Finding Your Insurance Sweet Spot

It can take days – and a whole lot of stress – to figure out what type of insurance cover is best for you and how much of it you need. And the thought of making a decision that could have a major impact on your life down the track can feel daunting.

The 'what does your gut tell you' test: sleeping easy at night

Numbers certainly have their place in calculating the right level of insurance cover – but it's also about how much of a safety net you're willing to pay for and what cover is going to help you sleep well at night. Thinking about these questions – and whether you're likely to lose sleep over the answers – can be a good starting point when thinking about the insurance you need:

- Is someone relying on me to pay the mortgage?
- How long would my savings last if I lost my income?
- How would I cope having medical treatment whilst having to work?
- Will this insurance give me more peace of mind?
- What type of cover do I need?

When deciding on the cover you need, it's worth keeping in mind the pros and cons of your options.

With trauma cover, for example, a claim payout means you'll have a lump sum to help you meet the costs of medical treatment when your life is interrupted by a serious illness. Income protection, on the other hand, will pay you a set amount each month when you're unable to work due to illness or injury and there may be a waiting period before you start getting your payments.

Both types of cover could definitely help if you were to have a brush with cancer or a stroke that's serious but not life-threatening.

And if it's a condition that leaves you unable to work or care for yourself for the rest of your life, then you may be eligible for a claim payout on a Total and Permanent Disablement (TPD) policy.

Taking out every type of policy is one way to make sure you've got the cover you need if the worst were to happen. But this 'cover all bases' approach might cost more than you can afford. So how do you choose a combination of policies and premiums that adds up for you?

It's all about you

The type and level of insurance cover that's right for you, very much depends on your situation. There is no automatic answer or cookie cutter approach to getting it right for you. This is why working with a financial adviser can be a great way to choose Insurance cover that suits your circumstances. They can take your personal situation into account and use their expert knowledge to make recommendations that are a good fit.

Things to keep in mind

If you're taking a DIY approach to narrowing down your options, these are some of the critical factors that are going to influence what's best for you:

You and your circumstances

- Your work, age and partnership status
- The number and age of any dependants
- Whether you're a renter or home owner
- How much you owe on your home loan (if you have one)

Your expenses and debts

- Your total monthly living expenses
- How much you owe in loans and debts (apart from your main mortgage)

Your income and assets

- Your annual income – and your partner's income if applicable
- Any additional income you or your partner earn
- Any assets you have – including cash, property and investments

A good rule of thumb for your level of cover

You probably don't have a seven-figure salary or a $10 million dollar property you're paying off. Getting enough cover to give you some peace of mind and a bit of breathing space if your health takes a turn for the worse may be enough.

(Source: IOOF)

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In this Issue

Jeff's Jottings

With warmer temperatures and longer days it is so nice to welcome in Spring. Maybe because of the warmer weather, it was pleasing to see in July that stocks rallied as investors looked past fears of inflation increases and interest rate hikes.

This past quarter has seen a steady rise in interest rates, with the RBA now having raised the cash rate five times since May. Whilst it is predicted that the RBA will continue to raise interest rates to between 3 — 4% (it is currently at 2.35%) in order to curb rising inflation, they may decide to put a pause on further rate rises should inflation levels be brought back to target faster, creating a more sustainable economy.

With this in mind, now may be a good time to review your financial situation and insurances to ensure your needs continue to be met. Why not have a read of our page 4 article 'Finding Your Insurance Sweet Spot' for information on things to consider?

Wishing you a warm and enjoyable Spring.

Jeff English

CEO and Senior Financial Adviser

Market Update

The June quarter was dominated by aggressive interest rate hikes as central banks around the world attempted to control inflation and the rising cost of living.

WHAT HAPPENED IN THE JUNE QUARTER?

- The ongoing rise in inflation and commodity prices is contributing to a higher cost of living.
- Central banks around the world raised interest rates in an attempt to control inflation.
- Bond yields continued to surge, while share markets fell.

The Australian share market held up comparatively well to other developed markets, mainly due to the mining sector benefitting from high commodity prices.

WHY DID THESE THINGS HAPPEN?

Inflation remains high around the world, due in a large part to the Russian invasion of Ukraine and the subsequent sanctions on Russian exports. Oil prices have increased by 49% over the past 12 months. Wheat prices have increased 41% over the same period, while corn has increased 25%.

What's more, Coronavirus lockdowns in major Chinese cities are creating supply chain issues for manufactured goods, while increased demand for services (particularly air travel and hotel accommodation) are creating strong demand for labour and higher wages.

All of these factors combined are causing a sharp rise in inflation and higher cost of living in most developed countries, including Australia.

Therefore, it wasn't a surprise to see some of the world's major central banks increase interest rates over the June quarter in an attempt to control inflation. The Federal Reserve in the US had an unusually large rise of 0.75% in June, which is the highest increase since 1994. In Australia, the Reserve Bank raised the cash rate in May by a modest 0.20%. Inflation rose to an annual rate of 5.1% after the March quarter. Stronger evidence of higher inflation led the Reserve Bank to raise the cash rate again in June by 0.50% to 0.85%. Even though most people expected the rate increase, this was larger than anticipated. The Reserve Bank's Governor, Phillip Lowe, warned that inflation could reach 7.0% by the end of 2022, which means more interest rate rises are likely.

These aggressive interest rate rises caused investors to re-assess the future path of global interest rates, which led to a sharp increase in bond yields. This caused the prices of many share market equities (particularly those that are growth -oriented) to fall all around the world. While we saw the same pattern in Australia, we were one of the better performing countries thanks to our mining stocks, which were helped by strong commodity prices.

WHERE TO FROM HERE?

We've seen some dramatic activity over the past few months, with significant interest rate hikes and share market falls. So, have we finally got inflation, bond yields and share market volatility under control?

Not yet, although there are some positive signs

Orange Cake

Spring is for citrus fruits and the zest of life. This orange cake recipe makes for a wonderful treat when a friend pops around for a cuppa.

Ingredients:

- *170g plain flour*
- *1 1/2 tsp baking powder*
- *1 pinch salt*
- *115g butter*
- *115g caster sugar*
- *1 orange rind, grated*
- *2 egg room temperature*
- *2 tbs milk*

Syrup:

- *15g caster sugar*
- *250ml orange juice*
- *3 slices orange*

Method:

1. *Preheat oven to 180C. Line and grease 20cm cake tin.*
2. *Sift flour, salt and baking powder in to a bowl.*
3. *With electric mixer, cream butter or margarine until soft. Add sugar and orange rind and continue beating until light and fluffy.*
4. *Beat in eggs one at a time. Fold in flour mixture in 3 batches then add the milk.*
5. *Spoon into tin and bake for 30 minutes or until cake pulls away from the sides.*
6. *Remove from oven but leave in tin.*
7. *Syrup: Dissolve sugar in orange juice over low heat. Add orange slices and simmer for 10 minutes.*
8. *Remove slices and drain, let syrup cool.*
9. *Pierce cake all over with skewer and pour syrup over hot cake.*
10. *Turn out onto serving plate when completely cool.*

(Source: bestrecipes.com.au)

that conditions may start to return to normal soon. As long as there are no new shocks, we can expect that some of the drivers of high inflation – such as high commodity prices and the supply chain disruptions in China – will likely fade over the next six months or so.

We're feeling less positive about the US getting their inflation under control in the near future. This means we will likely continue to see volatility in bond markets, and possibly share markets as well, for a bit longer.

WHAT DOES THIS MEAN FOR MY INVESTMENTS?

It's currently a challenging period for global and Australian investment markets as they feel the impact of the war in Ukraine, rising inflation and interest rates, along with supply chain disruptions.

Whilst market ups and downs are a normal part of investing, it can be hard seeing the impact this has on your fund balance. If you're thinking about what to do next, it is important to remember that investing should be seen as a long-term strategy.

History shows us that markets usually recover to the same level or higher overtime.

(Source: Colonial First State)

What to Consider When Transferring Your Wealth

We spend a lifetime generating wealth but few of us spend the time to ensure it's passed on in the way we want it to.

Having a plan in place for how and when you want your wealth to be transferred, will help all parties understand your intentions and the process.

While there isn't a one-size-fits-all approach, there are a few things to consider when you get started.

Write a will and update it

One of the simplest things that people often overlook is writing a will. This document is the bones to any successful wealth transfer plan and must be updated regularly to ensure any major life changes are accounted for.

This can include anything from getting married or having children, to selling the family home.

Start the conversation early

Before any plan is implemented, it's crucial that families have honest conversations about their wealth so younger generations understand what they're likely to inherit.

This will help your beneficiaries prepare and have a planned purpose for how it should be used. It also means they have time to seek professional help if needed.

Another benefit of these conversations is they present an opportunity to talk about any long term goals you may have. For instance, you may want your beneficiaries to set up a retirement account, allocate it to their kids' education or support a cause you love.

Seek help from a professional

If you value the experience of experts in other aspects of your life, don't discount it when it comes to managing your life savings.

A financial adviser is not just someone who helps with investments. Their job is to help you with other aspects of your financial life—while keeping you on track to achieve your goals. More importantly, they can help answer questions like:

- What age can I stop working and retire?
- What strategies can I use to build my wealth?
- How can I ensure my wealth is transferred to my children?

If your to-do list is endless and you never quite have time to tackle your personal finances, a financial adviser may help to set you on the right track.

(Source: RI Advice)

Be in Control of Your Retirement

Are you approaching retirement? Then chances are the funding of your lifestyle in retirement may be on your mind. Take steps now to avoid getting caught short on retirement income and live the retirement lifestyle you want.

The qualifying age is increasing by six months every two years until it reaches 67 in July 2023. The Age Pension age increased to 66 and a half on 1 July 2021.

If for example, you are planning to retire at 60 you will need to wait until you're 67 before you can apply for the Age Pension. You'll have to rely on your own savings and super in the interim, making it crucial to ensure you have enough money put away for later years. But the good news is that there's still time to grow your retirement savings.

Boost your super

Contributing more to your super can be a reliable route to bolstering your retirement fund. By making extra contributions through salary sacrifice, you can grow your super and at the same time reduce the amount of income tax you pay. The government will tax your salary sacrificed contributions, within the allowable concessional contribution cap, at 15 per cent, which may be much lower than your marginal tax rate.

Making non-concessional or after-tax super contributions is another option. Generally, you can contribute up to $110,000 each financial year if your total super balance is less than $1.7 million at 30 June of the last financial year. To understand how these contributions work, it's wise to get professional advice.

Beef up your savings

Your personal savings outside of super can supplement your super payments in retirement. But are they growing enough now to provide you with some level of income when you retire?

To build up your savings, you may have to invest part of it and make sure it's growing faster than the rate of inflation over the long term. You should seek professional advice to see what investments are appropriate for you.

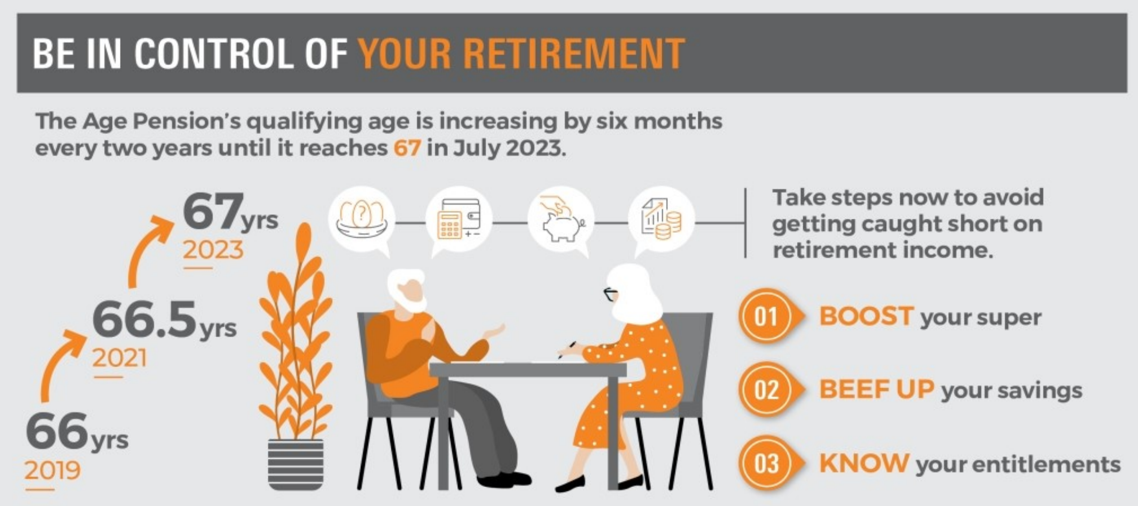
Know your entitlements

Besides the Age Pension, you may be eligible for other government benefits and concessions. For example, you may be eligible for a concession card such as the Pensioner Concession Card (if you are receiving the Age Pension), Commonwealth Seniors Health Card or the state based Seniors Card. Concession cards like these may entitle you to discounts on some commercial and public services. Concessions that allow you to buy prescription medicine at a discount may also be available.

But keep in mind that these benefits have strict eligibility rules. There's also no guarantee that these entitlements will still be available by the time you retire. So, take charge of your retirement.

Working with your financial adviser, you can develop a strategy that helps ensure you'll be well provided for regardless of changes to pension policies.

(Source: RI Article hub)



Farewell Emma

We recently said goodbye to our wonderful team member, Emma Smith. Emma had been a member of our Client Relations Team for the past two years, and many clients will know her for her friendly and bubbly personality and willingness to assist. Emma has been a pleasure to work with and will be missed by all staff. We wish her all the best in her future endeavours.

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Money Facts

Do you remember 1 and 2 cent coins?

Although the old 1 and 2 cent coins were a copper colour, they were actually made of bronze. After they were withdrawn from circulation in 1992 and collected, they were melted down and the metal re-used.

Did You know?

Did you know that all of the Bronze medals at the 2000 Sydney Olympics were made of recycled 1 and 2 cent coins?