



## April 2015 Update

April is here along with cooler autumn weather and the recent Easter holiday break.

The economic news in March was that the US Federal Reserve is likely to raise interest rates as early as mid-year.

Meanwhile, Australian interest rates are on the way down, with one cut to the official cash rate this year and more anticipated. Low interest rates have kept the local residential property market on the boil, especially in Sydney and Melbourne. Sydney's median house price was up by 30 per cent in the two years to the end of February.

Rising property prices have boosted the wealth of Australian households. According to the Australian Bureau of Statistics (ABS), per capita wealth grew to a record \$333,061 in the December quarter. But shares have also performed strongly.

Australian shares rose almost 9 per cent in the first three months of 2015, despite weaker commodity prices.

The ABS Index of commodity prices fell 20.6 per cent in the year to the end of February, which acted as a drag on the resources sector. The difference was cashed up consumers, low interest rates and the global search for yield which all hopefully augur well for the months ahead.

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# AUSTRALIA :

## The Lucky Country

When Donald Horne coined the phrase The Lucky Country in 1964, it was not meant as a compliment. He argued that we were riding our luck on the back of our natural resources rather than creating our luck through innovation.

**T**hat hasn't stopped us adopting the phrase to describe our economic good fortune. But now that the latest resources boom is at an end, is our luck running out?

The recent Intergenerational Report said we would remain in deficit for the next 40 years unless radical changes are made. But despite talk of debt and deficit, Australia's economy is enjoying its 23rd consecutive year of growth.

That's an achievement matched by no other advanced economy, even though growth has slowed along with the resources boom.

### Slower growth

Gross domestic product, the measure of the economy, grew by 2.3 per cent in 2014, slightly below the global average of 2.6 per cent.

Growth below 3 per cent is generally viewed as insufficient to encourage business to take on more employees.

At 6.3 per cent, the unemployment rate is near its 12 year high, but that is still very manageable when compared with a rate of 26 per cent in Greece. Unemployment in the US has fallen to 5.5 per cent, but then we never hit the

double-digit levels they experienced after the financial crisis.

The outlook for employment rests to some extent on business confidence which is not faring so well. The February 2015 National Australia Bank business confidence index showed sentiment had dropped three points to zero.

### Reason for confidence

And yet there is little reason for confidence to be so low given recent falls in the Australian dollar, interest rates and petrol prices.

The lower Aussie dollar makes our exports more attractive and encourages tourism, while low interest rates support retail spending and home building/buying.

The weak oil price is also playing its part, saving us up to \$30 each time we fill up at the bowser.

### Low inflation

Cheaper petrol is one reason our inflation rate is running at just 1.7 per cent. The Reserve Bank's preferred band for inflation is within the 2-3 per cent range and a lower level can be an indicator of sluggish economic activity.

The Reserve Bank expects the economy to continue growing just below the 3 per cent mark through 2015 although it is looking for a pick-up in 2016.

Despite the ending of the resources boom, its impact on the economy needs to be put into perspective. Mining accounts for less than 9 per cent of economic output, on a par with financial services and construction.

### Low taxes

It may come as a surprise, but one way Australia is lucky is that we are relatively lightly taxed.

Taxes for the single average worker only account for 27.4 per cent of employment income in Australia, compared with the OECD average of 35.9 per cent.

And when it comes to GST, Australians are very lucky indeed. Our 10 per cent GST is well below countries such as the UK, Spain, Greece and France, all of which pay in excess of 15 per cent.

What's more, Australia's minimum wage is head and shoulders above the rest of the world at \$16.88 an hour. The next closest is France with \$12.09 while the US comes in at \$7.25.

While our relatively high wages are a sticking point for business, current low wages growth makes it more attractive to hire.

### All's well

Aside from basic economic statistics, Australia also scores well on the wellbeing front.

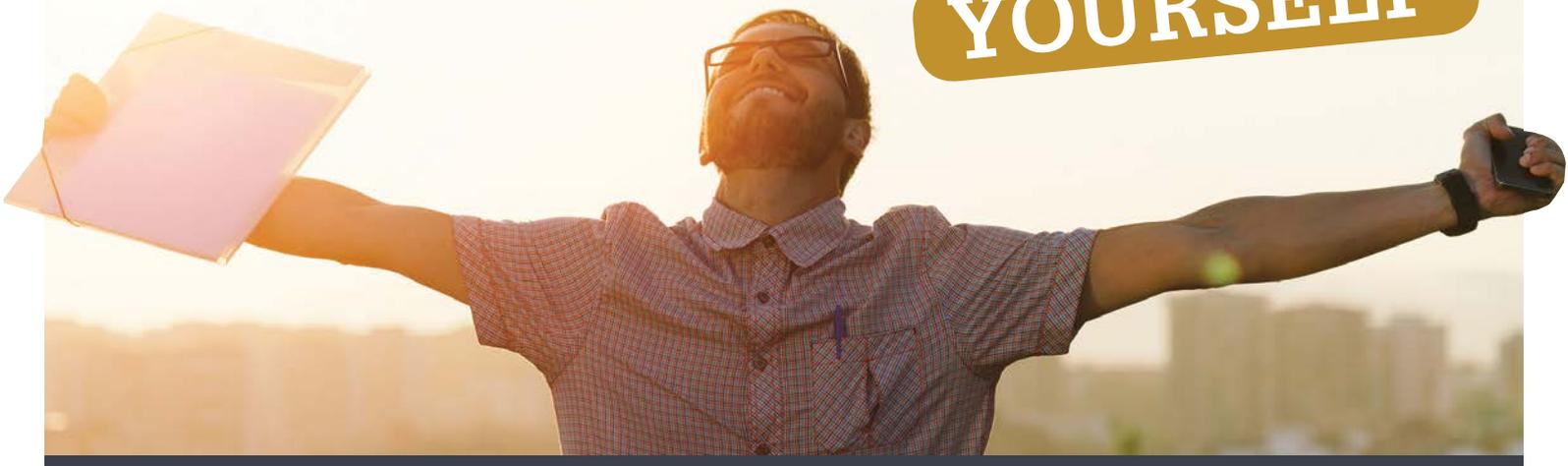
The Happy Planet index, a project of the New Economics Foundation, has Australia ranked at eight out of 151 countries for wellbeing, although most Australians would probably argue that we are number one.<sup>i</sup>

The economy may not be going gangbusters, but in the things that really count we are a lucky country.

<sup>i</sup> Happy Planet Index, <http://www.happyplanetindex.org/data/>

# Learning to invest in

# YOURSELF



While Australia has had an extraordinary run of good economic times, when it comes to employment the market is becoming more competitive, with unemployment trending upwards and wages flatlining. It's an environment where everyone – young, old, self-employed or rusted-on staffer – can benefit from an active approach to professional development.

If you're not making the most of your capabilities, you might want to invest some time and energy in your most important asset – yourself.

Below, five respected life coaches suggest some life-changing, career-transforming techniques.

## 1. Work out what you want

If there is one thing successful people and organisations share it's clarity of purpose. High-performance specialist Phil Owens says, "Finding your purpose is like finding your personal true north; it gives direction to all of your decisions and actions.

To find it he suggests asking: "What is important to me?" and "What do I love doing?"

"Be aware that everyone will have a different purpose and that working out exactly what yours is will probably be a much longer and more complicated process than you expect," he says

## 2. Act mindfully

Mindfulness is a concept that's crossed over from Eastern religion, particularly Buddhism, into the corporate world.

Satyam Veronica Chalmers, a trainer at Mindfulness Coaching, says mindfulness can translate into reduced anxiety, improved learning abilities, greater efficiency and improved concentration.

Even better, practicing mindfulness is free and, once you get used to it, very easy.

"Stop periodically throughout the day for at least a minute to focus on your breathing, notice how you're feeling, notice bodily sensations and take some deep breaths. Set an alarm on your phone to remind yourself to do this," says Chalmers.

## 3. Polish up those soft skills

What separates the happy high-flyers from the not-so-happy plodders is often people skills rather than technical ones.

Rhett Morris, human endurance expert and owner of Bulletproof People, says successful people are often high IQ but low EQ [emotional quotient]. By improving their EQ, they can get more out of people they deal with, whether that's employees, managers or their own friends and family.

Morris suggests taking a free online test, such as [www.ihhp.com/free-eq-quiz/](http://www.ihhp.com/free-eq-quiz/), followed by an 'emotional stocktake' to think about what impact your EQ has on those around you.

"Then begin holding yourself accountable for who you are as what you do, both in the workplace and out of it," he says.

## 4. Link your goals

Linking your goals to something more motivating than a desire for personal advantage can also boost success.

Director of International Centre for Leadership Coaching, Alex Couley points out that humans became the

most successful species on the planet by being cooperative. That means if we set goals with reference to how meeting them will improve the lot of others we'll be more motivated to reach them.

"For example, someone is more likely to work towards getting a pay rise if they're planning on using that money to send their child to a good school rather than just upgrading their car," says Couley

## 5. Investigate your money mindset

We're all at different stages of the wealth-creation journey, but if you feel as if your journey has stalled try doing a personal stocktake.

Money mindset coach Joanne Newell, of Rich Life by Design says that having your financial house in order involves the following: "You should have an income that reflects the value you provide or create, that income should be substantially more than your outgoings, you should have some quality investments and you should have a clear understanding of your financial position, which includes up-to-date bookkeeping."

If your finances are less than ideal, Couley suggests spending some time reflecting on any limiting beliefs you might have around money, including those inherited from your family.

None of these suggestions is costly or complicated but all have the potential to improve your career, finances and overall wellbeing. With the possibility of some challenging times on the horizon, there's never been a better time to invest in becoming more focused and effective.



# Navigating the aged care maze

Today's retirees often have a bucket list including everything from overseas travel to learning new skills and spending time with friends and family. It's safe to say that residential aged care is probably not on the list.

Most people avoid talking about aged care, let alone actively plan for it.

'I suppose I could go there' or 'that might be a nice place to consider' are common approaches to the often unspoken reality that the time may come when you or a loved one needs more care than can be provided at home.

Unfortunately booking into residential aged care isn't like booking into your hotel of choice. You can't always choose when and where you go.

The sad truth is that people often enter facilities direct from hospital after an illness or a fall. When that happens, they may have to go where a bed is available. As the demand for aged care facilities in some areas is high, it may mean going on a waiting list for anything up to 12 months.

To add to what can be an extremely emotional and stressful time there a number of specific procedures and documents to complete before a facility can offer you or your family member a place.

## Where to start

Before entering Government-subsidised residential aged care, you must first be assessed by an Aged Care Assessment Team (Aged Care Assessment Service

in Victoria). These are health care professionals who may be referred to you by your GP.

They will determine your eligibility, the level of care you need and discuss your options before presenting it in a report.

It is always good to visit few potential facilities before making a final decision. This will give you an idea of what to expect including what it may cost, the suitability of rooms and common areas, the type of care that is given and the activities that may be on offer.

## What does it cost?

As of July 2014 aged care facilities have a range of fees including an accommodation charge which residents can pay in the form of a lump sum refundable accommodation deposit (RAD), periodically in the form of a daily accommodation payment (DAP) or a combination of both.

The RAD is refunded when you leave the aged care home less any deductions you have agreed to. The DAP is not refundable. It is calculated as the RAD multiplied by a predetermined interest rate and divided by 365 days.

Once you find a place you like you will need to complete an application form and submit it with your ACAT report.

You also have to complete a Centrelink Income and Assets Assessment which will be used to determine your cost of care.

The Australian government pays for the bulk of aged care but those who can afford to contribute to the cost of their care are expected to do so. While the average accommodation charge published by providers is currently \$359,000, prices range from \$50,000 to \$2 million.

## Selling the family home

Given the substantial amount of money involved, it's not surprising that one of the major decisions people face is whether to sell the family home to fund their entry and or ongoing care.

While it may be financially necessary to sell, doing so may have an adverse impact on your age pension entitlements as well as the cost of care.

If a person or family particularly wants to keep the family home and there are other assets to pay an accommodation charge, it may be preferable to let the house to pay for any means-tested care costs inside the facility.

Just thinking ahead about the care options available for you or an elderly parent may help avoid costly surprises in the future. It can also reduce stress at what is undeniably an emotional time for most families.

*The financial decision-making around aged care is complex. Please call us to discuss your options.*