that could mean savings of $30,000 or more.

Of the 50 or so electric vehicle options on the market in Australia, about 30 fall under the luxury car tax threshold, so there are plenty of choices for different budgets and buyers.

So instead of, say, a petrol hatchback, you could instead be getting a luxury electric SUV for your family, without having to pay FBT, and potentially with similar pre-tax lease payments.

One brand that is specifically aiming to offer the luxury of choice to consumers, and potentially draw in new customers, is BMW Group Australia.

Nick Raman, BMW Group Australia product and business communications manager, told *Money* that the brand is focused on offering options below the LCT threshold so customers can take advantage of the FBT savings. "A great opportunity emerged for us to offer a new line-up of competitively priced, fully electric models. It came about thanks to various factors."

Finance tailored to models

He says the government's implementation of the Electric Car Discount Bill was an important step in delivering a tax exemption for prospective EV consumers alongside its increase of the luxury car tax threshold for fuel-efficient cars to spur a higher uptake of low- and zero-emissions vehicles in the market.

"We investigated this and determined that we were in a good position to be present in the sub-LCT EV space – a new one for BMW – with the arrival of new models, such as the first-ever iX1 and iX2, and our repositioning of other battery electric vehicles (BEV) to be priced below the threshold. In addition, we coupled the product offering with novated leasing products from our captive financier, BMW Financial Services, that are tailored for these models."

Raman says BMW is committed to making luxury electric motoring accessible for as many people as possible. “Our strategy is headlined by our sub-LCT BEV line-up, enabling us to offer luxury EVs not only to personal users but to business owners and fleet operators via the fringe benefits tax exemption on cars priced below the LCT.

“Alongside the attainability factor, we are proud that our products deliver a high level of style and luxury but, just as importantly, an enjoyable, engaging driving experience. Sporty driving dynamics have been a hallmark of BMW for as long as the company has been in business, and our new-generation electric cars have that quality in abundance.”

Line-up is expanding

Raman says it is key to the brand’s success in Australia to have affordable EVs as the market shifts to new forms of mobility.

“We already provide a unique offering with the number of premium battery electric vehicles priced below the LCT, and we will continue to evolve and expand our line-up into the future.

“These affordable models are a key component in a broad spectrum of vehicles. We currently offer 12 fully electric BMWs and by later this year this number will grow to 16. That is the most fully electric vehicles of any manufacturer represented in Australia and underlines our commitment to electromobility.”

And not only is affordability key to the brand’s EV offering, the company has an array of models to choose from – all of which are richly equipped as standard.

The brand offers two takes on the BMW iX1 – the efficiency-focused eDrive20 (from $78,900) and the sporty xDrive30 with all-wheel-drive (from $84,900). Both are extremely practical compact SUVs for young families. Then there is the BMW iX2 Sports Activity ▶

Coupe – also offered in eDrive20 (from $82,900) and xDrive30 (from $85,700) – which blends an athletic design with cutting-edge technology.

And for those who prefer a low-slung, sporty touring vehicle, the BMW i4 eDrive35 (from $85,900) offers Gran Coupe styling and lashings of luxury. It could be the ideal daily driver or weekend getaway machine.

The beauty of the BMW electric vehicle range is that there are no compromises to style, luxury or technology in comparison to ICE models from the brand.

For instance, the iX1 has a sizeable cargo capacity of 490 litres, which is more than most SUVs in the next size bracket up, and there is a handy underfloor storage area for your charging cables, too.

Likewise, the stylish coupe-like silhouette of the BMW i4 eDrive35 doesn't sacrifice space, with a 470-litre boot and space in the cabin for five adults to fit comfortably.

Wallet-friendly charging

With in excess of 400 kilometres of driving range, you can hit the open road with confidence, with one year of complimentary access to the Chargefox network of direct current (DC) public charging stations.

So, you could enjoy cost-free, emissions-free motoring by planning your journey and using the supported network of fast-charging systems.

Charging at home will be significantly more wallet-friendly, too. If you have a solar setup, you could pay little or nothing for your energy, while energy suppliers are also aiming to target EV customers with more focused off-peak energy rates for recharging their vehicle at home.

BMW offers a Wallbox home charger to make the process as easy as pulling into your garage and plugging in, and you can set charging timers to take advantage of the best energy tariffs from your supplier. The cost of charging at home can be as little as a tenth of the cost of public charging, in some instances.

And as with other BMW models, there is a five-year, unlimited kilometre warranty program, and the high-voltage battery system features a lengthy eight-year/160,000km warranty, too.

BMW Australia offers finance packages for those interested in an iX1, iX2 or i4 model, taking the guesswork out of residual values. The Guaranteed Future Value program ensures you know in advance what your EV will be valued at when the loan or lease term ends. That way you know what your investment is before you decide whether to keep the vehicle by paying out the residual value, refinance, return the vehicle or trade it in for another BMW model.

While there is nothing better than financial peace of mind, the feelgood factor of owning a sustainable, tailpipe-emissions-free EV from BMW is something you hadn't previously been able to put a price on. But now you can, and that price is likely more affordable than you would have thought. ■

For more information on the BMW electric vehicle range, visit bmw.com/en-au/discover/electromobility/electric-cars.html.

STORY TOM WATSON

Building better foundations

Circuit-breaker or pipe dream? The National Housing Accord is set to change the number and nature of Australia's dwellings.

Supply, supply, supply. Talk to any expert or advocate in the housing space about affordability and that's the word that's going to come up time and again.

The reason is simple. The affordability of buying or renting a home in Australia isn't going to be addressed unless more homes are built for people to live in.

"Better supply is really the only long-term fix for our housing woes. It's the critical factor in making housing more affordable," says Joey Moloney, the deputy program director for economic policy at the Grattan Institute, the public policy think tank.

"We spend a lot of the debate talking about demand-side factors like the run-up in prices, low interest rates, higher rates of migration and tax breaks for investors.

"All of that matters, but the key point is that it would have mattered a lot less if supply were more flexible. If the supply side of our housing market was more responsive to demand, all of those demand-side factors would matter a lot less."

Moloney says that, as a rule of thumb, economists who have looked into the relationship between supply and affordability have found that for every 1% increase in housing supply, the price of property and rents ends up being 2.5% lower than otherwise.

"That's why economists fixate on supply, because if we loosen up our housing market, we can have our cake and eat it too."

Governments certainly hope so. That's why in October 2022 the Federal government unveiled the National Housing Accord – a new policy designed to tackle the issue of housing affordability by directly targeting supply.

The Accord, which also has the support of State and Territory governments, has set a target of building 1.2 million new, well-located homes over five years, starting in July 2024. That includes delivering 20,000 affordable homes.

States hold the power

The States and Territories have also been incentivised to go beyond their share of that figure, with $3 billion worth of performance-based funding up for grabs for any extra homes built above target.

"The Accord rightly recognises that more supply is the long-term fix to our housing affordability problems," says Moloney. "It's the right framework because it gets at the key issue: it's saying that more houses is the answer, so we're going to pay the States if they take the necessary steps to get more houses built."

The Federal government is relying on the States and Territories to shoulder a lot of the burden – not only in terms of the quota of homes each has committed to build, but from a regulatory perspective.

That's because while the Federal government has plenty of power at its disposal, when it comes to demand-side factors such as tax and migration, the States are the ones that oversee land use planning and planning regulation.

The former gives States the power over rezoning land for residential use, while the latter gives them a degree of control over new developments.

"Ultimately, what the Accord rightly recognises is that it's the States that really hold the most power on the frameworks and processes that dictate housing supply. So, right now it's basically up to them to reform both land use and planning regimes, and to get as close to the target as possible," says Moloney.

With the start date of the Accord's five-year target just around the corner, the States have already begun announcing some big shifts in policy, which could have a substantial impact on the housing make-up in many parts of the country, particularly urban areas.

Take NSW, for instance, which has a target of building 377,000 new homes by 2029 under the Housing Accord.

To work towards that goal, the State government has concluded that more

medium-density homes such as duplexes, terraces, townhouses and smaller apartment buildings will need to be built in larger population centres.

In practice, that requires reforming the laws around where these types of homes can be built. For example, the NSW government has proposed changes that will allow duplexes to be built on single lots in all low-density residential zones across the State.

Terraces, townhouses and two-storey unit blocks could also be built near transport hubs and town centres in low-density residential zones across the Central Coast, Greater Sydney, Hunter and Illawarra regions, while mid-rise apartment blocks (three to six storeys) could be developed near transport hubs and town centres in medium-density zones.

Local councils resist

The NSW government has already proposed changes to existing zoning laws as part of a new Transport Oriented Development State Environmental Planning Policy (SEPP).

This will allow for higher-density development within 1200 metres of eight major Sydney rail and metro stations initially, before expanding to 31 stations, with development restrictions eased within 400 metres of each station.

The NSW government estimates that these changes could help lay the groundwork to build around a third (112,000 new homes) of the dwellings needed to hit its share of the Accord target.

While State governments are building up a head of steam as they start laying the foundations to meet their housing targets, there is already evidence that local councils might not share the same enthusiasm about the scope and speed of these changes.

Affordable housing quotas

Jurisdiction	Commitment
Commonwealth	10,000
NSW	3100
Victoria	2546
Queensland	2049
Western Australia	1076
South Australia	700
Tasmania	220
Northern Territory	96
ACT	175

Commitments by the Commonwealth, States and Territories for new affordable housing builds under the National Housing Accord.

Source: Treasury

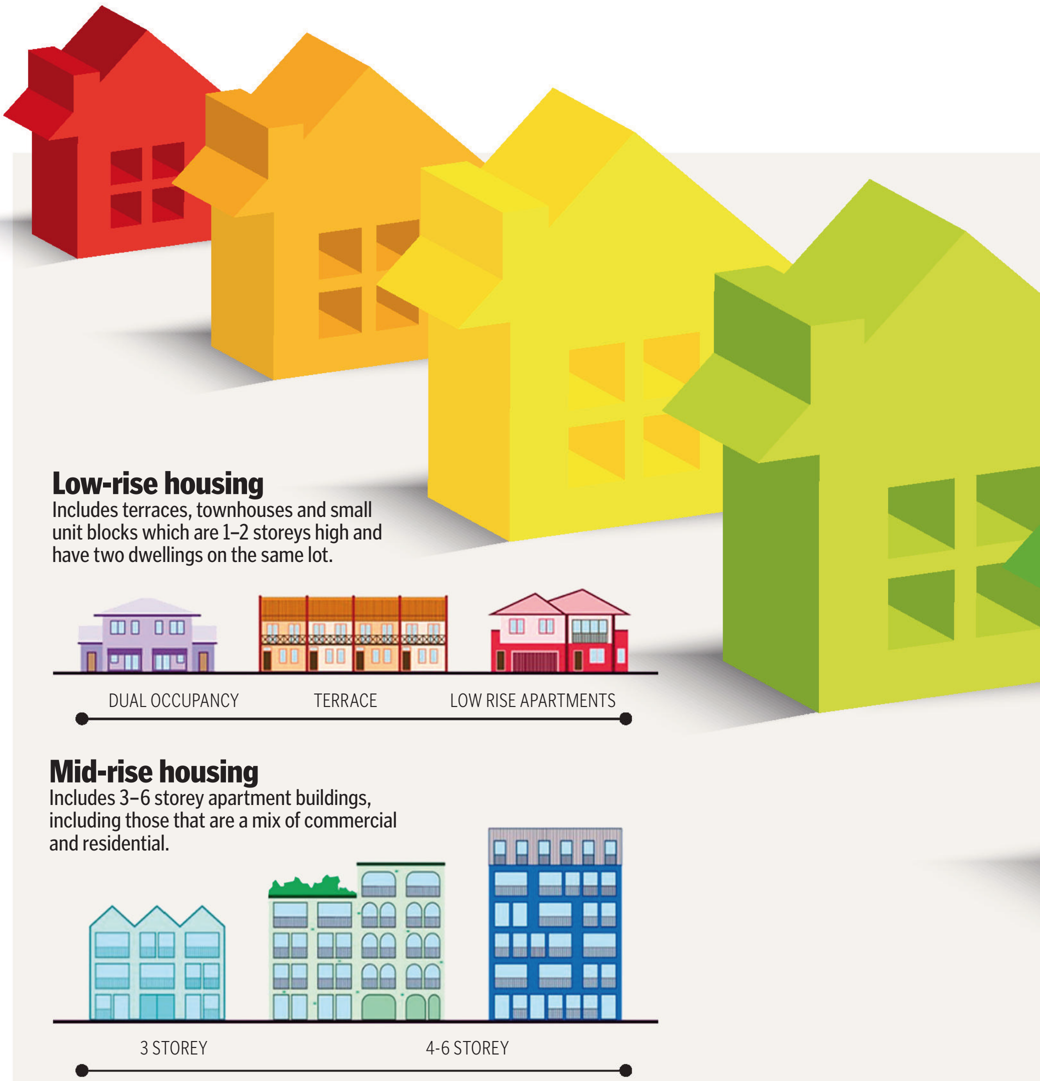
One of the more vocal members of a local government pushing back in NSW is in Sydney's northern suburbs. The Ku-ring-gai council area contains four stations named in the State government's transport development policy.

Mayor Sam Ngai acknowledges the need for more housing, but believes a slower, more considered approach should be taken to planning changes to address the character and heritage concerns of some local residents and to ensure that existing infrastructure is able to cope.

"I'm fully supportive of providing more homes near transport hubs, but it needs to be a carefully planned approach that involves community consultation," Ngai wrote in a recent social media post. "The State government's proposal of rushing a SEPP in four months does not meet community expectations. Given our construction bottlenecks, a responsible approach would be to allow councils 18-24 months to properly plan for where the density should go, as well as the infrastructure and amenities to support."

At the heart of any potential friction between State and local governments is the traditional roles each has played in housing development.

"Right now, local government has a pretty substantial role in housing supply. It starts with State government ▶



Source: Planning NSW

planning and land use regulations, but a lot of the power devolves to local governments, which set the zones in their geographic areas and overlay that with heritage overlays, character overlays and zone development overlays," says Moloney.

"Then, at the final hurdle, developments will often go through formal approval processes at the local government level and councillors will have some degree of power to stop developments happening."

At the end of the day, State governments could wrest a lot of this power back from local governments. In fact, Moloney can see the local government role in the housing space shrink if the changes being enacted by the States prove successful.

"The role of local government is a bit tricky," he says, "because, in my view, the Accord is a deal between the Federal government and State governments, and it's saying, 'Here are incentives for you to reform the broad frameworks that dictate what gets built where.'

"I would argue that a necessary outcome of the reforms would be a reduction in the power of local governments because I think that the power of local government intrinsically has a status quo bias. You could argue that their answer is often 'no' by default, rather than 'yes' by default.

"So, I would hazard a guess that if this process proves successful over the long run, it would actually lead to a smaller role for local governments vis-a-vis housing supply."

Shift to medium density

Well located. These two words are not only part of the National Housing Accord's mission statement, they're potentially the most significant when it comes to where homes are built and what kind of homes they are. And, ultimately, how the look and feel of neighbourhoods around the country may change.

As the populations of our major cities have grown over the decades, so too has their geographical size. We've spread outward by building new suburbs and housing developments on bush or farm land – so-called greenfield developments.

But as the changes already being put forward in NSW demonstrate, infilling existing suburbs with medium-density homes is likely to be the name of the game for much of the supply introduced under the Accord.

Tone Wheeler, president of the Australian Architecture Association, sees the shift away from building at the fringes of our cities as a positive, and overdue, development for three reasons: demographics, efficiency and sustainability.

"The first one is that we just don't need the same number of family homes because less than half of our households are families now. They're mostly made up of singles, couples, people in share houses – there's myriad diversity in our population," he says.

"Demographics have completely changed and a lot of it has to do with the fact that people don't necessarily subscribe to the traditional idea of a house on a suburban lot with a backyard. We don't have enough apartments, we don't have enough townhouses and we don't have enough of the spaces and places that people want to live in."

The second point comes down to the efficiency and cost of building homes in areas with established infrastructure and services such as roads, public transport, schools and hospitals versus having to create them from scratch.

"Infrastructure Victoria published a report about a year ago that worked out that it is far cheaper to build a new site within an existing suburb than it is to develop a greenfield site. The costs vary between being three and seven times cheaper," says Wheeler.

"Then the third part of it is that it's just much more sustainable. It reduces the footprint of the building that you're

of neighbourhoods that are yet to be answered.

Related to that is the infrastructure and services side of the equation. It may be more cost-effective to build new housing around existing public transport hubs, roads, schools and hospitals, but those will need increased support if they're to function adequately with greater population density.

Then there's the simple fact that new home approvals are currently nowhere near where they need to be. Just over 160,000 dwellings were approved in the year to February, but that will need to pick up to 240,000 a year for the goal of 1.2 million homes over five years to be met.

There is hope that regulatory reforms will go some way to improving the pipeline of new builds, but issues with material supplies and financing within the sector are also stymieing new builds.

Governments in Australia may be looking to New Zealand for a success story if they are able to overcome these hurdles and encourage more medium-density housing supply to come online though.

In 2016, new zoning rules introduced by Auckland Council came into effect in parts of the city that allow for medium- and high-density housing to be built on traditional suburban blocks. As a result, the number of dwelling approvals shot up and the impact on rents and property prices seems clear.

"The econometric work that's been done by researchers in New Zealand basically points to it being a roaring success in increasing the supply of these homes in just five years. And that then led to at least 15% lower rents than would have been the case otherwise," says Moloney.

"Auckland's rents are lower, in real terms, than they were in 2016, whereas they've shot up in other cities. So that's something that gives economists a lot of heart, that if you do make it easier to build more homes in desirable areas, you will get more homes and cheaper homes as well." ■

working on, the amount of material that it takes, the embodied energy, and the fact that you don't have to cart materials to the edge of town."

Moloney agrees with the idea of building more housing in existing areas rather than continuing to expand outward, and says there are also economic benefits to our cities becoming denser.

"Economists refer to a concept called agglomeration benefits when employees and employers are able to locate closer together. What that does is increase knowledge spillovers between workers and firms, and between firms and firms as well.

"In denser cities where there are more employment opportunities for workers, you're going to get them allocating themselves to their most productive use.

"In aggregate, what that all means is that you have a more dynamic and productive economy. So, there's a strong economic argument for denser cities where people are able to locate closer together and for building more medium density in our inner-city areas."

How it could work

Addressing the issue of housing supply in Australia is clearly no simple task, and achieving the goals set out under the Accord won't be without hurdles.

One is allaying concerns around changes to the existing make-up of suburbs around the country.

While many politicians and housing experts will point to the pressing need to address supply and affordability, it's clear that there are questions around issues of heritage and the 'character'

Living in a levy nightmare

Regular strata fees are high enough, but many apartment buildings need serious renovations or repairs, forcing owners to raid their savings or go into debt to cover the extra costs.

Apartment owners are facing skyrocketing strata levies as a result of steep rises in the cost of insurance, maintenance and repairs. On top of that, many are facing hefty special levies to fix serious building defects.

This is happening as more and more of us are living in strata title apartments and townhouses – at least 16% and maybe as many as 26%, according to the *2022 Australasian Strata Insights* report from the City Futures Research Centre.

Strata levies paid by apartment owners typically jumped by 15%-20% on average in the year to mid-2023 and are rising again this year, says the Owners Corporation Network (OCN), which represents residential strata owners.

"In new buildings, developers routinely keep year one levies low to attract buyers," says executive director Karen Stiles. "They can do this because everything is under warranty and there are no maintenance contract expenses."

But in year two, when maintenance contracts cut in, levies typically increase, sometimes by as much as 70%, she says. "Labour and material costs have risen substantially, and the new *Design and Building Practitioners Act 2020* has added considerably to the costs of repairs and maintenance."

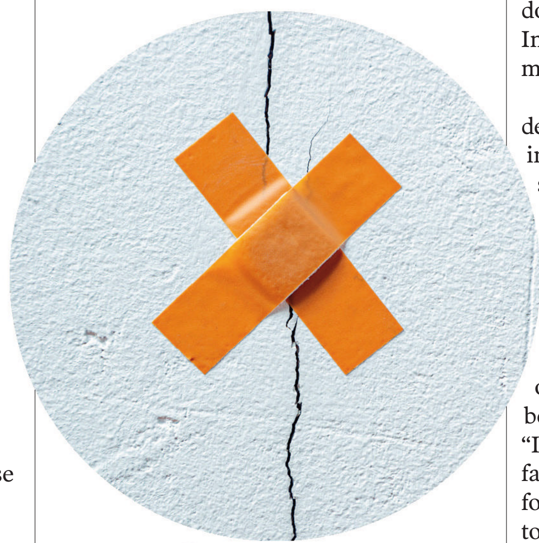
And insurance costs are rising because of the increase in replacement values as well as increasing risks from natural disasters, says Stiles.

Serious defects are common

The need to raise extra funds, on top of normal levies, to fix major defects is the other cost pressure being felt by strata owners. In NSW, which has about 50% of Australia's apartments, a State government strata survey revealed that 53% of apartments registered from 2016 to 2022 have at least one serious defect.

A recently established five-star rating system in NSW, called iCIRT, should help improve the situation in the future. This enables consumers free access to a growing public register of rated builders who have a minimum of three stars or better, says David Chandler, the NSW building commissioner. "Consumers can now access iCIRT ratings to help them to make more confident choices in selecting an apartment in NSW."

With newer buildings, there is an expectation that builder warranties – which in NSW extend for six years for major defects and two years for others – should cover rectification costs. But this does not always happen, because only buildings of three storeys or less are covered by the insurance, which requires the builder to cover homeowners if the builder dies or disappears or the building company goes bust. That means if a building of more than three storeys is defective and the builder goes broke, owners are left with no recourse but to foot the expensive repair bill themselves.



In NSW, 12% of all bankruptcy filings over the past five years have been related to strata debt.

Indeed, 12% of all forced bankruptcy filings in NSW over the past five years have been related to strata debt. Owners of older buildings where maintenance costs are soaring due to wear and tear, or defects not being detected earlier, don't have recourse to builder warranties. In these cases, they must stump up the money or borrow it.

Findings from the 2023 NSW strata defects survey highlight prevalent issues in waterproofing (42%), fire safety systems (24%), building enclosures (19%), structural issues (15%), key services such as plumbing and elevators (14%) and non-compliant cladding (8%).

When owners keep quiet

It's impossible to know what percentage of apartments have raised special levies because no data is collected, says Stiles. "It's a massive gap in understanding this fast-growing sector. We'll keep pushing for more data to be collected and analysed to identify areas needing support."

While disasters such as Sydney's Opal Tower – where residents had to evacuate on Christmas Eve in 2018 because of cracking – gained widespread coverage, many strata owners want to hush up any problems with their buildings because they fear reputational damage. Buildings with a bad name are likely to experience a drop in resale prices and rent, insurance increases and reluctance by some lenders to provide mortgages for resales.

Anecdotal evidence of substantial problems in high-rise apartment buildings is not hard to find. For example, a 20-year-old building in Newcastle, NSW, has failed to provide an annual fire safety statement – which is a declaration from the owners that the fire safety measures have been checked and are up to standard – for several years. This is because no accredited practitioner will pass the building as being fire safe. As a result, Newcastle city council issued an infringement notice, meaning the owners must act. But this takes time and money and in the meantime strata levies have doubled, mainly due to hefty increases in the insurance premiums.

Quotes are being sought for rectification work and indications are that on average each apartment owner may be up for as much as $70,000. Meanwhile, the strata committee has kept the city council informed on the work it is doing and has secured a stay of the infringement notice.

It's likely a special levy will be raised. This must be done at a general meeting of the owners corporation. It can only be introduced through an ordinary resolution – a majority vote (more than 50%) of owners who are eligible to take part need to vote in favour of it.

In most instances, this additional levy is paid in instalments, which are added to quarterly levies to spread the burden over the time needed to complete the project.

In the Newcastle example, not every owner will have easy access to $70,000, even spread over a year or more. Some will be able to extend their mortgages to do this and older owners who live in their apartments may be able to secure a home equity access loan. Unsecured personal loans are another possibility, but these come with relatively high interest rates.

Sometimes the owners corporation will decide to take out a strata loan for everyone or for part of the funds needed. These are unsecured loans, usually for up to 10 years, and are offered by several providers. One advantage is that the money is available as soon as its needed. The big drawback is that the interest rates are usually extremely high. ■

Read more of Pam's columns online at moneymag.com.au/author/pam-walkley.

Extra super will

A 12% super payment on parental leave will remove the 'motherhood penalty' and help close the gender savings gap.

STORY VITA PALESTRANT

Australian women are among the best educated in the world yet they are under-utilised and underpaid in the workplace and lag behind women in other countries in the Organisation for Economic Co-operation and Development (OECD). But progress is slowly being made to address the 'motherhood penalty' that leaves women economically disadvantaged. From July 1 next year, the Federal government will pay 12% super on top of the Commonwealth paid parental leave scheme, a key recommendation of the Women's Economic Equality Taskforce, which advises the government. It is expected to benefit 180,000 families.

Paid parental leave (PPL) will increase from 20 to 22 weeks from July 1 this year and increase in increments of two weeks each new financial year, expanding to 26 weeks by July 1, 2026. PPL is paid at the minimum wage, currently $882.75 a week.

Labor introduced PPL in 2011, and the scheme sat largely untouched under the Coalition for nearly a decade.

The announcement that super will be paid on the PPL scheme has been welcomed by leading organisations from business, health, nursing, aged care, early childhood education and community services. They say it will be life-changing

be life-changing

for women in these highly feminised sectors and add much-needed savings to their retirement accounts.

According to the Association of Superannuation Funds of Australia (ASFA), women retire with 25% less super than men. Its latest figures show the median super balance for those aged 60 to 64 is $212,000 for men and $159,000 for women.

"A new generation of women who receive the full benefit of the superannuation guarantee payment on their government-paid parental leave stand to add thousands to their retirement balances," says ASFA's chief executive, Mary Delahunty.

Amanda Rishworth, the Minister for Social Services, says paying super on PPL is another key step to prioritising gender equality. "We've made it more accessible, flexible and gender neutral and we're expanding the scheme to a full six months." It's also good for the economy, says the Treasurer, Jim Chalmers. "A stronger paid parental leave system is good for families and the economy."

Mothers have missed out

One of Australia's largest industry funds, HESTA, which has members in the health and community services sector, says the payment rectifies long-standing gender disparity in our retirement system. Its CEO, Debby Blakey, says it's been a persistent gender blind spot.

"In the 13 years PPL has operated, Australian mums have missed out on $3.3 billion in super savings at retirement because super was not paid on their leave entitlement. This reform will greatly benefit women entering the workforce from July 2025."

She says it will go some way towards closing the gender super gap, as women are currently much more likely to be the ones taking parental leave.

"When we think about the difference this can make in dollars for a lower-income worker, it's life-changing. Our analysis of a typical HESTA member working in community services who has three children shows they could increase ▶

CASE STUDY

How a family stands to benefit

Lisa is a childcare worker on the minimum wage and is planning to start a family with her husband, Peter, once the Commonwealth's paid parental leave covers 26 weeks off work and pays 12% super on top.

She has a super balance of $30,000 and is in a default balanced option, which has earned an average annual return of 7% after fees. The government's super guarantee (SG) contribution will ensure she isn't hit by the 'motherhood penalty' for taking time off to have children.

Lisa plans to have her first child at 28 and the second at 32 and aims to give them the best possible start in life, so is prepared to wait until she can take at least six months off. Paid parental leave is due to increase to 26 weeks on July 1, 2026.

As the table shows, Lisa's super is almost $18,000 better off as a result of the changes.

She may also be entitled to paid parental leave from her employer. Although not legally obliged to offer it, many companies already pay leave on a full salary, including super.

STOCK IMAGE

Closing the gap

	With no SG on PPL	With SG paid on PPL
Starting super balance	$30,000	$30,000
Additional SG contributions paid on PPL		$5794
Super balance at 67	$457,800	$475,534
Difference (including additional earnings on SG contributions)		$17,734

Footnote: The table compares the effect of having super contributions paid on paid parental leave over 26 weeks, due to start on July 1, 2026. Source: Industry Fund Services

their retirement savings by $18,652 if they receive super on three periods of Commonwealth PPL".

Loud, clear message

Blakey says the government-funded paid parental leave helps break down the barriers to women's participation in the paid workforce, which can be one of the most effective ways to improve their financial security and boost productivity.

Super on PPL benefits the economy because it is a non-inflationary payment that will add much-needed dollars to women's retirement savings and narrow the gender super gap.

"Women make an enormous social and economic contribution through their unpaid caring responsibilities," says Blakey. "Making this policy change sends a loud and clear message to women that taking time out of the paid workforce to care for children is valued in the same way as other types of paid leave."

> *The low-income super tax offset must change ... or workers could find themselves paying more tax on their super than on their wages.*

She says that while the announcement is a significant step forward for women's financial security in retirement, there is still more work to be done.

"The gender pay gap is a key reason women are still retiring on average with around a third less super than men and experiencing high rates of financial insecurity as they age. The gender pay gap is a symptom of broader gender inequality, which we believe can undermine the long-term performance of our members' super investments.

Addressing this systemic issue requires long-term cultural change to remove the barriers to the full and equal participation of women in the workforce. "We're continuing to advocate for other key equity measures that can help improve retirement outcomes for our members, almost 80% of which are women."

Blakey says the design of super tax concessions and incentives disproportionally advantages high-income earners and high account balance holders, creating an inequitable situation that risks being unsustainable as Australia's population ages.

"Lower-income earners, including many women, continue to pay more tax on their super contributions than on their wages. That's why we support updating the low-income super tax offset (LISTO) to reflect current tax and super settings. This is critical in demonstrating that we value care work and supporting low-income workers to retire with dignity."

Blakey says 60% of LISTO recipients are women. It's the only tax concession more likely to be paid to women than men. "The LISTO must change because both the tax and super settings it was based on have changed, meaning low-paid workers could find themselves paying more tax on their super than their wages."

HESTA's modelling shows that for a lower-income mother of three who is a community services worker, an updated LISTO, combined with super on PPL, will add $28,000 to her retirement balance.

Blakey also says the availability of early childhood education that is affordable and close to work and home would have a significant impact on mothers' workforce participation and therefore on their retirement incomes.

If you're planning a family, also check what leave benefits are available from your employer. Many of them offer paid parental leave, including super. ■

See more of Vita's columns at moneymag.com.au/author/vita-palestrant.

50% of the population is being left behind

The Women's Economic Equality Taskforce was established to provide advice to the government to support the advancement of women's economic equality. Here's a snapshot of findings from its report, *Women's Economic Equality: A 10-year plan to unleash the full capacity and contribution of women to the Australian economy*:

Gender inequality

The most recent data shows that gender inequality is pervasive, persistent and impacts public and private domains throughout a woman's entire life course.

Women experience a lifetime of economic inequality and insecurity, despite performing paid and unpaid essential activities. These activities include the care and education of children and the care of elderly people.

These activities enable our economy to function, yet this work is undervalued, insecure, often invisible and impedes women's capacity to accumulate wealth, progress in careers and have the same economic opportunities as men.

Economic potential

Our nation's current systems place the needs and interests of men over those of women in public, professional and domestic realms. These outdated systems, policies and norms discount more than 50% of our population.

This means that we are underutilising the economic potential of more than 50% of our community. Australia simply does not work without women's active participation in our society and workforces.

Women in the workforce

- Women are much less likely to work full-time than the women in many other OECD countries.
- Despite women's increasing labour force participation rates, gender segregation persists.
- Australia could add $128 billion to the economy through boosting women's workforce participation and productivity growth if factors holding women back were tackled.

The pay gap

- Women are more likely to be reliant on award-based, low-paid, insecure work.
- Most casual workers are women, and some of the most highly feminised sectors are the most casualised – 92% of early childhood education and care workers are women.
- Motherhood attracts a significant earnings penalty. Across the first five years of parenting their first child, women's earnings are reduced on average by 55%. Men's earnings remain unaffected. Women account for 70.4% of the part-time workforce.

The report goes on to say that industry and occupational gender segregation persists. "Women are largely working in the same jobs they did 35 years ago. The majority continue to work in industries dominated by one gender. Men still disproportionately hold managerial and leadership positions, even in female-dominated industries.

"These norms create and maintain an environment where women experience measurable and material disadvantages, which compound over their lifetimes.

"On average, an Australian woman earns $1 million less than an Australian man across her career. If current working patterns continue, the average 25-year-old woman today, who has at least one child, can expect to earn $2 million less over a lifetime than the average 25-year-old man who becomes a father."

Pick a side

Choose affordable or luxury brands and don't mess with Mr Inbetween.

Having covered the consumer sector in Australia and globally for more than 15 years, the Banyantree team has seen a fair few trends play out over several economic cycles.

We are potentially in an extended period of elevated inflation, sub-par economic growth (impeded by high debt levels) and pressure on family budgets. In this environment, we believe consumer brands caught in the 'middle wasteland' – neither value nor ultra-luxury – are likely to materially underperform.

Affordable luxury brands target the aspirational consumer and offer luxury for less, likely at the expense of exclusivity and scarcity. Either side of the segment is the value or everyday low-price category, which refers to brands with consistently low prices that don't require discount or promotional periods, and ultra-luxury brands, which are highly exclusive with an element of scarcity.

In our view, consumer brands experimenting with affordable luxury to gain market share may be doomed to end up in the middle wasteland. That is because the aspirational consumer is more likely to quickly downgrade to the value category in times of financial uncertainty than the ultra-wealthy, whose spending is unlikely to be altered by economic conditions.

The most prominent Australian examples of the middle wasteland would be Myer and David Jones. Both department stores offered affordable luxury brands to the aspirational consumer. But over time, their target market has gravitated towards value and shifted to online shopping, while many of the value players we follow have materially improved their quality over recent years and are still offering everyday low prices. So, we believe investors should pick a side – either value or ultra-luxury – when considering an investment in the consumer brands space.

Price is not a consideration for the consumer targeted by ultra-luxury brands, which offer exclusivity, scarcity and personalised services. The waiting list for a new Ferrari can be two or three years. Hermès sells products ranging from $10,000 to $100,000. It is reported that most of the new Hermès products are only offered to its existing customers.

Ultra-luxury brands enjoy higher margins. The operating earnings margin (EBITDA) for Ferrari (38.1%) and Hermès (47.8%) is materially higher than Mercedes-Benz (15.9%) and Ralph Lauren (19.8%).

In our view, higher operating margins are a clear sign of a business model that has a high moat – a company with a sustainable competitive advantage.

Several market analysts have suggested that ultra-luxury brands have been picking up market share from brands catering to the mid-tier luxury aspirational consumer. Our own analysis confirms that this is indeed happening.

We looked at the revenue growth between 2017 and 2023 of listed ultra-luxury brands (Ferrari, Hermès, LVMH), affordable luxury brands (Mercedes-Benz, Burberry, Ralph Lauren, Myer) and value brands (Kmart, Bunnings). For the six years to 2023, on a compound annual growth rate basis, our ultra-luxury brands bucket grew revenue on average by 14.3%pa, our affordable luxury bucket grew revenue on average by just 0.2%pa and our value bucket grew revenue on average by 6%pa.

The outperformance of ultra-luxury and value brands was reflected in their share prices, which is what we as investors are ultimately interested in – shareholder returns (share price appreciation and/or dividend return). In this regard, from January 17 to March 22 this year, our ultra-luxury brands' share price is up an annualised 29.3% on average, the affordable luxury bucket's share price is up 4.5%pa on average and our value bucket's share price is up 19.8%pa on average. ■

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

3 FUNDS TO WATCH

Mirae Asset Asia Great Consumer Equity Fund

The primary objective is to achieve long-term growth in the share price through capital appreciation of the underlying equity portfolio. The investment manager seeks to invest mainly in equities and equity-related securities that are expected to benefit from growing consumption in the Asian region, excluding Japan.

Roundhill S&P Global Luxury ETF

Roundhill believes the luxury goods sector has the potential to generate attractive long-term total returns, driven by high margins and strong free cashflow. The ETF, listed in New York, seeks to track the performance of the S&P Global Luxury Index, comprising 80 publicly traded luxury companies.

iShares US Consumer Discretionary ETF

The fund, also listed in New York, seeks to track the investment results of an index composed of US equities in the consumer discretionary sector.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Certainty is the key in retirement

While retirees have different needs, top of the list is a reliable income that can fund their lifestyle and aged care.

Longer life expectancy, the rising cost of living and the need to fund aged care are just some of the reasons people nearing, or in, retirement are exploring new ways to secure their income through market cycles. Options are emerging to help them do just that.

Data from the Association of Superannuation Funds of Australia (ASFA) demonstrates the financial pressures retirees are under, particularly because of rising insurance, electricity and food costs.

The ASFA retirement standard (December 2023) for a 'comfortable' lifestyle hit a new high of $72,148 a year for couples and $51,278 for singles, taking the annual increase to about 3.5%.

The benchmark, which is used to estimate how much money individuals or couples need for retirement, provides guidelines on the annual budget required to fund different lifestyles, including basics such as food, clothing, housing, healthcare, transportation and leisure. It is regularly updated to reflect changes in the cost of living and economic conditions.

On a practical level, this means many retirees are constantly looking for ways to manage their expenses, which range from reducing their budget for everyday groceries to delaying trips they may have planned for when they retire.

Concurrently, the rising cost of living is prompting some retirees to spend more of their savings than they had anticipated.

Interest rate risk

Given the financial pressures they face, the primary goal for many retirees is to secure a regular and reliable cashflow to replace the salary-based income they earned during their working lives. This means they often look for lower-risk, return-focused sources of income, such as cash and term deposits.

Returns from these investments can be significantly impacted by changes in the cash rate, something retirees must factor in when planning their future income sources. When rates rise, fixed-interest assets benefit from a higher return. But when interest rates fall, so does their income potential.

"In recent years, a higher interest rate environment has been a tailwind for retirees exposed to cash and term deposits. At the same time, there has been persistent inflation, which for many retirees has overridden the benefits of rate rises on their portfolio," says Simon Aboud, chief product and marketing officer for Allianz Retire+.

This requires a new approach to income planning.

"People are living longer, healthier lives, which means their retirement savings need to last as long as they do," says Aboud.

"Consequently, many people can't afford to put the brakes on the growth element of their portfolio and switch to predominantly lower risk investments when they leave work, which has been the traditional approach to investing post-retirement. For many retirees, retaining a reasonable allocation to assets such

as Australian or international sharemarkets can help continue to grow their wealth in retirement."

There are ways to manage this risk, for instance, by ensuring investment portfolios are diversified. Allocating funds to solutions that offer a level of protection or limit the downside is another way for retirees or pre-retirees to manage market volatility.

"Retirees may find solutions that offer the choice of total or partial protection are a way of maintaining some exposure to equity markets so their retirement funds have the potential to grow. At the same time, they offer protection against adverse sharemarket movements."

Guaranteed income

Protection comes in a variety of ways. For instance, some products protect investors from exposure to market falls. Another option is to choose partial protection from any market losses in exchange for capped returns.

An example of a retirement income solution that provides protected investment options is Allianz Guaranteed Income for Life (AGILE). This flexible retirement income solution provides the certainty that comes from combining a protected investment with potential for performance growth.

Another AGILE feature is the ability to choose when to start receiving your guaranteed lifetime income. It is designed for individuals aged 50 to 80 years who are still working and planning for retirement, as well as those who are already retired.

It's worth using a hypothetical example to understand how the product works.

"People are living longer, healthier lives, which means their savings need to last as long as they do."

Simon Aboud, Allianz Retire+

Paul and Mary allocated $375,000 to AGILE when they turned 60, with a view to retiring at 67. At that time, it's estimated their investment value would have grown to $528,350 and they would be entitled to an income of $24,570pa from this money.

A number of factors contribute to how much wealth investors build through the product and the income they earn. For instance, delaying retirement and remaining in the growth investment option, which are not mutually exclusive, are two variables that could impact the investment's value and how much the investor receives each year.

"AGILE allows people who are headed towards retirement to plan for a time in the future, regardless of interest rates, when they have certainty around their income. It's like future-proofing a portion of their retirement portfolio against movements in interest rates and markets," says Aboud.

A layer of foundational income that is not linked to market performance and is guaranteed for life gives retirees the confidence and certainty to spend their retirement savings, knowing they will receive an income no matter what. "They help ensure people are not living more frugally and stressfully than necessary, knowing they will be able to meet their future expenses, no matter how long they live," says Aboud.

Aged care covered

Everyday expenses aside, it's common for retirees to be concerned about funding another major cost later in life: aged care.

"The choices retirees make in advance of entering aged care, such as decisions around the sale of the family home and timing of entering aged care, can have a significant impact on aged care fees down the track. It's useful to speak to a financial adviser to achieve the best possible outcome," says Aboud.

It's a good idea to start researching aged care options around the time of retirement. Take advantage of open days at aged care facilities and spend time understanding the options available depending on budget and care requirements.

"This will give you an idea of your future obligations and ensure you have enough time to put a strategy in place to make the most of your existing assets to meet your future aged care needs. What is key is to find a balance between drawing down on your available retirement savings to fund your lifestyle so you can enjoy your retirement today, but also ensuring you can fund your care needs as you age," says Aboud.

There are many resources to assist people to consider their aged care needs. The My Aged Care portal is a great first port of call for information about options and costs.

With Australian Bureau of Statistics figures indicating 673,000 Australians intend to retire by 2026, income planning has become an important topic for a growing number of people.

It's reassuring that they now have more opportunities to achieve certainty about funding their lifestyle than ever before. ■

Juggling act facing part-timers

The superannuation system was set up decades ago when secure employment and regular wages were the norm. Today, casual jobs and short-term contracts are widespread, leading to gaps in workers' retirement savings.

It's common for older workers, 60 and up, to dip in and out of retirement. But super's cumbersome rules often mean they end up with two accounts and incur extra fees.

The problem is that unlike the initial super accumulation phase, account-based pensions (any super amount that goes into an account and pays you a regular pension) cannot receive any super contributions. This means retirees need to open a new accumulation account when they go back to work to accept their employer's super contributions. Or they could roll their account-based pension back into an accumulation account and keep things simple in the one account.

Either way there are pros and cons. Earnings in accumulation phase are taxed at 15% whereas earnings in pension phase are tax free. Also, once retirement savings are back in accumulation phase, there's no requirement to make a minimum withdrawal each year.

Despite the 15% tax, this might work for those on good wages who would rather not make the minimal drawdown and help their nest egg to grow. Once money is in the super system – whether it's in pension or accumulation phase – the two are interchangeable.

Those who are often forced to navigate these complexities and the paperwork are in industries such as retail, nursing, teaching, hospitality and construction. Thankfully, super funds are getting better at communication with their members when it comes to their choices.

More flexibility needed

One of Australia's largest funds, Cbus, which has many members in construction, has raised the issue of 'non-linear retirements' in a submission to Treasury.

It believes our retirement system could be improved by recognising that 'not everyone works non-stop for 40 years'.

Marianne Walker, the deputy CEO and chief member officer at Cbus, says it wants to draw attention to the reality for millions of workers in trades, in insecure work and physically demanding jobs.

"Due to the nature of their work, moving from project to project, contributions are up and down across their working lives. It's common for our members to spend time working as independent contractors and super contributions can be patchy. Members can experience periods of unemployment between projects."

Walker says the period between involuntary early retirement and age pension eligibility can be particularly hard for members who may be forced to use their super to get by. "Many pick up some work on projects here and there, but it means you have to jump in and out of super products and fill in a lot of forms."

She says there is a pressing need for a simple, easy retirement product. "For example, could a member dipping in and out of work flick a switch to change from accumulation to pension without having to do much paperwork. Building in a bit of flexibility here would help many Australians in their 60s.

"Under current rules, members in either a transition-to-retirement account or an account-based pension cannot make contributions to their account – they will either have two separate accounts or opt to retain an accumulation account.

"There are some disadvantages with this, including additional complexity, having to manage the two accounts. Many may decide it's simply not worth the trouble. Also, it means multiple sets of fees and different tax treatments for accumulation and decumulation.

"Our data demonstrates significant numbers of these members are required to then go through the process of 'recycling' their account-based pension – shutting down their existing account-based pension, so they can focus on accumulation when working for a bit, then opening the pension again when they need it – and the whole process starts again.

"It creates a lot of paperwork. As a result, many members are hesitant to take up an account-based pension and miss out on the tax benefits and consistent income stream," says Walker.

Remove the complexity

Walker believes these problems could be addressed if funds were allowed to provide more suitable products for members with low balances and those dipping in and out of work.

"Such a product could provide an exemption from minimum drawdown requirements, particularly for an initial threshold, such as the first $100,000.

"A modest-balance retirement product could also be assessable for Centrelink at age pension age. This would remove the complexity that households of different ages face when retiring together. The product could receive contributions, removing the need for holding two accounts as members dip in and out of work, and provide tax-free earnings."

Reform is needed she says. "It's these types of things we need to be having discussions about. Over the past decades, longevity has increased and the world of work has changed.

"There are two interconnected issues here that need to be examined – early retirement due to health issues and transition to retirement where moving from full-time to less secure part-time or casual work is common, as is 'bumping' between being in and out of work.

"At a time when there is a lot of change in their lives, these members then face significant complexity navigating the super system when trying to access their retirement savings.

"Policymakers can make our system more fit for purpose by considering solutions that ensure more equitable access to good retirement outcomes, regardless of work security or health circumstances," says Walker. ■

See more of Vita's columns at moneymag.com.au/author/vita-palestrant.

CASE STUDY

NAVIGATING THE MAZE AS A CASUAL

Harry, 61, has a super balance of $150,000. He can no longer work full-time as a carpenter because of a back injury. But he's looking for casual work because he doesn't have enough to retire on and can't access the age pension until 67.

To pay his living expenses, he needs to draw money from his super until a job becomes available. He approaches his fund, Cbus, for help because he finds super's rules confusing.

To access his savings, he needs to navigate its different definitions of retirement, which vary depending on his age. They include whether he is permanently retired from work and has reached preservation age, or if he is aged 60-64 and stopped working for an employer since turning 60.

His options are:

- He could start an account-based pension. He would be subject to minimum drawdown requirements each year but would receive tax-free income and not be subject to tax on investment earnings. However, his account-based pension could not receive future super contributions.
- If he does not meet one of the retirement definitions, he could commence a transition-to-retirement income stream but could only access up to 10% of his super and would be subject to 15% tax on earnings. This account cannot receive super contributions in the future.
- Or he could keep his money in accumulation phase and make lump sum withdrawals as needed, but his account would continue to be subject to 15% tax on earnings.

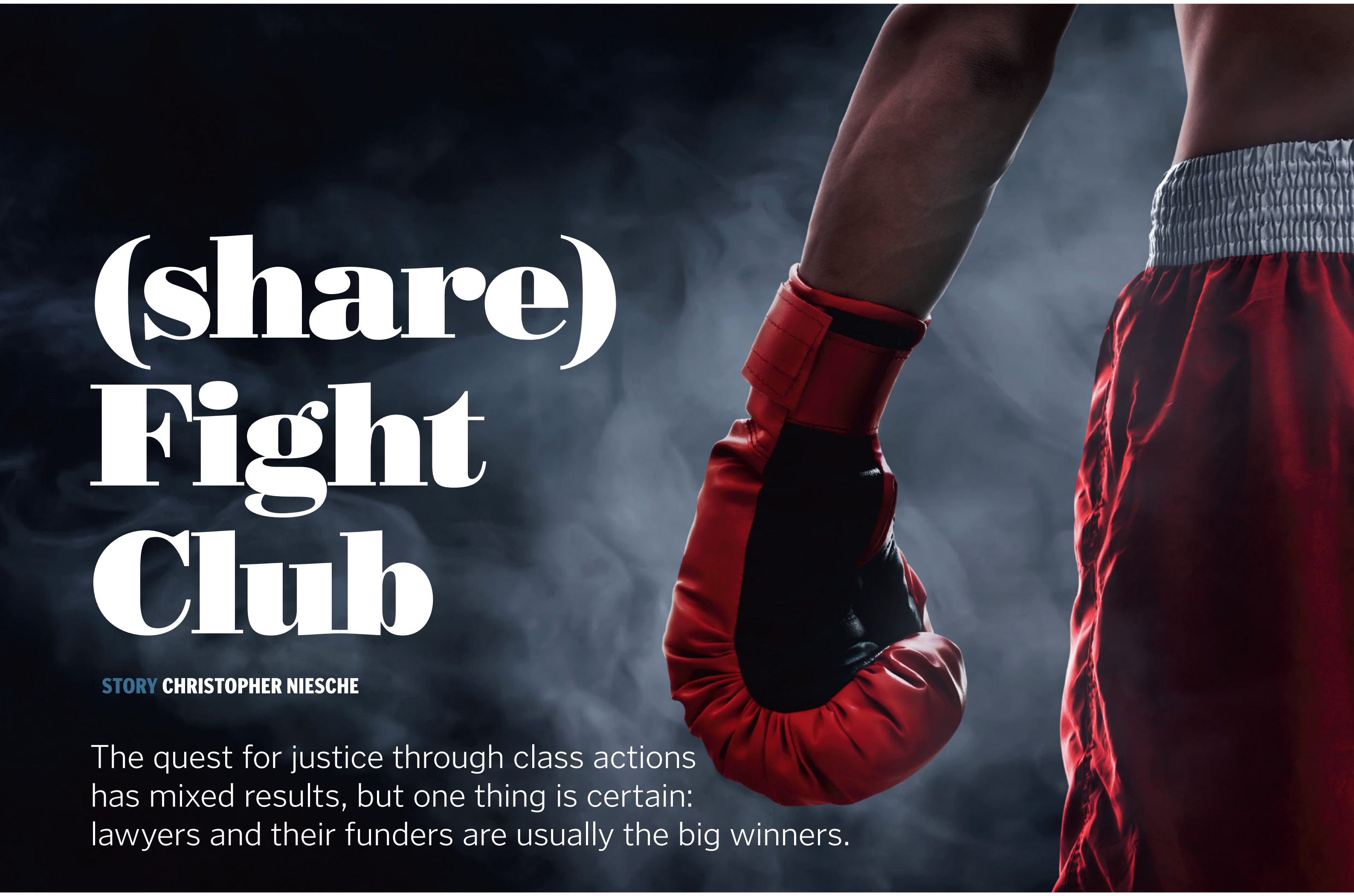

STOCK IMAGE

After talking to a financial adviser, Harry decides to start an income stream with an account-based pension and completes all the paperwork.

Four months later, Harry finds some part-time contract work for three months, for which he is entitled to receive super. However, he now needs to open a new accumulation account to receive the contributions. They cannot go directly into his account-based pension.

When the contract finishes, Harry needs to decide whether he will close the accumulation account and his pension account to consolidate them into a new account-based pension or keep two accounts running in case he finds more work in the future.

(For minimum drawdown rates, go to moneymag.com.au/super/learning/how-superannuation-works.)



(share) Fight Club

STORY CHRISTOPHER NIESCHE

The quest for justice through class actions has mixed results, but one thing is certain: lawyers and their funders are usually the big winners.

In 1999, more than 23,000 former shareholders of GIO Insurance launched a lawsuit against the company for losses they made because of allegedly bad advice from the directors.

The shareholders said they had suffered investment losses after GIO forecast a $250 million profit and told them not to sell their stock into an AMP takeover offer because it was too low. As it happened, GIO reported a $743 million loss, its share price dropped and shareholders missed out on the opportunity to sell for a higher price to AMP.

GIO settled for $112 million in damages – and so began shareholder class actions in Australia.

Since that initial lawsuit, lawyers acting on behalf of investors have typically filed between 10 and 20 class actions a year against companies including Telstra, Aristocrat, Multiplex and Myer.

Proponents of shareholder class actions argue they provide a valuable avenue of justice for shareholders, while opponents say they are a constraint on business and serve mainly to provide outsized profits to lawyers.

Class actions bring together individuals whose losses are too small on their own to warrant the cost and time of briefing lawyers and going to court. But when joined they can amount to claims involving tens or hundreds of millions of dollars – more than enough to pique the interest of lawyers.

Pressure on directors

They can be launched for underpayment of wages, loss of private information in a data breach – Slater and Gordon is currently running a case against Optus for the September 2022 breach – or mistreatment by an institution such as a church or government.

Most shareholder class actions revolve around misleading or deceptive conduct or a breach by company directors of continuous disclosure rules, which require ASX-listed companies to release material information to investors.

The actions are usually initiated by lawyers at class action firms such as Slater and Gordon, Shine Lawyers and Maurice Blackburn after a company has delivered bad news. If the lawyers believe there is enough evidence to mount a case, they'll approach shareholders.

Rachel Waterhouse, chief executive of the Australian Shareholders Association (ASA), says class actions provide "justice for shareholders who wouldn't necessarily be able to get legal advice or assistance on their own". They also put pressure on directors to comply with continuous disclosure laws, the ASA says.

For instance, the Star Entertainment Group is facing four class actions, with lawyers for shareholders alleging directors at the casino owner failed to inform them of systemic non-compliance with anti-money laundering and counter-terrorism law, conduct disguising gambling money as hotel expenses, and other contraventions. This falsely inflated the share price until the non-compliance became public and directors made a loss, they argued.

Last year, AMP paid shareholders compensation of $110 million after lawyers argued it breached its continuous disclosure obligations and engaged in misleading or deceptive conduct by charging customers fees for no service and hiding this from regulators. The lawyers argued this led to a loss for shareholders.

But shareholder class actions don't always go the way of the shareholder.

For instance, in a class action against Myer, the retailer was found by the Federal Court to have breached its continuous disclosure obligations and engaged in misleading or deceptive conduct following a $98.5 million profit forecast in September 2014. Six months later, it said its profit would only be between $75 million and $80 million, causing a decline in its share price. The court found that Myer should have corrected the earlier profit forecast when it became apparent to directors that it would not be met.

The case was hugely complex – the written judgement ran to 381 pages – and expensive, with an estimated $10 million in legal fees for the plaintiff firm and $10 million for Myer. However, the court ruled that there was no evidence the breaches had caused investors to make decisions that led to a loss, and so no damages were awarded to shareholders. This was the first time a shareholder class action had gone all the way to judgement.

Fortunately for shareholders, they don't have to put up any cash for fees in a class action, regardless of the outcome.

Class actions are run on what's known as a no-win, no-fee basis. If the case is lost, the plaintiff law firm representing the shareholders bears the cost. If the case is won, the law firm takes its fees out of the damages paid by the company.

These actions are also funded by specialist financiers known as litigation funders, which put up the cash for the plaintiff law firm to pursue the suit in the expectation it will be successful and they will earn handsome fees.

In 2021, Woolworths settled a class action alleging it had breached its continuous disclosure obligations and engaged in misleading conduct by telling investors in 2014 that it could meet its profit forecasts, then failing to do so. It settled for $44.5 million, and $14.6 million of that went to Maurice Blackburn and $4.7 million to the litigation funder, IMF Bentham (now Omni Bridgeway).

It's better than nothing

Once legal and funding fees are taken out of the settlement, shareholders aren't fully compensated for their losses, says Professor Michael Legg, of the UNSW Faculty of Law, but he adds: "If you take the view that some compensation is better than no compensation, then, yes, they managed to get some compensation."

When a company pays damages in a shareholder class action, the money comes from the company itself, and so in reality comes from the shareholders by way of a lower share price or reduced dividends. Not all of them will be party to the action.

"You also have people who would say, this is just one group of shareholders paying another group of shareholders," says Legg. "In the grand scheme of things, you're not really being compensated at all. Money's going around and a chunk of it's falling on the floor and being swept up by the lawyers and funders."

And there is a lot of money to be made. A 2020 parliamentary report, *Litigation Funding and the Regulation of the Class Action Industry*, stated: "Australia's highly unique and favourably regulated litigation funding market has become a global hotspot for international investors, including many based in tax havens and with dubious corporate histories, to generate investment returns unheard of in any other jurisdiction – in some cases of more than 500%."

As a general rule, law firms will find shareholders by way of the share registry and contact them, but shareholders who think they might be eligible to take part can contact the lawyers. To share a settlement, they will have to prove that they owned the stock on the relevant dates but won't have to go to court.

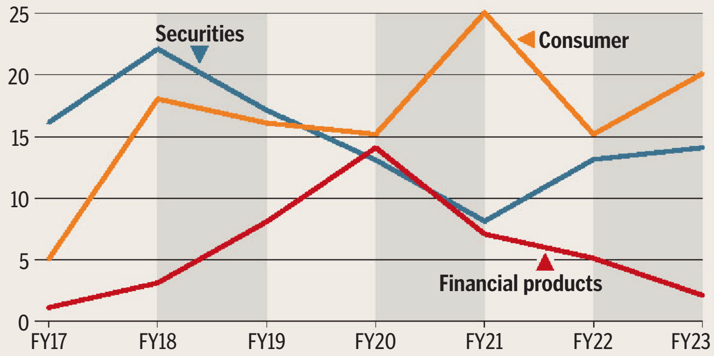
And because the risk that a class action will fail is borne by law firms, litigation funders, the companies being sued and to some extent their insurers, shareholders have nothing to lose if they receive an email or letter from a law firm asking them to take part in a class action.

Rohan Foley, a principal at Slater and Gordon, defends the fees taken by lawyers and funders: "A portion of something is better than 100% of nothing."

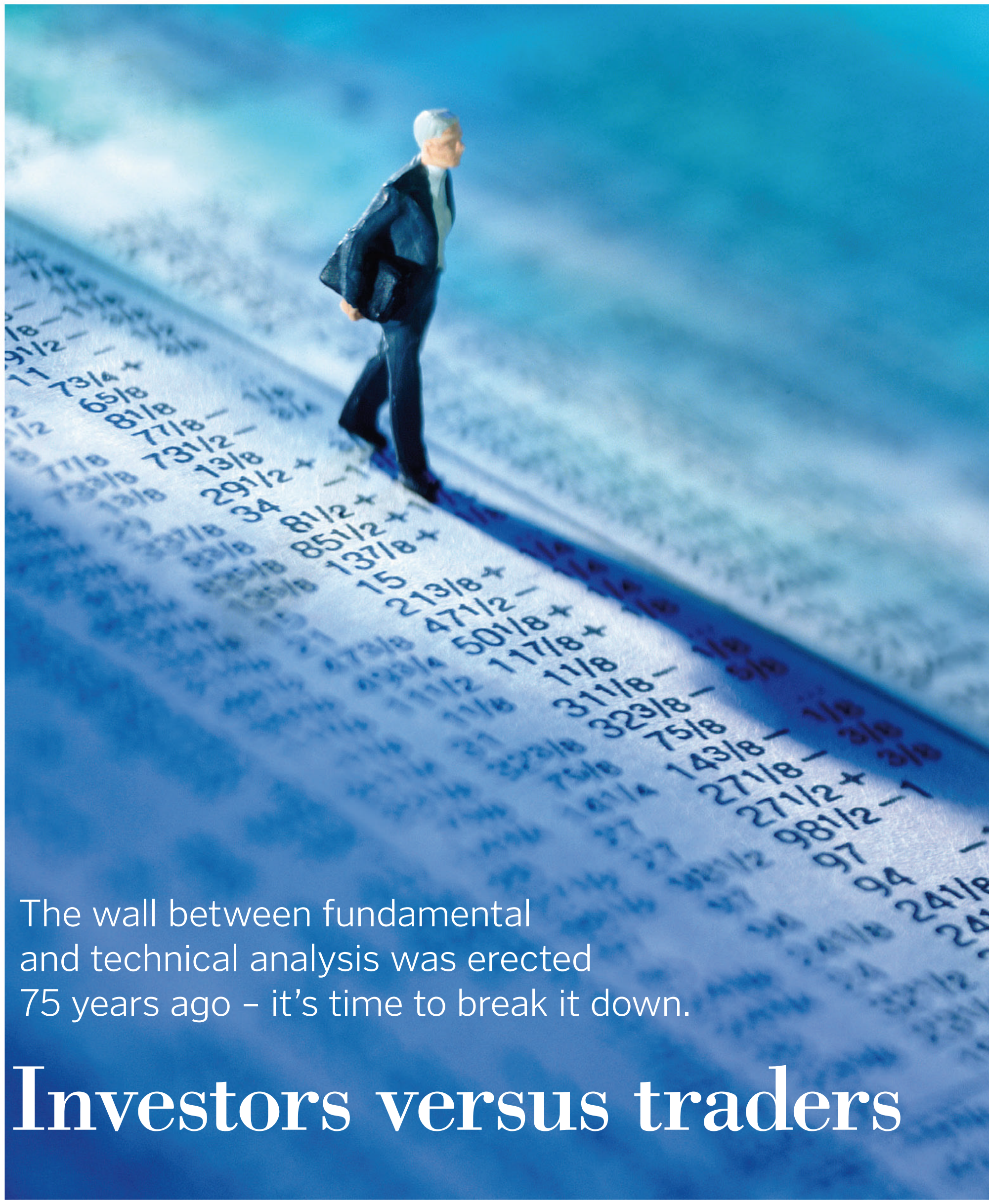
He agrees that the legal fees are large but says shareholder class actions are hard-fought proceedings that run for several years.

Class action settlements have to be signed off by the courts, and judges recognise the power imbalance between the shareholders – or class members as they're referred to in the legal documents – and the law firms. This should help ensure the class action law firm and its funder don't take too large a share of any proceeds. ■

Types of class action claims, trend



Source: NAB Consumer Insights, 2023 (Q3)



The wall between fundamental and technical analysis was erected 75 years ago – it's time to break it down.

Investors versus traders

Ask the average person how to invest in the stockmarket and you will get one of two answers: fundamental analysis or technical analysis, and never the two shall meet.

It all goes back to Benjamin Graham who wrote *The Intelligent Investor*, the bible of fundamental analysis, in 1949. It contained the line, 'We do not hesitate to declare that [technical analysis] is as fallacious as it is popular'. In that one sentence, on page two (!), he erected a wall between fundamental and technical analysis or, to put it another way, between investors and traders, and it has stood for 75 years with the proponents of both seemingly hell-bent on putting each other down. They both have their points.

THE BAD BITS

Traders will tell you that investors are embarrassingly bad at a lot of things, such as:

- Timing the market. Investors think it can't be done. So, they are going to wear the next GFC right on the nose.
- Selling. They don't. They don't know how. They think everything is forever. They think the Warren Buffett Way is the only way. They buy and hold. Or is that buy and deny?
- Being disciplined. They don't have any discipline. They'll watch stocks get destroyed without doing anything about it, and the bigger the loss the more likely they are to persist with it.
- Being vigilant. They set and forget. Forget! About their money! What planet are they on?
- Having a trading plan. They don't have one. Net result, they let their losses run. The complete opposite of what they should be doing.
- Being objective. They aren't. They are the herd. They never see the herd.
- Being unemotional. They lie in bed in fear when share prices go down. Paralysed.
- Taking the blame. Everything that happens is someone else's fault. The whole stockmarket is a Machiavellian plot against them. Nothing is their responsibility.
- Being lemmings. They get in when it's obvious and get out when it's obvious. Put another way, they buy at the top and sell at the bottom.
- Thinking investing is all about value. Do you know how many flawed assumptions go into fundamental analysis, into those high-brow calculations of intrinsic value? Rubbish in, rubbish out, no matter how smart the calculation.

Investors will tell you that traders:

- Rely on past prices as a predictor of future prices, which is ridiculous.

- Know nothing about a company. They might as well trade cabbages.
- Are short term, which means they'll never see the magic of compounding returns.
- Don't care about dividends and miss out on franking.
- Will never hold a great stock and keep it forever because they fidget.
- Can't time the market anyway, despite professing to do so.
- Are lemmings. They just look at what everyone else is doing and follow them.
- Have to spend all day doing it, so don't have a life.
- Have you ever met a rich technical analyst?

But the truth is that they both have a lot to learn from each other and if we look at the positives instead of the negatives you'll see why.

THE GOOD BITS

Traders:

- Are not just technical analysts, they are traders (there's a difference), which means they have trading skills. These skills are universal and are as useful for investors as they are for traders.
- Are not short term. Trading techniques can be applied over any timeframe. Apply them over minutes and hours and, yes, it is gambling. Apply them over days and it is trading. Apply them over weeks and months and it is investing. You can easily adapt trading skills to any investor.
- Have exactly the same ambition as a long-term investor, as Warren Buffett even – the ambition to buy a stock that goes up forever. They are doing exactly the same thing.
- Have a trading plan, and because of that they never miss a night's sleep. They know what they are going to do before it happens. They have 'certainty of outcome'.
- Are unemotional. They are objective. Evidence based. Not hoping. They know what they are going to do at all times because from the moment they buy a stock they have a system.
- Are decisive. Traders never prevaricate, they never agonise, they know what to do, they decided way before the trade was even opened.
- Are honest. They know that making money in the stockmarket is about buying stocks with a high probability of going up. It's not about predicting the future. No one can do that.
- Are not proud. They know that things will change, that some outcomes will go against them. The difference is that when they do, they act, they don't stand by some grand but flawed declaration about the future through thick and thin.
- Are not lemmings. On the contrary, they see the market as a battlefield, as combat, one on one. They know they are in a war with the herd and because of that they retain an independence of mind and action.
- See trading as a business and they analyse their success and failure like a business. They constantly adapt, educate and improve.

Investors:

- Are good at identifying companies that reliably make money.
- Are good at identifying unreliable, more risky companies.

THE BOTTOM LINE

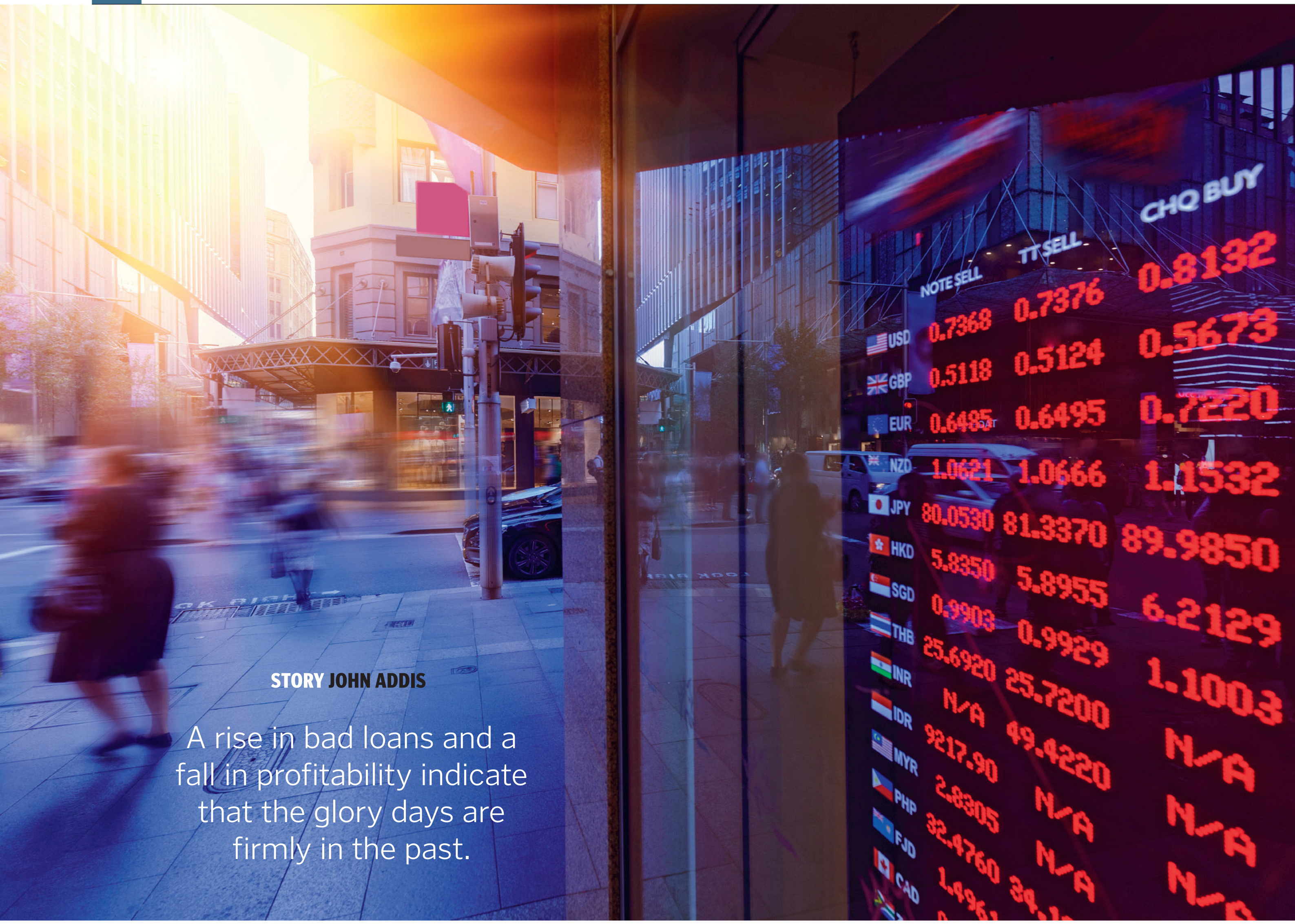
As any experienced trader will tell you, there is no Holy Grail for success, no one approach that works, and amid so much grey and so little black and white, the game is simply about trying to get an edge on random outcomes and to do that you would be a fool not to use every tool in the shed. And that's the point, every tool. Not one or the other but every. You dismiss nothing and learn everything, and this is where so many people go wrong. Thanks to the perpetuation of that out-of-date declaration on page two of a book written in 1949, pre-computers, pre-software, pre almost all technical theory, most stockmarket users, often at the outset, decide they are in one camp or the other when it would be far more effective to be in both.

Trading skills are plain commonsense, can be tailored to any style of investor and are the difference between being in control and being out of control. As an investor, you would do well to learn them. And for traders trying to narrow down the odds, don't you think it would be better to trade in successful companies and not unsuccessful companies?

The fundamental investors are doing so much work finding good companies you would do well to listen to them. And if you can't bring yourself to do that, at least listen to which stocks they don't like and avoid them.

The bottom line is that you make a big mistake writing off traders as investors or investors as traders. They both have some good bits and some great bits. You would do well to explore both. ■

Marcus Padley is the author of the daily stockmarket newsletter Marcus Today. *For a free trial of the newsletter, go to marcustoday.com.au.*



STORY JOHN ADDIS

A rise in bad loans and a fall in profitability indicate that the glory days are firmly in the past.

High-flying banks face a bumpy ride

This time last year, there were fears of another global banking crisis. Credit Suisse had collapsed, leading the Swiss government to force UBS to buy it. (Rumours that company managers considered a re-branding to IBS were unfounded.) The still-profitable Deutsche Bank was wobbling and, across the Atlantic, Silicon Valley Bank's failure had venture capitalists reaching for their heart meds. It didn't amount to much. Our dangerously interconnected banking system, now far more concentrated than before the GFC, held up, in part thanks to the dead, rather than invisible, hand of regulators and governments.

As has been the case for the past 20 years, Australia's banks survived and prospered. With the Reserve Bank rapidly increasing interest rates, our oligopolistic banking sector did what it does best – make a little more on the margin.

The times have suited the big four in their biggest and most lucrative market – mortgages. Declining interest rates, allowing borrowers to increase their leverage, and rapidly increasing house prices have been rocket fuel for bank profitability. Relative to disposable income, Australia has one of the most expensive housing markets in the world, and the banks take their handsome cut.

Over the past few decades, these factors have produced the most incredible credit and mortgage boom in Australian history, much to the benefit of the big four. In the past 20 years, the ASX All Ordinaries index (share price return plus dividends) has risen 434%.

Commonwealth Bank, the best performer over the same period, delivered astonishing total returns of 1311%. Even the worst performer, NAB, produced a total return of 391%, only marginally underperforming the index. ANZ and Westpac easily beat the index, returning 538% and 591%, respectively.

The more recent past tells a different story. CBA has been the only bank to beat the index over the past decade and by nothing like the performance over the previous 10 years. The rest were also-rans. Returns over the next decade could be worse, which is why we don't own any major banks in the Intelligent Investor Equity Income Fund.

Were they to earn their current dividend yield over the next decade, with the

> *It might be worth pondering how bad debts accumulate – behind closed doors, visible only when it is too late.*

franking credits, we would view that as a good outcome. This is our long-term view; the short-term we will address below.

If a banking analyst were allowed to scrutinise only one metric from the sector, net interest margin (NIM) would be it. NIM also describes a bank's business model by measuring the difference between what it makes from products such as loans and mortgages and the interest it pays out through savings accounts and term deposits. It's a margin business.

Rising rates acted as cover for rising bank net interest margins. This time last year, Commonwealth Bank released its half-year result showing an increase in NIM of 0.18% to 2.1%. The result was a record half-year cash profit of $5.15 billion.

NAB increased its NIM by 0.12%, delivering cash earnings up 18% compared with the average of the two previous quarters. The same dynamic was at play at ANZ and Westpac, where profits surged.

This reporting season – all the banks except CBA have a November year-end – reveals a shift. In line with moderating interest rates, profit growth is no longer the focus. Instead, bank chief executives talk of loan quality over loan growth.

Yet over the past year, the S&P/ASX 200 bank index has risen 13.8%, while the general S&P/ASX 200 hasn't managed to push past 5%. Recently, NAB's share price hit a seven-year high and CBA's hit an all-time high, having risen 20% in six months.

CBA now trades on a forward price-to-earnings ratio similar to Google's, leading some commentators to call it Australia's contribution to the magnificent eight.

It is worth dwelling on this fact. Australia's leading bank reported lower NIM, a shrinking loan book and declining profitability. Its shares offer a yield lower than that offered by one of its two-year term deposits.

Yet its forward price-to-earnings ratio matches that of one of the world's best tech businesses, at the forefront of artificial intelligence, with a vast advertising business that runs independently.

Of the big four, we've long been predisposed to Commonwealth Bank, but a yield of 3.9% fully franked compared with ANZ's 6% and Westpac's 5.3% suggests CBA-owning shareholders might want to update their expectations, which is to say lower them.

Decade of disappointment

The past 10 years have not been anywhere near as good as the past 20, and the next 10 are likely to be worse. The major banks are becoming more like utilities and competition is increasing.

Other challenges exist. ANZ, like Westpac, has been a serial disappointment that needs a figure like NAB's Ross McEwan. Instead, it is embarking on the overpriced purchase of Suncorp to mask poor growth and mediocre management. This is an acknowledgement of its failure rather than a solution to it.

Despite a favourable decade of regulatory and government favour, the big banks have been a disappointment. Here's the dream scenario: as households find themselves rolling out of their fixed-term introductory loan periods and onto higher rates, loan delinquencies and defaults won't be too troubled. If they are, quick action by the Reserve Bank to reduce rates will soften the blow, maybe with the bonus of helping Australia avoid recession.

NAB's result foretells the alternative reality: rising loan arrears triggered an impairment charge of $193 million. Outgoing chief executive McEwan called the first quarter performance 'sound' with 'good momentum', but what if the bad debts have 'good' momentum?

They're strange beasts

Falling rates also pose a threat. It is easier for a bank to increase NIM when rates are rising than when they are falling. Rising rates have rapidly boosted profitability; falling rates could just as quickly reverse it.

Bank chief executives' shift in emphasis from market share to loan quality indicates the risk attached to past behaviour rather than present reassurance. All the risks are to the downside and bank share prices seem not to reflect this possibility, with CBA an outstanding example.

Backed by an implicit and explicit government guarantee, these institutions are strange beasts. For decades, it has paid to back the quiet cartel and the regulators that prefer a concentrated, uncompetitive sector to something more competitive and, potentially, systemically unstable. We are not about to challenge that view.

Nevertheless, it's an opportune time to note the insanity of a quasi-government-backed bank trading on a similar forward PE ratio to that of one of the world's best technology businesses and cash machines. It might also be worth pondering how bad debts accumulate in a banking system – behind closed doors, visible only when it is too late to do something about them.

The future does not look like the past, and the latest sector results are an early sign of it. CBA, NAB, ANZ and Westpac remain HOLDs at Intelligent Investor. This is a good time to review your portfolio and sector weightings. ■

John Addis is founder and editor at Intelligent Investor.

SECTOR TECHNOLOGY

Surviving a rollercoaster ride

High hopes and cheap money are not always enough to guarantee a long-lasting, profitable future.

When the ASX All Technology Index was conceived in early 2020, it perhaps might not have seemed the best time. Covid had just captured our attention and the broader ASX was in the midst of a 38% fall, from top to bottom, which took less than five weeks. Spared a little by launching in the middle of that decline, the index nevertheless lost 30% in its first month as a yardstick. It was an inauspicious start.

Thereafter, the technology sector as a whole went on an almighty rollercoaster ride. Within 12 months it had risen 250% from that low as investors thought they saw a future in which technology companies would quickly, and permanently, put the physical world to the sword, as much of Australia – and the world – lived, shopped and worked from home.

As a tailwind, that belief was further bolstered by cheap money, as central banks cut interest rates and governments flooded the economy with money. In that sort of environment, any (and almost every) technology company was showered with investors' cash, and losses weren't just tolerated but desired, as these businesses threw caution to the wind in a huge (virtual) land grab.

Foolish takeaway

The technology sector on the ASX is a very broad church. Its top 10 companies include software, classifieds, finance companies (Block replaced Afterpay) and a share registry. Block is tempting, but its future isn't clear. The classifieds businesses are good, perhaps impenetrable, which makes them podium finishers as a group. We've previously tapped Technology One in this space, but Xero's strong performance, combined with its growth potential, sees it take out top spot in this year's technology Best in Breed.

Survivors soldier on

You probably already know, or have guessed, what happened next. From an exultant high in late 2021 (around the same time as a successful Covid vaccine was announced), the index fell 45%.

And since then? It's up again, putting on about 65% from that lower base. In sum? At the time of writing, the All Technology Index is back to where it was three years earlier.

Some of the companies that have been cast aside likely deserved to be, kept alive only by hopes and (almost) free money. Others, like Afterpay, have been consumed by mergers and acquisitions. And yet others soldier on, doing their thing irrespective of share price machinations. It is this last group from which we are likely to find the most fertile hunting ground for our Best in Breed.

Cloud accounting company Xero, for example, had a share price experience mirroring (in style if not in magnitude) that of the broader index. Yet in each of the past five years, sales and cashflow per share continued to climb.

Enterprise software maker Technology One had similar movements, though its continued profitability spared it from the most fickle swings.

That said, when you consider this index includes some serious heavyweights such as Seek, Carsales (now CAR Group) and REA Group (the company behind realestate.com.au), those wild index swings are much more muted than they might have been if these companies had instead been classified differently. (If these companies' operations existed inside media organisations, as classifieds had been for more than a century, the index story would be much worse). It also excludes telecommunications, which is usually bracketed with technology. Perhaps the owners don't want stodgy telcos in their exciting index?

When looking at these companies, it's important to consider both the past and the future. Blue-sky potential isn't enough. But in a fast-changing environment, neither is resting on your laurels. ■

Scott Phillips is The Motley Fool's chief investment officer. You can reach him on Twitter @TMFScottP, Facebook scottphillipsmoney, and via email ScottTheFool@gmail.com. This article contains general investment advice only (under AFSL 400691).

Best in Breed's 2024 tips so far*

SECTOR	STOCK	ASX CODE
Discretionary retail	Premier Investments	PMV
Consumer staples	Woolworths	WOW
Resources	South32	S32
Technology	Xero	XRO

*The table is compiled throughout the year, with each month's new tip appearing on the list for the rest of the year. The focus is on the fundamental long-term qualities of the businesses.

DATABANK

The tables on these pages contain data and information to help you compare managed funds, which are pooled funds managed professionally by investment experts.

Managed funds displayed in these tables are multi-sector or asset class specific. Multi-sector managed funds invest across a diversified mix of asset types spanning equities, property, bonds, cash, infrastructure, private equity and alternatives.

Managed funds are normally set up as unit trusts. You may be able to invest in them directly or through a platform.

Top 5 sector benchmarks

Sector	Benchmark	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Australian Equities	S&P ASX 200 Accum Index	10.6%	9.3%	8.6%	8.0%
International Equities	MSCI World ex AU Index	30.5%	15.8%	14.3%	13.3%
Property	S&P ASX200 A-REIT Index	16.1%	10.4%	5.8%	9.3%
Australian Fixed Interest	Bloomberg Barclays Australia (5-7 Y) Index	3.2%	-1.7%	0.3%	2.6%
International Fixed Interest	Bloomberg Barclays Global Aggregate Index	3.9%	-2.8%	0.1%	2.3%

Top 5 Australian funds by size

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Vanguard International Shares Index Fund	VAN0003AU	0.18%	1997	$25,740m	29.9%	15.3%	13.9%	12.8%
Vanguard Australian Shares Index Fund	VAN0002AU	0.16%	1997	$19,870m	10.4%	9.0%	8.6%	7.8%
ISPT Core Fund			1994	$17,903m	-6.6%	3.3%	3.2%	7.5%
Vanguard Australian Shares Index ETF	VAS	0.10%	2009	$14,716m	10.5%	9.1%	8.6%	7.9%
DEXUS Property Fund		0.55%	1995	$11,040m	-7.9%	3.2%	3.2%	7.9%
SECTOR AVERAGE		**0.67%**		**$831m**	**11.8%**	**6.2%**	**6.3%**	**6.7%**

Top 5 funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Betashares Crypto Innovators ETF	CRYP	0.67%	2021	$152m	163.8%	163.8%		
Global X FANG+ ETF	FANG	0.35%	2020	$552m	86.2%	19.8%		
Global X Semiconductor ETF	SEMI	0.57%	2021	$194m	76.4%			
Hyperion Global Growth Companies Fund	WHT8435AU	0.70%	2014	$2,657m	62.9%	11.3%	20.2%	
Munro Conc. Global Growth Fund	MCCG	0.70%	2022	$7m	61.3%			
SECTOR AVERAGE		**0.73%**		**$813m**	**15.6%**	**8.7%**	**8.8%**	**8.3%**

Top 5 diversified funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Betashares Ethical Diversified High Growth ETF	DZZF	0.39%	2019	$76m	24.8%	11.2%		
Alpha High Growth Fund	ETL3086AU	0.89%	2021	$24m	24.1%			
Betashares Diversified All Growth ETF	DHHF	0.19%	2019	$351m	20.8%	11.3%		
Betashares Ethical Diversified Growth ETF	DGGF	0.39%	2019	$43m	19.7%	7.7%		
MLC Wholesale Index Plus Balanced	MLC7387AU	0.29%	2017	$879m	18.4%	8.3%	7.9%	
SECTOR AVERAGE		**0.68%**		**$629m**	**10.0%**	**5.2%**	**5.3%**	**5.7%**

Source: Rainmaker Information. Data sourced February 29, 2024. *Numbers stated here depict averages, other than the Rank column, which is the total number of funds in the category. For any queries on these tables, please contact info@rainmaker.com.au.

These products may be recommended to you by a financial adviser.

The performance results displayed are the annualised investment returns each managed fund has delivered after taking into account taxes paid by the unit trust and investment fees.

Research was prepared by Rainmaker Information. For more information see **rainmaker.com.au**

RAINMAKER INFORMATION
INDUSTRY INTELLIGENCE

DATABANK

Top 5 Australian equities funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Betashares S&P/ASX Australian Technology ETF	ATEC	0.38%	2020	$239m	40.8%	5.4%		
Elston Australian Emerging Leaders Fund – Class A	ETL7964AU	0.66%	2021	$16m	37.3%			
ECP Growth Companies Fund	OPS2991AU	0.90%	2020	$22m	26.6%	8.3%		
Selector Australian Equities Fund	DDH0002AU	1.50%	2004	$178m	22.8%	8.9%	9.6%	12.3%
First Sentier Ex-20 Australian Share Fund	PIM1925AU	0.75%	2019	$15m	21.5%	5.7%		
SECTOR AVERAGE		**0.68%**		**$838m**	**10.5%**	**8.7%**	**8.3%**	**7.9%**

Top 5 international equities funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Betashares Crypto Innovators ETF	CRYP	0.67%	2021	$152m	163.8%			
Global X FANG+ ETF	FANG	0.35%	2020	$552m	86.2%	19.8%		
Global X Semiconductor ETF	SEMI	0.57%	2021	$194m	76.4%			
Hyperion Global Growth Companies Fund	WHT8435AU	0.70%	2014	$2657m	62.9%	11.3%	20.2%	
Munro Conc. Global Growth Fund	MCCG	0.70%	2022	$7m	61.3%			
SECTOR AVERAGE		**0.81%**		**$858m**	**22.6%**	**11.0%**	**11.2%**	**10.9%**

Top 5 income-focused equities funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Perpetual Income Share Fund	PTC0002AU	0.99%	1993	$161m	13.5%	11.6%	8.9%	
iShares S&P/ASX Dividend Opportunities ETF	IHD	0.30%	2010	$310m	13.3%	9.0%	6.5%	4.4%
Betashares Aust Top 20 Eqt Yield Max. Fund	YMAX	0.59%	2012	$469m	11.6%	9.8%	6.8%	4.8%
Vanguard Australian Shares High Yield ETF	VHY	0.25%	2011	$3540m	11.5%	11.4%	10.0%	7.2%
Vanguard Australian Shares High Yield Fund	VAN0104AU	0.35%	2000	$1501m	11.5%	11.3%	9.9%	7.1%
SECTOR AVERAGE		**0.78%**		**$542m**	**8.9%**	**8.9%**	**6.9%**	**6.5%**

Top 5 ESG funds by 1-year return

Name	APIR code	Mngmnt fee (pa)	Start date	Size	1-year return	3-year return (pa)	5-year return (pa)	10-year return (pa)
Betashares Global Sustainability Leaders ETF	ETHI	0.49%	2017	$3107m	45.5%	18.9%	21.1%	
Munro Climate Change Leaders Fund	GSF1423AU	0.90%	2021	$40m	44.2%			
Pengana Axiom International Ethical Fund	HOW0002AU	1.35%	1994	$363m	43.5%	9.5%	12.7%	10.0%
Magellan Sustainable Fund	MGE4669AU	1.35%	2020	$8m	34.8%	13.3%		
Morgan Stanley Global Sustain Fund	ETL9199AU	1.18%	2020	$29m	31.3%	13.8%		
SECTOR AVERAGE		**0.78%**		**$270m**	**14.5%**	**7.2%**	**8.3%**	**8.5%**

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.

The table helps you compare super funds. It showcases publicly available MySuper investment options offered by some of Australia's biggest funds.

Rainmaker categorises them into risk options based on percentage of growth assets in their portfolio. The high-growth risk option has more than 85% in growth assets (growth has between 75% and 85%), balanced has between 55% and 75%, and capital stable products have less than 55% growth assets.

The performance results are the annualised investment returns each option has delivered after taking account of all taxes and fees. Past performance is no indicator of future performance.

The table only lists funds designated AAA, Rainmaker's Super fund quality rating. Rainmaker Information prepared this research. **moneymag.com.au/super/funds/compare.**

DATABANK

Best Super Funds: Top 20 MySuper – February 29, 2024

Ranked by 3-year return

Name of fund & investment option	Strategy	Growth assets	Risk category	1-year return	1-year rank	3-year return (pa)	3-year rank	5-year return (pa)	5-year rank
Mine Super - High Growth	LC	89%	High Growth	14.6%	5	8.9%	1	8.7%	1
Virgin Money SED - LifeStage Tracker 1979-1983	LC	90%	High Growth	15.2%	4	8.3%	2	8.3%	3
Telstra Super Corporate - MySuper Growth	LC	89%	High Growth	11.2%	15	8.2%	3	8.1%	5
FirstChoice Employer - FC Lifestage (1980-1984)	LC	96%	High Growth	15.5%	3	8.0%	4	7.0%	16
Essential Super Employer - Lifestage 1980-84	LC	74%	Growth	15.6%	2	8.0%	5	7.1%	12
Active Super Accumulation - High Growth	LC	95%	High Growth	11.5%	14	7.9%	6	8.1%	4
ART - Super Savings - Bus. - Lifecycle Balanced Pool	LC	77%	Growth	10.3%	21	7.8%	7	7.5%	8
Mercer CS - Mercer SmartPath 1979-1983	LC	89%	High Growth	12.8%	7	7.8%	8	7.9%	6
Aware Super Employer - High Growth	LC	84%	Growth	12.9%	6	7.7%	9	8.4%	2
Hostplus - Balanced	S	81%	Growth	8.2%	38	7.4%	10	7.4%	9
AvSuper Corporate - Growth (MySuper)	S	76%	Balanced	10.6%	19	7.2%	11	6.9%	18
HESTA - Balanced Growth	S	69%	Balanced	10.4%	20	7.2%	12	7.0%	15
GuildSuper - MySuper Growing	LC	100%	High Growth	12.6%	8	7.2%	13	7.8%	7
smartMonday PRIME - MySuper Age 40	LC	86%	High Growth	11.6%	13	7.0%	14	7.0%	17
ANZ SCSE - ANZ Smart Choice 1980s	LC	80%	Growth	12.4%	9	7.0%	15	6.9%	19
AMP SignatureSuper - AMP MySuper 1980s	LC	86%	High Growth	12.3%	10	6.9%	16	7.1%	13
Vision Super Saver - Balanced Growth	S	70%	Balanced	10.8%	17	6.8%	17	7.4%	10
MLC MasterKey BS - MySuper Growth Portfolio	LC	85%	Growth	8.9%	36	6.7%	18		
TWUSUPER - Balanced (MySuper) Option	S	72%	Balanced	11.0%	16	6.6%	19	6.7%	21
Brighter Super Accumulation - MySuper	S	75%	Balanced	10.7%	18	6.5%	20	6.4%	25

SelectingSuper Benchmark Indices – Workplace Super

Index name	Performance to February 29, 2024		
	1 year	3 years (pa)	5 years (pa)
Rainmaker MySuper/Default Option Index	10.9%	6.7%	6.9%
Rainmaker Growth Index	12.7%	7.4%	7.5%
Rainmaker Balanced Index	10.1%	5.8%	6.1%
Rainmaker Capital Stable Index	7.2%	3.4%	3.7%
Rainmaker Australian Equities Index	10.2%	8.6%	8.5%
Rainmaker International Equities Index	21.0%	8.8%	9.9%

Source: Rainmaker Information. rainmakerlive.com.au

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.

RAINMAKER INFORMATION AAA QUALITY RATING

"Everyone claims to want affordable housing, but no one wants cheap housing."

Cameron Murray

The author of *The Great Housing Hijack*, which came out in February, is an economist who specialises in property markets, environmental economics and corruption. He describes himself as an independent thinker who believes economics could be drastically improved.

What did you want to be when you grew up?

In high school, being a pilot seemed like fun. I started a course in aerospace avionics, which I didn't complete because I saw that property investing was an easier way to make money.

What did you study at university?

I started engineering then got a Master of Economics. Years later I did a PhD in economics looking at political favouritism and grey corruption.

How did you become a housing commentator?

I had been investing in residential property during the 2000s boom, as well as studying property valuation and planning at university. It became clear that a lot of the media commentary wasn't connected with the core economic relationships I saw in the market.

I started blogging in 2008, and now have an online audience who trust my insights. Since 2019, I have been a researcher with the Halloran Research Trust at The University of Sydney looking at housing economics, in particular the supply of new dwellings.

This led me to make predictions about the property market. When the analysts were worried about a collapse in property prices during the initial Covid panic, I argued that prices were more likely to rise by 20% than fall by 20%. Someone online commented: "Where did this guy get his economics degree – the back of a Cornflakes packet?".

What is *The Great Housing Hijack* about?

It makes sense of the politics and economics of housing. It provides a coherent view of the economics of the housing market – what drives rents, prices, density, locational variation and the speed of new housing developments. It builds on these core insights to show that there is an inescapable economic symmetry at the heart of housing – that high prices and rents for a buyer or renter are the investment returns of the current owner. This leads to some peculiar politics and incentives for interest groups in the debate about housing. I then look at cities and periods throughout history to see what has delivered better outcomes.

How can we create affordable housing without hurting other property owners?

The trick is to create a parallel housing market. We do this for defence personnel with Defence Housing. We did it for returned soldiers. We do it with public housing. Globally, there are effective parallel public housing schemes, like Singapore's Housing & Development Board (HDB), which took home ownership there from about 20% to nearly 90% in a few decades. I've proposed a program called HouseMate that borrows the best lessons on how to do this.

How do vested interests control Australia's property market?

It is not just Australia's property market, but almost all property markets. Home ownership is about 66% in Australia and about 18% of households are also landlords. Politicians themselves at all levels are predominantly homeowners, with the typical Federal politician owning 2.5 homes on average. So, a lot of our debate about making homes cheaper is really not genuine – it's for appearances.

The same goes for landlords and property developers, who make money when prices are higher, not lower. These groups are able to twist a story about how, if left untouched by regulations on rents or planning controls on where different types of development can go, they will improve the housing market for renters.

How would you invest $5000?

I would pay down the mortgage. Since I am forced to invest elsewhere with superannuation, I really see a need to further invest in similar assets.

What's your favourite thing to spend money on?

Family holidays.

Finish this sentence. Money is good for...

creating options in life. But you still need to make tough choices and do some grunt work to make progress in whatever option you choose. ■

JOANNA TOVIA

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 Energy Regulator
aer.gov.au/consumers/making-a-complaint

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 (ASX)
131 279
asx.com.au

Association of Superannuation Funds of Australia (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
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
National Debt Helpline:
1800 007 007
financialcounsellingaustralia.org.au/contact

Financial Advice Association Australia (FAAA)
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

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: 1800 671 233

Telecommunications Industry Ombudsman
1800 062 058
tio.com.au/complaints

Scamwatch
scamwatch.gov.au

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