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GOLDSBOROUGH news

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ECONOMIC UPDATE

The Global Financial Crisis *10 years on!*

Can you believe that it is 10 years ago that we saw the beginnings of what became the Global Financial Crisis (GFC). *10 YEARS!*

The GFC was the worst global financial crisis since the Great Depression, way back in the early 1930s. It saw the freezing of lending between banks, with many financial institutions needing to be rescued. Share markets globally fell (on average) about 50%, and we saw global economic contraction at its worst since WW2.

What triggered the GFC? Lending! And in the US in particular. In an environment of very low interest rates, too many loans were made to US homebuyers which set off a housing boom that went bust when interest rates rose and supply surged. Reality — this happens all the time! But it was what happened around this that ultimately saw the GFC.

So, what have we learned since the GFC?

There are many lessons for investors to come out of the GFC:

- Economies and Markets move in cycles: We all knew this, but the GFC highlighted its potential magnitudes. This is an important reminder that if it is too good to be true then it probably is;
- High returns do mean high risk: Risk (volatility) can remain benign for significant periods of time, and then return with a vengeance (as we saw with the GFC). It's important to not rely too heavily on backward-looking measures of volatility – a bit like driving a car focused only on the rear-view mirror;
- Avoid too much gearing: Borrowing for investment purposes is great, when all is going well. But losses can be significantly magnified when markets reverse and potentially force the closure of investments at a big loss if lenders lose confidence. This can mean a lender refusing to rollover maturing debt to another debt facility or a margin call is made on investors — both resulting in a 'fire sale' on an investment, and potential losses;
- Fiscal and Monetary policies do work: There is certainly a role for government in putting free market economies back on track when they get into a downward spiral. Australia was one of the few developed economies who did not experience a recession, mainly thanks to significant government expenditure and the RBA's interest rate cuts;
- The return to 'normal' can take time: The GFC was a huge hit to confidence, it depressed lending and borrowing, causing lower consumer spending and investment. It's taken a decade, and we're still not fully recovered (eg: the Australian share market is still yet to get back to pre-GFC levels);
- Lastly, asset allocation is critical: The GFC provided a timely reminder that what really matters for your investment performance is your asset mix. This means that having a good balance of fixed interest, shares, property and cash is really important — with that balance suiting your own risk profile.

Can it happen again?

Short answer — YES! There will always be booms and busts – it's part of economic and market cycles. However, the specifics of the next boom/bust will be different to the previous. History is littered with bubbles and crashes, with each new generation learning something from the past. At present, there is a lot of talk about high levels of global debt, but that doesn't mean a crisis is upon us. It's fair to say that governments and corporations have learned a lot in the past 10 years, and so some of the big mistakes that caused the GFC have been learned from.

BRENTON MIEGEL CFP®
Authorised Representative (227297)

Help! *My Partner Spends too Much!*

It's all too common a scenario; one person in a couple is a bit of a spendthrift. Not seeing eye to eye on spending habits can cause a huge strain on relationships. You might feel like you're the only one sacrificing your "wants" for the future.

So how do you get a reluctant partner to start budgeting and to be more responsible with money? The first step is to understand the reasons for their reluctance.

If your partner just likes spending and doesn't want to budget, it is a difficult situation. It may be that they were never educated on budgeting and never had a role model in this area of their life. They may not have an understanding of financial matters. You could try coming up with a basic plan. For example, agreeing on an amount of cash each week or fortnight for discretionary spending. This might help your partner to understand how discretionary spending adds up and also prioritise what's important to them. Sometimes it's a simple case of not realising how much is being spent on non-essentials.

Your partner may feel like they don't have a say in the process and so they take a passive role. It's important to communicate and play an equal role in preparing the budget. Review your spending and see what expenses can be reduced. Ensure your partner has plenty of input so they feel empowered to participate.

Is it that you are dwelling on past financial indiscretions? It's important to focus on the future and not place blame for your current financial situation. Try to agree on a plan moving forward and commit to it.

And then there's those people who are just laid back and take the attitude of "she'll be right" in all aspects of their life. They don't worry about the future and live in the moment. This is a difficult situation to overcome. It's important to communicate why a budget is important to you. You could try discussing their goals, whether it be a holiday they'd love to take, a new car or bigger house. Demonstrate how that will or will not be achieved with current spending habits. They may just need a specific goal to work towards to get engaged with a budgeting plan.

It might also help to see a Financial Planner as a couple. The Financial Planner can assist you to set a plan together and can facilitate those difficult discussions. Sometimes a reluctant budgeter just needs to speak to an impartial third party. We're here to help.

MICHELLE SANCHEZ-MCCALLUM
Authorised Representative
(325471)

Don't chase *last year's* winners

Think about your investments, but don't get too excited when your investments are performing well and don't beat yourself up when they are not.

It's easy to fall into the trap of becoming emotionally involved with your investments. In my experience, it happens when people have just started a new investment or they're about to retire and have become fixated on their account balance. Over the years most investments have had their time in the sun. The patchwork quilt below ranks the performance of the major asset classes, plus a diversified portfolio representing a basket of all the asset classes. The chart is not a helpful guide to the future but it does demonstrate the difficulty in trying to predict next year's winners based on what performed well the previous year.

Being tempted to switch to investments based on past performance can be akin to chasing one's tail.

Diversification can create more consistent returns

Each asset class has had its turn at being the best and worst performer

Highest ↑ ↓ Lowest

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	20 yr. annualised return
14.5%	41.1%	32.1%	19.3%	17.8%	14.6%	16.6%	15.1%	32.0%	22.5%	34.0%	16.2%	26.8%	37.6%	19.1%	11.4%	33.0%	47.0%	27.0%	14.3%	13.2%	9.0%
14.3%	20.3%	18.0%	17.1%	12.1%	10.5%	11.8%	15.0%	27.9%	17.0%	24.5%	13.0%	14.9%	14.3%	6.0%	5.0%	19.7%	19.7%	17.9%	11.5%	11.8%	8.7%
14.3%	19.4%	15.4%	10.3%	10.1%	6.2%	8.8%	8.8%	17.3%	15.1%	15.8%	6.7%	7.6%	7.9%	4.7%	1.3%	15.9%	19.2%	14.7%	6.2%	8.5%	7.9%
11.9%	13.0%	10.1%	5.0%	8.1%	5.4%	4.8%	7.0%	10.3%	12.5%	11.7%	5.4%	-23.9%	3.7%	2.1%	-1.5%	14.4%	7.1%	10.9%	2.8%	8.0%	7.6%
11.5%	12.2%	9.5%	1.0%	6.3%	5.2%	-7.0%	4.9%	7.8%	5.8%	6.5%	3.5%	-25.3%	3.5%	1.9%	-2.4%	7.7%	3.3%	9.8%	2.6%	3.9%	6.3%
7.6%	11.4%	8.5%	-1.2%	6.2%	4.4%	-8.6%	3.0%	7.0%	5.7%	6.0%	-2.1%	-38.9%	1.7%	-0.4%	-5.6%	4.0%	2.9%	5.3%	2.3%	2.9%	6.2%
6.3%	5.6%	5.1%	-5.0%	2.2%	-9.7%	-27.2%	-0.5%	5.6%	4.6%	3.1%	-8.4%	-54.0%	0.8%	-1.9%	-11.0%	1.7%	2.0%	2.7%	2.0%	2.1%	4.8%

Cash | Australian Fixed Interest | Australian Property Securities | Australian Shares | Global Shares | Managed Futures | Diversified

LACHLAN HARVEY
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Authorised Representative
(227293)

Are you receiving all the *concessions* you may be entitled to?

In the last newsletter, I provided brief overview of the benefits associated with Centrelink concession cards. After a number of enquiries this article digs deeper in to the concessions available through Concessions SA.

Concessions SA is responsible for administering the below concessions and will need to be updated with any changes to your circumstances. These changes can include change of address, energy provider, bill ownership, or eligibility for a concession card. For anyone that lost their age pension and Pensioner Concession Card (PCC) in January due to the asset test, you will need to contact Concessions SA to provide copies of your new Commonwealth Seniors Health Card (CSHC) and Low Income Health Card (LIHC); this will need to be repeated again after your PCC is re-instated in October to ensure you receive the maximum concessions.

If you are unsure of your current benefits, or would like to apply for your concessions please contact the Concessions SA Hotline on 1800 307 758 or visit their website at www.sa.gov.au. The concessions available through Concessions SA are:

Cost of Living (COL) Concession

The cost of living concession was put in place in 2015 to replace cuts to concessions on council rates. If you previously received the council rate concession you should have been automatically transferred to the COL. If not, or you received an eligible card after 1 July 2015 you will need to apply with Concessions SA between 1 July and 31 October with eligibility assessed as at 1 July. The below concessions are paid annually around August-September to your nominated bank account, with the bank reference of SAGOVCOLC.

Concession Holder	Concession 2017
Pensioners, low-income earners who own their homes	$202.70
Pensioners, low-income earners who are tenants	$101.40
Self-funded retirees with a CSHC who own home or tenants	$101.40

Energy Concessions

Available to holders of the PCC, CSHC and LIHC providing the bill is solely in the cardholder's name, or they must be listed as the first person on the bill. The concession is generally applied to the electricity bill and covers both electricity and gas up to $217.90 for 2017/18.

Water and Sewerage Concession

Holders of the PCC and LIHC are currently eligible for a combined water and sewerage concession of up to $298.90pa.

Emergency Services Levy

Concession of up to $46 per year for holders of a PCC, CSHC and LIHC on the emergency services levy charged against their principal place of residence.

CRAIG KIRKWOOD
ADFP
Authorised Representative (401525)

Understanding the *property* component of your *portfolio*

Our clients who have recently looked at their investment portfolios may have noticed in recent months that the property component has underperformed. For the financial year the Australian property market has been negative 5 to 6% and international property negative 1 to 2%. On face value this looks poor, particularly in comparison to the broader sharemarket which has done reasonably well. So I thought I would put this performance into perspective and explain in more detail how this asset class works.

The first thing, and a very important point, is that the property funds in your portfolio invest in commercial property companies listed on the sharemarket via Real Estate Investment Trusts (REITs). This can comprise retail companies (like Westfields); it can be industrial companies and can be companies who own office buildings.

This is in contrast to some other super funds who invest in unlisted property assets, that is to say they physically own the properties and are therefore not subject to the same fluctuation that exists in the sharemarket. So while listed property funds have struggled in the last 12 months they have performed exceptionally well over a longer period with returns over the past five years averaging 13 to 14%pa. Listed property has performed better than unlisted property with the added advantage that they are highly liquid.

Rather than just looking at the unit price in isolation, the underlying value of the assets and the prospect of strong rental growth underpinning the investment is considered more important. Investing for long-term, secure, low risk income requires patience and a focus on the long-term fundamentals that drive income and risk, and this is exactly what the quality fund managers do on your behalf.

Short-term underperformance shouldn't be a concern if the factors driving long-term performance remain strong. And they do. REITs enable you to invest in some of the highest quality property companies in the country and their income stream is supported by regular rent increases. Also don't relate residential property to commercial property. Residential property is seen as high growth, low income whereas commercial property is exactly the opposite. The property managers in your portfolio do not invest in residential property.

The short-term underperformance has generally been based on fear. Scary headlines about Amazon's arrival in Australia, and the effect it may have on retail property. Also the rise in long-term interest rates has had an impact on confidence for the sector.

Two messages I can leave you with. Firstly the property sector forms a small part of your overall portfolio. It is more important to think of the collective return of all funds in your portfolio. Secondly markets rise and fall but if you invest for the long term patience will be rewarded. The future outlook for property is considered strong.

JOHN OLIVER CFP®
Director
Authorised Representative (No 227298)

MY FAVOURITE *quote*

"We make a living by what we get, but we make a life by what we give."

Winston Churchill

WILL CHAPMAN
DipFS(FP)
Authorised Representative (311745)

Our family trek through the *Simpson Desert*

Family camping trips are usually about setting up camp for a few days, kicking back and relaxing especially with young kids.

For us this trip was more about getting from point to point on the map with the adventure that comes crossing the Simpson desert. The main reason we chose the Simpson was that our camping buddy's now live in Alice Springs and it seemed like a compromise to meet halfway between us. We also thought that if we could get the logistics right, set up our vehicles correctly and make it across with enough fuel, water and camping gear then any future trip would be a breeze and require no more major expenses.

I started the research after making the commitment with our Alice Springs connections and soon realised I may have bitten of more than I could chew. The Simpson is isolated, requiring you to carry enough provisions for at least 5 days and then more in case of mechanical breakdown. It is made up of 170,000 sq kms, an area six times bigger than Belgium with only unmaintained sand tracks first created by oil companies in the 60's. The crossing requires climbing up and down 1,100 dunes. We started from Mt Dare travelling East to Birdsville; the West to East crossing is said to be easier as the westerly winds cause a gentler slope to the dunes on their western side. The dunes start close together at 15m tall and grow the further east you travel. Towards the last dune 'Big Red' the dunes are 40m tall but half kilometre apart.

The trip started easily enough with a swim in the Dalhousie Springs, something like a large dam with naturally heated water at a soothing 37'c. The driving fun began as soon as we hit the sand, we dropped the tyre pressure and then realised (after being flagged down and lectured to like school children) we needed to use the UHFs on the designated channel to avoid head on collisions as opposed to the private banter we had going between our two-car convoy.

We had half a day of dunes before making camp on the first day and what I remember most was the silence that evening. I've done a bit of camping over the years but never noticed the silence before, it was literally deafening.

The second day was straight into dunes and just as we were finding our rhythm the dunes became tough and stayed that way. We found ourselves going into survival mode as our roof racks required bush mechanics and the second car had their roof rails ripped off causing $8,000 of damage and requiring us leave their rack, basket and awing on the side of the track. We only travelled 60kms that day and to top it off were chastised over the radio for being cowboys by another convoy as they approached us when we were sorting out our roof rack mess. To their credit they did offer assistance before pushing on and getting stuck themselves.

It was then we heard the track was in its worst condition for years. One couple saying their last time was like a Sunday drive with sand dunes but smooth, no whoopsies. We will never forget the whoopsies, they are caused by tyres digging in as they each take it in turn trying for traction. They are like one speed hump after another when climbing the dunes but alternate from one side of the car to the other causing you to shake and lurch. This would be fine if you could drive slowly but you need to maintain momentum to make the climbs. Which was particularly the case for the second car as it was towing a trailer.

On day three we made it to Poeppel's corner after 6 hours and only 90kms, that night we contemplated the what ifs and some contingencies like what do we do with a major mechanical problem etc etc. The fourth day was a lot easier than expected the climbs were tougher but further apart and we could cover a lot more ground than in the previous 3 days. What we thought would take another two only took one and we came up to Big Red late afternoon with a mixture of relief and exhilaration knowing we had made it with no major incident.

As stressful a trip like this could be with roof racks failing and the second car taking repeat efforts up some of the more difficult dunes we kept it fun. The Simpson isn't for everyone but we tried not to rush it and ignored our schedule. The kids had a great time even without iPads and TV for two weeks, but why wouldn't they? — with parents as their Sherpas, driving them around, setting up camp and feeding them. What a life.

For the record, we made it up Big Red first go and fully loaded.

SAM MARTIN
CFP®
Authorised Representative (252676)

How do you know if someone you love has lost their mental capacity?

It can be very difficult to accept that a parent or loved one is no longer able to make their own decisions.

Common indicators that someone may possibly be losing mental capacity include memory loss and disorientation. You may have noticed that a parent, partner or friend isn't coping day to day or isn't very well? When you suggest something they either forget the information or don't understand it, so they are unable to make a decision on what you suggested.

If you are beginning to suspect that someone is showing signs that their mental capacity may be on the decline, it may be wise to start thinking about how you can help them take care of themselves.

Starting a Conversation

Before you start this uncomfortable conversation, it would be wise to include other family members so you can approach your parent or loved one on a united front. It would be a good idea to resolve any disagreements between family members before you start the conversation. This will help to reduce the chance of your parent or loved one becoming defensive when you begin to discuss incapacity. It may not necessarily mean the whole family has to be involved.

Letting your Loved One stay involved

Planning for potential incapacity will likely go more smoothly if your parent or partner is allowed to be involved (at least to some degree) in the decisions that will be made on their behalf. However, the key is to manage any issues without making your loved one feel like everyone else is taking over. If they are still mentally competent at the time you begin your planning for incapacity, then they should most definitely be involved in every aspect. It is important to start planning as early as possible. If their mental capacity is already fading, you will still be able to find ways to let them exercise control in as many ways as possible, no matter how small.

What if your Loved One is uncooperative?

For many families, their elderly loved ones are often unwilling to discuss their affairs or give up their control to anyone. If this is the case, it may become necessary for you to handle some of the issues regarding planning for incapacity without their involvement.

However, the issue then becomes whether they are still considered legally competent. If that's the case, then their consent is required. Once they have been deemed to have lost mental capacity, then you may need involvement from the courts to put an incapacity plan in place.

There are legal issues involved for everyone who find themselves in this situation — the people who lose capacity, their families and/or carers. It is important to gain an understanding of your legal rights and the actions you can take to protect your rights.

On a more personal note, it is important for you also to plan ahead and discuss your views and wishes with your family and friends, and finalise relevant documents while you are still legally capable of doing so.

MATT KELLY CFP®
Authorised Representative
(314983)

UPCOMING seminars 2017

TUE 10 OCT
TUE 7 NOV

2.30pm and 6.00pm

Retirement & Redundancy

A must for those approaching retirement, taking redundancies or experiencing income difficulties in retirement

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Goldsborough is a referral based business

The biggest compliment any client can give us at Goldsborough is the referral of a friend, relative or business associate who could benefit from our services.

As an indication of our appreciation for the referrals that we receive from our clients, we have instituted a quarterly draw where the names of the referring clients for that quarter are put in a box and one is drawn out.

The winner of the draw receives a $100 shopping voucher!

We have pleasure in announcing the winner of our 'Referrers Award' for the September quarter are* Robyn and Roger Pickard — *congratulations Robyn and Roger, your voucher is on its way.

Peacock DESIGN & PRINT

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