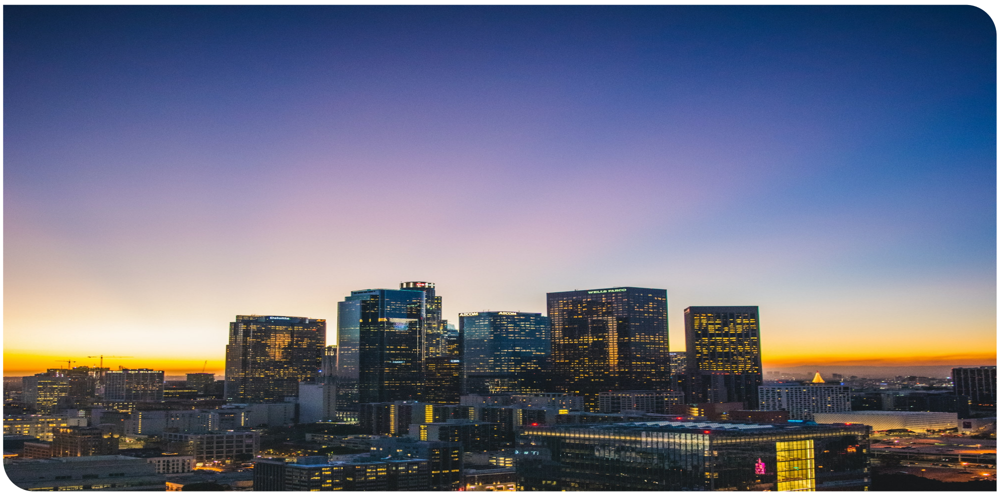

CFG Newsletter - June 2021

Welcome to our latest newsletter!

Economic update - June 2021

Within this month's update, we share with you a snapshot of economic occurrences both nationally and from around the globe.

Key points

- Inflation fears rise as US inflation data pops but interest rates unmoved and hold on to April levels
- Australian unemployment rate falls, JobKeeper withdrawal has not had the impact anticipated
- COVID infections not going away anytime soon, lockdowns in Australia still the first line of defence

The Big Picture

The US Federal Reserve (the "Fed") has maintained an accommodative monetary policy stance – to a greater or lesser extent – since the onset on the GFC in 2008. On a couple of occasions, the Fed caused a stir with consequent falls in share prices. The first resulted in the so-called 'taper tantrums'; the Fed was talking about reducing its bond purchases that were aimed at keeping longer term interest rates low. More recently, the second followed Fed chair, Jay Powell, talking about raising rates at the beginning of his term in office.

Since the onset of the pandemic, the Fed has maintained an all but zero Fed funds rate. We all know the party will end one day; nobody knows quite when.
The Fed recently changed its policy to wait for actual increases in inflation before it moves – rather than basing its policy decisions on expected inflation. It has also stated that it is prepared to live with inflation above its 2% target for 'some time' before it acts.

Because prices of some goods and services fell sharply at the onset of the COVID 19 pandemic (March – May, 2020) as a result of the original lockdowns early last year, the annual inflation rate was destined to jump up 12 months later. Fed Chair, Powell, warned us of this well in advance but the markets got the jitters at the start of May when the CPI came in at 4.2% for the year against an expected 3.6%. Matters were not helped when Powell's predecessor, Janet Yellen – now Secretary of the Treasury – made a public statement to the effect that rates would have to go up sooner than previously expected. She knows that the Fed is meant to be independent of government – as is our Reserve Bank (RBA) – and she even said as much. Yellen's expressed opinion was unhelpful.

The 4.2% inflation level was high because of two major factors. The first was due the price falls at the beginning of 2020. The second was, by chance, that the US economy was opening up 12 months later. Big discounts on hotels, air fares and second-hand cars were being removed. These categories jumped about 10%. The combination of these two factors creating a double whammy and inflation prints 4.2% which will almost certainly be transitory. However, the next month might also be a bit high for similar reasons – and then likely to fall back under 2% again is both our current view and the Fed's.

The 10-year bond yield jumped on the inflation fears so share prices fell as their yields were less competitive against a higher bond yield. However, this effect was short lived and it didn't take long for the markets to recover the losses. The S&P 500 got back to well within 1% of its all-time high and the ASX 200 actually made a new all-time high at the end of May.

The Fed's preferred inflation measure – the so-called core Personal Consumption Expenditure (PCE) inflation – strips out volatile energy and food price variations. The PCE measure, at the end of May, came in at a more modest 3.1% and the market barely reacted to that data point.

With U.S. President Biden handing down his first budget on the same day as core PCE was published, the 'punch bowl' is still overflowing and we currently have little fear of any substantive change in policy this year.

And it's much the same in Australia except for our latest inflation read of 1.1% being adversely impacted by lockdowns. The RBA has revised its forecast of GDP growth for 2021 to 4.75% from 3.5% with a fall in the unemployment rate at the end of the year to 5.0% from 6.0%. Given that the latest read on unemployment was only 5.5%, the RBA couldn't have waited much longer to play catch up!

At 5.5%, our unemployment rate is barely above the rate that existed just

Understanding elder financial abuse and how to prevent it

Helping seniors – parents, friends, or neighbours - with their money can be a natural progression as people age. They may lose capacity to handle their bills or find it more difficult to weigh up financial decisions.

For some that need for a helping hand can open the door to elder financial abuse.

What is elder financial abuse?

It is the illegal or improper use of an older person's property, finances, and other assets without their informed consent. At its worst consent can be obtained through fraud, manipulation, or duress.

As the population ages and superannuation savings produce some of the wealthiest generations ever to retire, abuse can arise out of inheritance impatience.
Take the 'assets for care' arrangement that is becoming more commonplace.

An older person may be persuaded to transfer their home to a child on the understanding that a granny flat and care will be provided.

Often there is no legal agreement and no independent legal or financial advice is sought. Seniors may also be coerced into signing loan documents for a child's business or property or manipulated into changing their will.

Other instances include: going shopping for someone and keeping the change; pension-skimming; using a senior's bank account or credit card without permission; a loan that is never paid back; or denying them access to their money or bank statements.

What are the signs?

Red flags can include difficulty paying bills; unexplained disappearances of possessions; significant bank withdrawals or unusual activity on a credit card.
Missing medications or hearing aids can be a reason for concern. They may be used to coerce the senior into a proposed financial arrangement.

Social withdrawal can be another indicator. Someone doing something untoward may prevent the older person from engaging with others including friends, other family members, or professional advisers.

How do you prevent it?

Seek independent advice before agreeing to any assets for care arrangements. Will you be able to claim a property interest or be compensated later for what you contribute? Who will it affect your pension or tax situation? What if you need to move into aged care at some point?

Proper legal agreements should be drawn up for any such arrangements as well as any loans or guarantor arrangements. Think carefully about who to appoint as a Power of Attorney.

Prevention also relies on people raising the subject with an elderly person if they suspect abuse is occurring.

How do you raise your concerns?

Here are some tips:

• Talk to the person - Be aware that they may find it a difficult or embarrassing conversation so talk it over in a place where they feel safe and able to speak freely.
• Listen - They may need time to think about the concerns you've raised. Listen and respect their wishes and their right to make their own decisions. Reassure them that your support is always available.
• Provide contact details of support services - The national elder abuse hotline is 1800 ELDERHelp or 1800 353 374. They can raise issues, get advice, and obtain referrals if needed.

Should you have any queries in relation to this newsletter, please feel free to contact our office.

Cotter Financial Group

Suite 12, 132 O'Connell St
North Adelaide
SA 5006
Australia

Phone: 08 7079 1077
Fax: 08 7079 1078
Email: reception@cotterfg.com.au

Cotter Financial Group Pty Ltd

www.cotterfg.com.au

Property update

Housing markets around Australia continued to surge in May with CoreLogic's national Home Value Index up 2.2% over the month.

The rise in May was a stronger result compared with April (1.8%), but weaker than the 32-year high recorded in March when values surged 2.8%.

CoreLogic's research director, Tim Lawless, observes that growth conditions remained broad based both geographically and across the housing types and valuation segments. "Values were up by more than 1% across every capital city over the month, with both house and unit values lifting across the board. Of the 334 SA3 subregions analysed by CoreLogic, 97% have recorded a lift in housing values over the past three months. Such a synchronised upswing is an absolute rarity across Australia's diverse array of housing markets."

For the second time in three months, growth conditions in capital city home values outpaced the regional markets. The combined capital city index rose 2.3% in May compared with a 2.0% rise across the combined regional areas.

Across the capital cities, the monthly change in dwelling values ranged from a 1.1% rise in Perth through to a 3.2% jump in Hobart.Across the non-capital city regions, conditions were more diverse. Regional NSW led monthly gains (2.5%), while values in regional WA had the weakest result (-0.1%).

Mr Lawless reaffirmed the fundamentals driving strength in the housing market remain in place. "The combination of improving economic conditions and low interest rates is continuing to support consumer confidence which, in turn has created persistently strong demand for housing. At the same time, advertised supply remains well below average. This imbalance between demand and supply is continuing to create urgency amongst buyers, contributing to the upwards pressure on housing prices.

"Despite the consistently strong headline results, the underlying trends have shifted over the past year," Mr Lawless said. "The most expensive end of the market is now driving the highest rate of price appreciation across most of the capital cities, whereas early in the growth cycle it was the most affordable end of the market that was the strongest.

"From a geographic perspective, it was the smaller capital cities that led the housing market out of the COVID slump, but now Sydney has risen through the ranks to record the largest capital gain over the past three months with values up 9.3%."

Although housing values are now rising the fastest once again in Sydney, at least in trend terms, the annual growth rate is generally higher across the smaller capitals, as well as Regional New South Wales and Regional Tasmania. Darwin cracked the 20% annual growth barrier in May, with values now 20.3% higher over the past 12 months. For Darwin dwellings, this is the strongest annual gain on record. Housing values across Regional New South Wales are up 18.6% while in Regional Tasmania values are 18.1% higher.

At the other end of the spectrum, the weakest housing markets over the past year have been in Regional Western Australia (0.0%), and also in Melbourne (5.0%) where the extended lockdown has created a more significant drag on the annual rate of growth.

Source: CoreLogic

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No insurance? Why take the risk?

On average, only 25% of debilitating injuries occur at work or are work-related.

In 2015/16 there were 101,770 compensation claims made for serious work-related injuries in Australia.

The average time it took for a worker to return to work due to a serious injury rose by 33% to more than five weeks.

In 2016 the median compensation payout for a serious claim was just $10,800.

Insurance - who needs it?

Some people may not need cover. For instance, if you

- are near retirement and would give up work if you were disabled;
- have lots of sick, annual leave and long service leave to use up convalescing;
- have access to adequate amounts of cash to rely on;
- have a partner or other people who will support you.

Other people may just misunderstand. A common cause of confusion is to think you are covered by worker's compensation insurance. This, however, only covers accidents at or during work, or illness directly attributed to work. And from the statistics above, the payments received may not be anywhere near enough to cover costs.

If you are not aware of the cover available, read on!

Income protection insurance pays an income to you if you are unable to work due to an accident or illness. The income is usually 75% of your pre-disablement income and is payable after a "waiting period". You choose the waiting period to suit your needs – for instance, if you had a lot of unused leave you could choose a longer period.

Income protection is particularly valuable for self-employed people, casual workers or anyone else who relies on their income but has no sick leave. You will be required to provide evidence of your usual income when taking out a policy.

The income will be paid until you recover and return to work or for a "benefit period" – this can be as short as one year or up to age 65. Some policies pay a rehabilitation benefit to help ease you back to work.

Income protection insurance premiums are tax deductible. Many people pay the premiums annually near the end of the financial year to bring forward the tax deduction. However, be aware that the income payments are taxable.

Premiums are generally based on your age, gender, occupation and previous medical conditions but you can save money by choosing a longer waiting period and a shorter benefit period. However, there is no point in having insurance that doesn't pay out when you need it.

If you're not sure of your specific needs, talk to your us today so that we can recommend a solution to suit you. Why take the risk?

Source: Financial Writers Australia

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Wealth planning across the ages

For previous generations of Australians, retirement usually meant ceasing work and hoping to live long enough to qualify for the age pension. Apart from the family home and personal belongings there were usually no substantial assets to leave behind for children or other family members. Superannuation has changed all of that.

The super impact

Superannuation became compulsory more than 20 years ago, and as a result, retirement funds have grown exponentially. There is an abundance of retirement income products that offer more choice in how super is managed. Accessing the age pension is becoming harder, which places clear responsibility on the newest generation of retirees to be at least partially self-funded.

Intergenerational wealth management
The earlier concept of a 'family' was "Mum, Dad and 2.4 kids". This traditional family structure now encompasses single-parent families, same-sex parents and blended families, to name a few.

Compared to earlier generations, there are a lot more factors to take into account when managing money.

Is a Will really necessary?

It can be confronting to think about who gets what when you're no longer here so it's easy to ignore this task. However, the upside of being properly organised now is that your loved ones will have certainty and clarity about your wishes after you have gone.

DIY will kits are available, but it's not very expensive to have these important documents properly drafted, executed and stored by a solicitor or trustee.

Put your trust in a trust

You can also use your Will to establish a testamentary trust. This is a type of legal arrangement which becomes operational upon death. These trusts offer flexibility regarding the distribution of income and assets, and the structure may provide tax advantages too.

Testamentary trust structures are commonly used to protect the interests of beneficiaries with special needs, such as being a legal minor or in poor health. They can also be used by will-makers who have complex family, financial or business arrangements.

Dependent child pensions
These can be quite a tax-effective way for a dependent child to inherit a parent's superannuation and any linked life insurance. To make sure that a child pension can be activated when it's needed, the superannuation fund needs to have already noted the child as a beneficiary to their parent's account. As not all superannuation funds provide this option, it pays to seek advice in this area.

We know this can be an unpopular topic but it's crucial to protect your assets and care for your dependants after you've moved on. Talk to us and your solicitor today to make sure your next generation handles your wealth as per your wishes.

Source: Financial Writers Australia

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9 ways to boost your immunity this Winter

Finding yourself craving comfort foods as the temperatures drop and the days get shorter? Who doesn't?

But scoffing down salt-encrusted hot chips or gooey melt-in-the-mouth chocolates as you huddle by the heater in winter doesn't do your immune system any favours. Thanks to COVID 19 we've all become super-conscious of how washing our hands can help stave off unwanted illnesses. Our diet has an important part to play too.

As we head into the cold and flu season here are nine ways to give your immune system a boost.

Embrace the season

Strawberries and mangoes may be enticing at any time of year, but meals that make winter fruit and veg the heroes are better for your bod. It's been harvested at the peak time and is packed full of the vitamins needed to get you through the winter months.

Think citrus fruit – such as grapefruit, oranges, and mandarins - and broccoli, cauliflower, carrots, mushrooms, and spinach.

Reel life

Adding oily fish to your menu a couple of times a week is a great way to turbo-charge your immunity. The likes of salmon, tuna, and sardines contain the omega 3 fatty acids that are vital to a healthy immune system. Plus, they are a source of vitamin A, D, B6, and B12.

Tinned, fresh, frozen: it's all good.

Keep 'em lean and mean

Pub grub can make it seem normal to eat a slab of steak or a gargantuan meal of ribs. But for the sake of your health meat-lovers should stick with smaller portions about the size of their palm. And think lean.

You can get a good amount of immunity-boosting iron and zinc from lean poultry such as chicken and turkey breast with skin removed and lean red meat.

Go nuts

Snacking on raw or unsalted nuts – or adding them to meals - is a good support for your immune system. Almonds, cashews, and walnuts contain protein, healthy fats, and vitamin E. A small daily handful should do the trick.

Sow some oats

Rolled oats contain a type of soluble fibre that has immunity-boosting properties and can help your body fight infection. So go wild and sow some rolled oats into smoothies, porridge, or a warming oat crumble for dessert.

Culture vulture

Greek yoghurt contains more protein and less sugar than plain yoghurt and it's full of vitamin B, folate, calcium, and good bacteria. A dollop can easily be added to breakfasts, desserts, or used as a substitute for sour cream.

Garlic goodness

Whether you add it to sauces, dishes, or roast it whole, garlic packs a powerful punch. It contains an antioxidant which has antibacterial properties.

Green machine

Drinking green tea is another way to power up your immune system. The humble cuppa contains polyphenols – antioxidants – that can protect the body's cells against damage.

Soul food

Chicken soup is often a go-to when you feel a cold or flu coming on. Here's why: it has anti-inflammatory properties that can help keep upper respiratory tract infections at bay.

Put your health first this Winter to help keep you fighting fit until the warmer weather returns.

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