The Harvest - Spring 2016

Welcome to the first edition of your new Harvest Wealth newsletter.

Good information is the key to sound financial decision making so this newsletter is intended to provide you with up to date news and views on personal finance. It will offer regular (quarterly) insights as well as specific notifications of changes or general events that may affect your investments.

We'd love to hear your feedback so please do let us know what you think via the contact details below. And if you have a particular topic you'd like to know more about, please let us know and we can include it in future editions.

Lastly, we respect your inbox and your privacy so if you'd rather not receive our newsletter or our notifications of changes, you can opt-out of either or both through the unsubscribe link at the bottom of every mail.

We look forward to hearing from you.

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5 tips for happy healthy ageing

The best ways to sustain or improve physical, mental and financial wellbeing in your pre and post retirement years are sometimes the simplest.

If you're in or approaching retirement, you may be surprised to know when it comes to living a longer life and leading a healthier and more active lifestyle, the best methods are often easy tasks you can turn into everyday habits.

As Australians have one of the longest life expectancies in the world,[i] it's not just your physical wellbeing but also the state of your financial affairs which you probably want to keep in check.

Here are five tips to help you sustain health and create financial freedom in the years ahead.

1. Physical activity

Information from the Australian Medical Association[ii] shows that regular exercise has the potential to:

- Increase life expectancy
- Reduce the risk of some cancers, cardiovascular disease, type 2 diabetes and osteoporosis
- Reduce high blood pressure and the risk of falls
- Improve bone health and body mass index
- Ease feelings of stress, anxiety and depression
- Enhance mobility and balance.

The Department of Health and Ageing recommends at least 30 minutes of exercise five days a week and that being active in 10 to 15 minute slots can also work just as well.[iii]

Different forms of individual or group exercise may include:

- Brisk walking
- Golf or bike riding
- Gym sessions
- Pilates, tai chi or yoga
- Water aerobics
- Swimming, sailing and dancing.

You can locate activities near you via Active Ageing Australia if you're looking for ideas.

2. Regular check-ups

While many health issues can be aided with physical activity, you may need to talk with your doctor, physiotherapist, podiatrist or local fitness centre about the type and amount of activity you can do.

The Department of Health and Ageing has tips on different exercises and where to start.

Making time for regular check-ups is a great way to take care of your overall health and ensure you stay on top of any issues before they escalate.

3. Mental stimulation

Researchers believe many supposed age-related changes are in fact lifestyle related. Memory loss, for instance, can reportedly be improved by 30 to 50 per cent simply by keeping the brain active.[iv]

Some ways to do this could include:

- Taking up a hobby – YourLifeChoices and About Over 50s have lots of ideas
- Getting involved in social activities and excursions through groups like Probus
- Helping others – you can find a national database of opportunities at GoVolunteer
- Enhancing your tech skills through the Australian Seniors Computer Clubs Association
- Getting a full or part time job – check out BeNext for suggestions
- Reading, Sudoku, card games, crossword puzzles and chess.

4. Support network

Staying motivated is important so choosing hobbies or physical activities you like and having a buddy you can team up with may make it more fun.

By keeping up a routine and social connectedness you're more likely to maintain a greater sense of wellbeing.

There are also social support services that can help you to maintain an active social life by having someone visit you in your home, or by arranging visits and outings in the community.

5. Financial wellbeing

With Australians having one of the longest life expectancies in the world today, one of the catches is that a longer retirement will cost you more.

According to an AMP.NATSEM report, the reality is the majority of Australians won't have enough savings to live comfortably when they retire.

It's important to think about your finances as well as your health as both will affect how comfortably your current and future lifestyle will be.

Planning ahead can make the world of difference and remember, it's never too late to get physically and financially fit.

Produced by AMP Life Limited

i http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report
ii https://ama.com.au/position-statement/physical-activity-2014
iii http://www.activeandhealthy.nsw.gov.au/assets/pdf/stayactive_web_final.pdf
iv https://www.betterhealth.vic.gov.au/health/healthyliving/healthy-ageing-stay-mentally-active

Retirement rolls around faster than you think

New research shows one in three Australians think retirement is too far away to plan for. That's a big mistake. Take it from me, the day when you're ready to hang up your work boots is likely to roll around far more quickly than you anticipate, and it pays to be prepared.

If you think time passes more quickly as you get older, you're absolutely right. It turns out there's a whole range of scientific reasons for this, but the impact on our finances can be profound especially when it comes to saving for retirement.

A study by Roy Morgan Research found, not all that surprisingly, about 70% of 20-year olds believe retirement is too far off to worry about - and they're probably right. At that age I'd be more inclined to concentrate on building personal skills and qualifications to enjoy a rewarding career rather than focusing on retirement.

When is it too late?

The big worry is that in the critical pre-retirement years between ages 50 and 54, almost one in five people still reckon retirement is too far away to bother making plans. Don't be fooled – this is a critical window of time where you can make a big difference to your retirement savings.

In our busy lives it's easy to put saving for retirement on the back burner. But the fact is, time marches on for all of us. Waiting until your mid-forties or fifties to start growing your superannuation makes it a lot harder, but not impossible, to accumulate a decent nest egg.

Conversely, the earlier you start building super savings, the more compounding returns do the heavy lifting for you, so if you are comfortably on the path to retirement, spread the word – especially with your grown up children. It's easy to get caught up in raising a family and paying down a mortgage, but with the right strategies they can continue to save for retirement even during the years where cash might be in lesser supply.

Ideas for saving

Saving for tomorrow doesn't have to mean giving up a lot today. Salary sacrifice – where part of your pre-tax wage is paid into super rather than receiving the money as cash in hand, is a tax-friendly way for many workers to save for retirement.

For some ideas on the different ways to grow your super, take a look at the government's MoneySmart website. It features a handy 'Super Contributions Optimiser' calculator with suggestions on the various ways to contribute to super based on your age and annual income.

Nevertheless, retirement planning is too important to rely solely on an online calculator. Seeking expert advice makes a lot of sense, particularly if you've left your run a bit late.

Speak with us today about the best way to grow your nest egg.

– by Paul Clitheroe AM

Paul Clitheroe AM, co-founder and Executive Director of ipac securities limited, Chairman of the Australian Government Financial Literacy Board and Chief Commentator for Money magazine.

Why Australian property won't collapse

Shane Oliver *Chief Economist and Head of Investment Strategy*

Stronger than feared profit results and reasonable economic data in Australia, which are consistent with a rebalancing of the economy away from mining, are among the factors steering Australia away from a recession. We discuss this, along with the risk of a property crash and Australia's declining negative gearing numbers.

Australian property update – negative gearing numbers

Declining tax claims due to negative gearing in Australia are largely a result of low interest rates relative to rental yields. In other words, the benefit of negative gearing has somewhat declined. There is a broader issue at play however, which is the political debate proposing to restrict negative gearing tax concessions to only new properties. The problem is that the main factor driving expensive property in Australia is constrained supply. Negative gearing also needs to be considered in the context of the tax system as a whole.

Are we heading for a property market crash?

Australian housing is expensive relative to incomes and rents. And household debt ratios are high. So yes, there is a risk of a sharp drop in property prices at some point. However, this is unlikely unless we see much higher interest rates or a surge in unemployment in the context of a recession. The foresight of the Reserve Bank and what has so far been a successful rebalancing of the economy in the face of the mining downturn mean that both of these scenarios seem unlikely at present. However, there is always a cycle – we're going to see a 5-10% fall in property prices at some point in the next few years much like we did around the time of the global financial crisis and around 2012. But at this stage it's unlikely that we're going to see a property crash.

How have company profit results turned out?

The latest round of profit results reported by Australian companies related to the December half of 2015 and given recent sharemarket falls, these results have proven to be better than feared. Although resourcing companies saw big falls in profits and cuts to dividends, this was not surprising. More importantly, the remainder of results were reasonably good and showed decent profit growth. A majority of Australian companies are doing reasonably well, particularly those which are aligned to sectors in the economy like housing, retail and health.

Economic update – global and Australia

The threat of a global recession rattled sharemarkets at the start of the year, and although global data is mixed, there are some signs of improvement. The manufacturing weakness in the US may be coming to an end and the US Federal Reserve (Fed) is slowing down its proposed interest rate hikes. Other central banks are gearing up to provide stimulus and this is contributing to a reasonably positive policy environment. Economic data within Australia has been reasonable and retail sales and housing indicators are quite solid. Confidence levels are hovering around long-term average levels. The Reserve Bank of Australia (RBA) might need to provide more support in terms of interest rate cuts, but there's certainly no sign of Australia entering into a recession.

About the Author

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