



## March 2018

March is a special time for women, with International Women's Day being celebrated around the world earlier this month. And because many women face unique financial challenges throughout their lives – from wage inequality to the super gap – we're committed to helping our female clients enjoy the same level of financial security as men.

March also tends to be when the property market starts to pick up again after the summer lull. And with the new downsizer super contributions for seniors coming into effect on 1 July this year, some of you may be already considering your housing options.

To keep you informed and inspired, in this edition we discuss about 5 economic trends shaping 2018, 5 things to consider before a sea or tree change and life stage financial planning for women.

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## 5 economic trends shaping 2018

2018 has already been a turbulent year for the global economy, with recent volatility in the stock market sparking some concerns for the future. So what major factors are currently influencing the Australian and international economies – and how will these shape the year ahead? Here are some of the economic trends everyone's talking about.

### 1. Australia's housing market may be set to weaken

After a six-year boom, which has seen the average value of Australian homes increase by over 40 percent, the property market is finally starting to level out.<sup>i</sup> Last year saw a slowdown in price growth, and this is expected to continue in 2018 due to tighter lending restrictions and housing oversupply.

Sydney has experienced the biggest market shift – with housing prices dropping 2.1% from September to December last year, and set to decline further in 2018. Instead, investors may turn their sights to smaller capital cities like Hobart and Canberra, which experienced the highest growth in the last quarter of 2017.<sup>ii</sup>

### 2. Cryptocurrency is on the rise

Investors flocked to buy Bitcoin in 2017, sending its value skyrocketing. But before you jump on the cryptocurrency train, which has also experienced significant price swings, you need to understand how it works.

Bitcoin and other cryptocurrencies are essentially digital peer-to-peer payment systems that allow consumers to buy products and services online, without cash and with no involvement from banks. Because cryptocurrency isn't considered 'money' and isn't tied to a specific country, it's largely unregulated – but that's about to change.

The Australian Taxation Office is currently setting up a taskforce to ensure users pay capital gains tax on their Bitcoin investments. The Australian Securities and Investments Commission is also scrutinising Bitcoin usage and has developed stricter guidelines to regulate cryptocurrency trading.

### 3. Australians are pinching pennies

Many Australians are likely to tighten their belts further in 2018 to deal with rising interest rates and energy costs. Debt levels are also at an all-time high, with recent statistics showing our debts to be worth 221% of our net disposable income – up from 129% two decades ago.<sup>iii</sup>

As a result, Australians are thinking carefully about where they paycheques are going. In the 12 months to September 2017,

household spending rose by just 2.2% – compared to 2.6% the previous year – as consumers shift their focus towards paying off their debts and building up their savings.<sup>iv</sup>

### 4. Overseas uncertainties persist

The global economy got off to a rocky start in 2018, with unexpected volatility affecting share markets worldwide in February. Before these falls, however, investment, manufacturing, commodities and trade were all picking up, and growth was forecast at above 3%.<sup>v</sup> As volatility is a natural part of the market cycle, the economy has already started to rebound.

Geopolitical risks also spiked during the last year in the wake of Donald Trump's presidential win and the UK's historic Brexit vote. And while global policy is becoming more certain in the United States and Europe, we're yet to see how international tensions with North Korea will play out.

### 5. More Australians are dipping into super early

In the 2016–17 financial year, Australia's Federal Treasury reported that \$290 million was released early from superannuation on compassionate grounds – up from \$42 million in 2000–01. Of more than 21,000 applications approved in 2016–17, around 15,000 were requesting an early release for medical reasons.<sup>vi</sup> The average amount released was \$13,644.<sup>vii</sup>

This trend reflects the rising out-of-pocket costs for healthcare and the importance of preparing financially for unexpected medical issues. The purpose of super is to fund your retirement lifestyle, so before you find yourself having to dip into your savings early, speak to your financial adviser about ways to keep your nest egg secure.

i CommSec, *Economic insights*, January 2018.

ii CoreLogic, *Hedonic Home Value Index*, January 2018.

iii Organisation for Economic Co-operation and Development, *Household debt (indicator)*, accessed January 2018.

iv Australian Bureau of Statistics, *Australian national accounts*, 2016–17.

v World Bank Group, *Global economic prospects*, January 2018.

vi Australian Treasury, *Early release of superannuation benefits*, December 2017.

vii Australian Department of Human Services, *2016–17 Annual report*, 2017.

# 5 things to consider before a sea or tree change

Before you swap your briefcase for a beach towel, have you thought carefully about what life in a quieter location will really be like?

If you've spent most of your life in the fast lane, retirement might be your chance to change gears. And if you're considering a sea or tree change, you're not alone. Recent statistics show that many non-city-dwelling baby boomers are choosing to make their home in Australia's coastal or hinterland regions.<sup>i</sup>

The idea of waking up to ocean sounds or birdsong can be tempting when you're used to the noise of heavy traffic. But before you pack your bags, remember that relocation is a major life decision. You should consider the financial and emotional impact it may have – and be sure to do your research, or you could end up regretting it later. Here are five questions to ask yourself before you relocate:

## 1. What are you looking for?

Think clearly about how you want to spend your time after you leave the workforce – and remember, you'll have a lot more of it. For instance, if your ideal lifestyle involves quiet walks on the beach or fishing, a seaside town might suit you down to the ground. But if you love shopping, going to shows and trying out new restaurants, a sleepy locale could quickly grow dull.

Next, think about the people who you enjoy spending time with. Do you have friends in the new location – or will you need to start all over again? And will the move take you far away from your children, grandchildren or close friends?

## 2. Can you access all the services you might need?

When you're healthy and active, it's hard to imagine having health or mobility issues. But as you get older, chances are you'll need more access to hospitals, medical centres and specialists. If you move somewhere remote, these services might be far away or else could have limited facilities. You should also consider how far your proposed sea or tree change will take you away from shopping centres, government services and other public amenities.

## 3. Have you visited the area in different seasons?

Before you commit to a particular destination, aim to visit it first at different times of the year. Otherwise, you may get a nasty shock when the weather changes. For instance, a north coast town's mild winters and sunny springs could become unbearably hot and humid in summer, whereas a charming rural property may experience plummeting temperatures when winter sets in.

And if your proposed location is popular with tourists, make sure you visit it first during high season, when noisy revelers may kill the vibe. On the other hand, remember that your entertainment options might be severely reduced during the low season.

## 4. Do you need a visa or permit?

If you're keen for an adventure, you may be lured to move overseas in retirement so you can experience a new culture and have the chance to make your dollars go further. But remember that your ideal destination may also have strict visa and permit rules. For instance, if you're thinking of moving to Bali, be aware that an Indonesian retirement visa can only be extended for up to five years. It also has plenty of other conditions attached around your income and insurance arrangements.

## 5. Can you afford it – both immediately and in the long term?

Lured by cheaper regional property prices? While selling your city home might allow you to buy your dream home in a regional area, think carefully before you dive in head first. Remember, if your sea or tree change doesn't work out for you, it might be extremely hard to sell up and re-enter the property market somewhere else.

And if you're thinking of staying active in retirement by picking up some part-time work, your employment options may be limited in a quiet location.

i ABS (2015) 3235.0 - Population by Age and Sex, Regions of Australia



# Life stage financial planning for women

At every life stage, from their 20s to their 60s and beyond, it's vital for women to make specific financial plans and strategies thanks to their specific life and career patterns.

Despite a higher likelihood of career breaks and reduced hours of work, women can still actively and positively manage their own financial futures.

The best way to do this is by seeking advice, engaging with your finances and planning at every life stage. Here's how.

## 20s

The start of your career is an excellent time to set up a regular savings discipline. Look at ways to top up your super tax-effectively, such as through salary sacrificing or making personal tax-deductible contributions. A little now can prevent you requiring greater financial sacrifice later on and can help to prepare you financially for potential career breaks. Also, check your super statements and understand what it is that you are investing in. Perhaps the default option in the fund won't make your money work as hard as it could while you are in your 20s.

## 30s

This is the most likely age for women to have career breaks so look at ways you can continue your super contribution momentum, such as spouse contributions. It is possible that you have had a number of jobs by now, so this is also the perfect time to consolidate multiple super funds. Update your personal insurances, taking into account new debt levels, responsibilities and new or future family members. And work on developing a strong understanding of your current household cash flow in order to plan for career breaks.

## 40s

Typically you'll now have increased capacity, thanks to a return to work full-time or part-time, for superannuation top ups. During these higher income years consider salary sacrificing into superannuation as well as making personal tax-deductible or after-tax contributions. This is a perfect time to get the maximum amount into super. Interestingly, this is also the age that women are most likely to opt out of the corporate world and start up their own businesses – which they do at twice the rate of men. So if you're an entrepreneur and the value in your business forms a part of your retirement funding, you should carefully plan the business from the start-up phase through to the exit strategy and know what it means to your super.

## 50s

This is the peak earnings decade so be sure to see your financial planner, maximise your super top up and plan your transition to retirement. Planning for retirement, and ensuring you will have enough in your super to make it happen, starts with knowing what your retirement is going to look like. What will your expectations be in terms of quality of life, travel, entertainment, lifestyle etc? It is also important at this stage to begin thinking about the psychological impact of retirement and what it will mean to you. Retirement is about both health and wealth, so do all you can to prepare for both.

## 60s

Finally it's time to begin full retirement planning and to perhaps start familiarising yourself with aged care options for further down the track. As well as retirement planning and aged care planning, the third and equally important strategy to have in place right now is estate planning. Get these right and all you'll have to do is relax and let the joy of retirement wash over you.

