



your **money** your **future**

December 2017

Welcome to the Final newsletter for 2017 as the holiday season approaches.

Given investment market performance for the year, one can only conclude that the markets have been kind to us as outlined in Paul Clitheroe's article. We have also included two additional articles addressing the issue of property prices and ways to enjoy summer without spending a fortune.

Please feel free to circulate this newsletter to family members and friends.

As always should you wish to discuss any of the information outlined please do not hesitate to contact us as your feedback is always appreciated.

For your information our office will be closed from Midday 22nd of December and re-open on Monday the 8th of January 2018.

Take Care and on behalf of all of us at GFS we wish you and your families a safe and peaceful holiday season.

Kind Regards,

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2017 has been kind to investors

As we head towards the end of 2017, it's worth taking a look at how investment markets have fared over the year.

It turns out we've enjoyed a pretty good 12 months – especially if you haven't had a significant chunk of your wealth tied up in cash.

The last 12 months have been steady on a number of financial fronts. Even the official cash rate has remained unchanged for the entire year, and that's been a plus for local businesses. Reflecting this, Australian shares have performed well.

Double digit gains on shares

As I write in mid-November, the ASX 200 Total Returns Index has dished up gains of 11.27% for the year to date. This in turn has impacted our super savings – especially “balanced” funds, which typically have a solid investment in equities. According to research group SuperRatings, long term (7-year) returns for super funds continue to sit at around 8.2% annually. That's good news for our nest eggs.

All asset classes move in cycles, and reflecting the economic recovery that's taking place in many developed nations, international shares have been a strong performer this year.

The MSCI World Index (excluding Australia) notched up gains of 18.9% for the year to date. Past returns are no guide for the future, but returns like this are a compelling case to add global equities to your portfolio. An international share fund – either listed or unlisted, offers an easy way to do this. Contact my office for more details on investing in global shares.

Key property markets are cooling

Despite the robust gains on equities, residential property has once again attracted plenty of media attention.

According to CoreLogic, values in Sydney have begun to cool, with annual price gains of 7.7% as at the end of October. Values in Melbourne, where the market is still rising, have soared 11.0%. But the real scene stealer has been Hobart, where property values have climbed 12.7% over the past 12 months.

For property investors, the slowing pace of capital growth especially in Sydney, reflects tighter credit policies among lenders. The shift to lower risk loans and stricter borrowing limits is not necessarily a bad thing. Coupled with rate premiums for interest-only borrowers, this is forcing many people to consider whether a rental property really suits their long term goals.

Planes, trains and automobiles deliver strong gains

One asset class that can that be easy to overlook is infrastructure. Yet things like toll roads, railways, airports and utilities can be a steady performer for investors.

The ASX Infrastructure Index has achieved gains of 12.79% for the year to date. As with international shares, you could invest directly in individual infrastructure companies but an easier way to get a slice of the action is by investing in an infrastructure fund. This also has the advantage of spreading your money across a broader range of underlying assets.

With returns on cash still looking very ho-hum, it could be worth looking beyond savings accounts (where you'll be lucky to earn 3% before-tax), and think about where you could put at least part of your money to work in 2018 to earn a stronger return.

Call us to take a closer look at the range of investment opportunities that can help you achieve your goals for 2018 and beyond.

– 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.

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If you've always thought property prices only go up...

It may be time to reconsider some myths about property investment.

With so much emphasis on property in the media, it can be difficult to sort fact from fiction. But before investing in any type of asset—including property—it pays to consider the pros and cons, and any commonly held misconceptions.

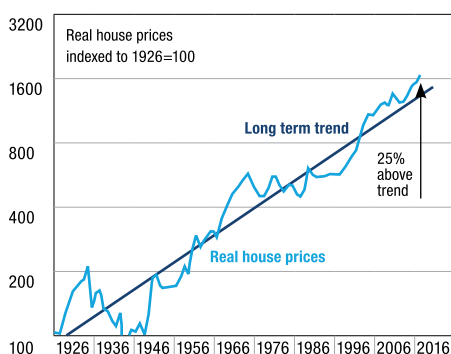
[Here we bust 3 property myths.](#)

Myth 1: Prices always go up

Believing that property always goes up is understandable—especially given prices have dramatically increased in our major cities in recent years.

But like most investments, the property market demonstrates cyclical patterns. That means, at times property performance can be stagnant and show little or no growth. And like many investment cycles, a boom can be followed by a bust.ⁱ

[Australian house prices relative to their long term trend](#)



Myth 2: All property is the same

When we think about property, we tend to think about it as one market. We generally take a macroscopic view. We hear about the performance of Australian property and may think that buying a property anywhere will turn out to be a good investment. But this approach can lead to decisions that fail to yield the results we expect.

Within the property market are countless micro-markets. And property prices can depend on the different economies they have links to—as we've seen in Australian mining towns where prices reached record highs in recent years only to be followed by a sharp decline.

Similarly, we hear general reports in the media that property prices are rising and this general sentiment can set unrealistic expectations. For example, specific price expectations in the CBD should be markedly different from those in a particular region or suburb. But we may tend to think that all prices in all areas will always rise. And this is where the danger lies.

Myth 3: Property's a sure thing

The combination of low mortgage rates and rising home values means debt levels have increased dramatically. In fact, the top

10% of leveraged Australian households have an average debt to disposable income ratio of 600%.ⁱⁱ

If you cannot afford to repay a home loan due to changes in personal circumstances, such as losing your job, your entire financial future can be put at risk. Any slumps in house prices could result in many people being unable to cover outstanding loan amounts if forced to sell.

Take a long-term view

It's important to think about property as a long term investment, even when buying a home to live in—and to borrow within your means so you're not financially stretched. Explore your capacity to repay a loan with our borrowing power calculator.ⁱⁱⁱ

And if you take on a home loan, consider buying insurance to help protect you in case your circumstances change and you're unable to meet your loan repayments.

When it comes to investing, it's important not to put all your eggs in one basket. That way you may be able to protect your money by spreading risk over different markets.

Speak with us to find out more about the types of investments that may suit you.

ⁱ <http://advice.realestateview.com.au/buying/beginner-guide-to-investing/4/>

ⁱⁱ <http://media.amp.com.au/phoenix.zhtml?c=219073&p=irol-newsarticle&ID=2122127>

ⁱⁱⁱ <https://www.amp.com.au/data/calculators/borrowing-capacity-calculator1>

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12 ways to enjoy summer without spending a fortune

If you're wondering how you'll make ends meet this silly season, check out these tips on how to spend, without spending every cent.

Summer in Australia can often be one of the busiest times of year with end-of-year work parties, Christmas, family gatherings, mini holiday breaks, not to mention New Year's Eve and New Year's Day.

If you've been saving for something big or are just cringing at the thought of how you'll make ends meet over the holiday period, don't freak out yet. There are plenty of ways you can still have fun without spending all your savings or racking up serious debt on your credit card.

How to take on summer without spending a fortune

1. Write down your Santa list

There may only be a couple of weeks left until Christmas, but if you've still got things to buy, making a list, setting a budget and sticking to it could go a long way to ensure you don't overspend or rack up additional debt. After all, Australians are due to spend over \$9.7 billion on Christmas presents this year, which is up 28% on last year.ⁱ

2. Diarise your upcoming events

Knowing what's happening and how much you're likely to fork out will help you to manage your cash and allocate what you need for each occasion.

3. Take turns entertaining at home

This can significantly reduce the money you and your mates spend on eating out,

particularly if everyone is happy to bring their favourite signature dish, juice of choice or fruit sorbet when temperatures are running high.

4. Make the most of the warm weather

Hit the beach, head to the local playground, or pack a picnic basket and enjoy a barbecue at a nearby park. It won't involve entry fees and depending where you go, you could load up the fishing rods or even a footy for a friendly game.

5. Take an esky

You'll save a fortune on food and cold drinks no matter what's on the agenda.

6. Look out for meal and beverage specials

There are plenty of places where you can find two-for-one offers and other great deals. Websites like TheHappiestHour can give you some ideas and you may even find some new alfresco venues you haven't been to along the way.

7. Travel smart

Carpool, get a lift, catch public transport, or ride a bike. Too many Taxis and Ubers can drain funds, particularly if you're not keeping a record of how often you use them.

8. Cut accommodation costs

Bunk with mates, house-sit, swap accommodation, volunteer your skills for a place to stay, or have a staycation where you check out attractions close to home.

9. Search for holiday deals online

Look at comparison websites for flights, accommodation and transport. Doing your homework can often mean more spending money in your pocket.

10. Stick to using cash as much as possible

When you pay in cash, there's no risk of you having to pay added interest charges. Plus, leaving your cards at home means you're less likely to go over your budget as you can't say—I'll just take out another \$100.

11. Trade with friends

If you've got more outings than outfits lined up, rather than hit the shops, borrow something from a mate. It doesn't have to stop with clothes either. You could exchange homes for the week, swap movies, or trade sporting gear like bikes and fishing rods.

12. Research free events

Look up what's on in your local area. There are often a variety of things happening over summer, such as food and wine festivals, street fairs and markets.

Whatever your agenda over the holidays, it's important to have a realistic plan when it comes to your money. Give yourself some room for movement and still aim to avoid that financial hangover.

ⁱ <https://www.finder.com.au/press-release-nov-2016-record-xmas-aussies-to-spend-10-billion-on-gifts>