



Your Life Now

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Welcome to the Winter edition of the quarterly client newsletter from Your Life Now Financial Services. Your Life Now is a financial planning practice providing professional advice on superannuation, retirement planning, insurance and home loans.

I am excited to introduce a new team member to you. Ann Stokes has joined me as the Office Manager at Your Life Now. Ann has over 20 years' experience working in financial planning practices and is going to greatly improve the efficiency of the Your Life Now office. Ann is a fabulous mum, wife and grandmother and I really appreciate having Ann work with me.

In this newsletter, we discuss "How and why to talk to your adult children about insurance". It's very important that your adult children and their partners are financially protected in the event of disability or death. Further to the enormous emotional impact of such an event, the impact to you and your retirement plans could also be significant. We also discuss "Get ready for the first year of retirement". Planning your lifestyle in retirement is just as important as planning the financial side of retirement. We also provide an article from Dr Shane Oliver on "Why Australian property won't collapse". Australian residential property is expensive by most measures but Shane argues that we are unlikely to see more than a 5-10% fall over the next few years.

I hope you find this newsletter interesting. If you would like a PDF copy, please go to the "News and Resources" section of my website at yourlifenow.com.au. If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us. In the meantime stay warm and we hope you enjoy the read.

Best regards,
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How (and why) to talk to your adult children about insurance

Adult children living at home. It's the premise for many a zany Hollywood comedy. Men in their '30s or '40s living with their mums, modern city families having to move to their parents' country homes, houses packed to the rafters with multiple generations.

Surprisingly, it's the reality for a number of Australian families. Retirees looking forward to comfortable, leisurely lifestyles are suddenly saddled with the responsibility of children, dependant grandchildren, and all the associated financial complications. While it can be great to have family around, it is also a real financial burden. But the alternative is letting them fend for themselves – an idea no parent would be comfortable with.

How does this happen? There are a number of circumstances that could see your otherwise very successful, grounded children left with nowhere to turn. The accidental death of a partner or a long term illness or disability. Even the loss of a family business or a sustained period of unemployment.

The good news is that there's a way to ensure these unforeseen circumstances don't impact your retirement lifestyle. It's simple – insurance.

Making sure your adult children are adequately insured is the easiest way to take care of them, whilst also safeguarding the retirement lifestyle you've worked so hard for.

What to consider

The right level of insurance can see a young couple or family maintain their standard of living and get back on their feet after the death of a partner or spouse. It can cover living expenses including (but not limited to) mortgage/rent payments, utility bills, education expenses, groceries, and more.

The problem is that, to put it bluntly, young people consider themselves invincible. Or at least, they don't take the risk of death seriously. Your children may have little to no life and TPD (total and permanent disability) coverage, except perhaps through their super. Getting their life insurance sorted should be a top priority.

Then, there's health insurance. Again, many young people don't have adequate coverage because they don't see the need while they are free of chronic conditions. However, in the case of a severe accident or acute illness, their policy may not cover all their treatment. And (on its own) it won't make up for a loss of income.

An emerging concern for Gen Ys and millennials is the way that a serious injury or illness can impact their career path and earning potential. For example, statistics

show that despite safety campaigns, more young people than ever are hospitalised after road accidents'. If your child were to need significant time off work due to unforeseen circumstances, how would their living expenses be covered? If you don't want to pick up the tab, income protection insurance may be a suitable option for them.

How to start a conversation

It can be difficult to start talking about insurance with your adult children, especially if they're wholly independent and you don't generally discuss money matters with them.

To get started, be upfront with what you want to talk about, so the discussion stays focused. It's easy to be side-tracked by emotional issues, complications of estate planning etc. Let them know you've decided to start this conversation now because you're in the midst of your own retirement planning. At the same time, make sure they understand that you respect their independence, but that you want peace of mind for their future.

If the cost of premiums is an issue, you may find it cost effective to help them with this expense. Alternatively, you can make a joint appointment with us to discuss insurance strategy. Afterwards, you'll both feel all the better for having secured your retirement and their financial future.

ⁱ https://bitre.gov.au/publications/ongoing/files/Road_trauma_Australia_2014_statistical_summary_N_ISSN.pdf

Get ready for the first year of retirement

Will you be a honeymooner, a go-getter or a relaxer?

The first year of retirement is one of transition in which you will need to adjust to major changes that can bring big rewards. Some of the changes may include; preparing mentally for the shift to not working full-time, adjusting to not getting a regular salary, ensuring your money can last for about 30 years and keeping your mind and body active.

Three paths

Researcher Professor Robert Atchley identified a number of ways people react to leaving work permanently and split the period immediately after paid employment into three paths:

- the “honeymoon” path, for people who dive into many of the fun activities they did not have time for previously, especially travel
- the “immediate retirement routine” path, which covers people who had full and active schedules outside their employment that flow into busy lives soon after retirement
- the “rest and relaxation” path, taken by people who choose to do very little in their early retirement after very busy careers with limited time to themselves.

What to consider

The phase before actual retirement, Professor Atchley says, usually involves disengagement from the workplace and planning for what lies ahead.

If possible, you should use this period to transition into retirement by reducing your working hours or by changing your workload over time. Speak to your adviser about a Transition to Retirement strategy that could see you reduce your working hours, but not necessarily your income.

You should also determine what sort of retirement you want, using the three paths as a guide, and try to plan ahead for your lifestyle adjustment during the first year of transition.

If you know what you want, you will be able to take stock of your finances and take advantage of final opportunities to boost your superannuation if there are gaps in your savings plans. Remember, your retirement funds may need to last 30 years.

Make your life satisfying

A study by the Australian Institute of Family Studies shows there is little change in life satisfaction for both men and women in the year immediately following retirement as they adjust to their new circumstances but thereafter, it improves for both sexes.

Once you have ensured that your savings are on track for retirement, you should start

thinking about how you will handle the loss of the worker role and what you can do to improve your life satisfaction.

Will you be one of the “honeymoon” phasers, or will you fall into an “immediate retirement routine”?

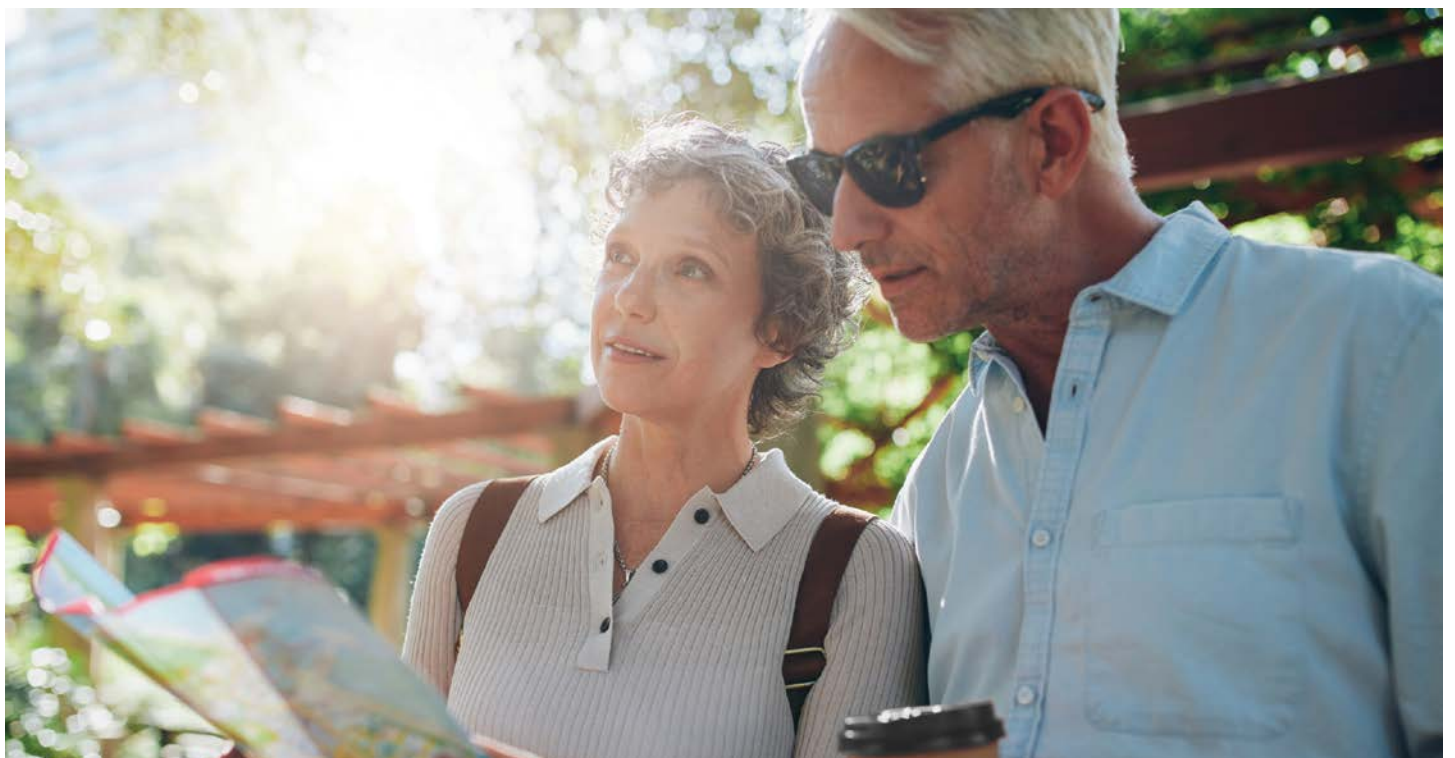
It may help to try new things before you retire to decide if they will be right for you, such as hiring a caravan for a short jaunt before buying one for a big trip. If you are considering a sea change or tree change, rent in the area you fancy before making the final leap.

Be fit and healthy

Recent research suggests you need to be fit to retire to age well. Try getting into an exercise routine before you retire that you will be willing to continue when work no longer dominates your life. The health benefits of regular exercise cannot be overstated as it keeps you mentally fit and helps you ward off disease and disability, even if you start late in life. And try to do more than just exercise, such as being careful with your diet, as it will increase your health and wellbeing.

We're here to help

Now might be a good time to review your finances and boost your super. If you would like help with planning for your retirement, make a time for a chat with us.





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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