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Goldsborough

Quarterly financial planning news and views

Death of the traditional 60/40 portfolio?

When the Future Fund, which is Australia's $200 billion sovereign wealth fund, writes a position paper titled "The Death of Traditional Portfolio Construction?" it is sure to get the attention of the media and our clients alike.

Portfolio construction has become a hot topic from late 2022, which is understandable considering cash was the best performing asset class. In fact all other asset classes were negative for the year, which last occurred in 1994 and has only occurred four times in the last 50 years.

So, what is a traditional 60/40 portfolio?

The so-called 60/40 portfolio began in 1952 with the belief that a portfolio of 60% growth assets; primarily shares, and 40% defensive assets; primarily bonds, was the optimal investment portfolio. The idea being that when growth assets are not doing well the defensive assets will hold up the portfolio. This usually occurs as central banks reduce interest rates to stimulate the economy which results in an increase in bond prices.

Then in reverse, when the economy is doing well and growth assets are climbing higher, central banks will increase interest rates to put the brake on the economy resulting in a decrease in bond prices.

Based on historic returns the optimal mix is to have 60% growth assets and 40% defensive. As it is difficult to time the markets it is advocated that this allocation be the mainstay of investment portfolios.

As 2022 proved to be a dramatic year, with central banks fighting an unexpected inflation battle by increasing interest rates at the fastest rate in many decades, we saw historic falls in bond prices. In the lead up to 2022 with close to 0% interest rates many started questioning the defensive qualities of bonds due to their low yield, although they still retain their capital preservation qualities.

Investment professionals in search for alternative sources of returns in the defensive sector turned their eye towards unlisted assets and hedge funds (it is questionable whether these are considered defensive assets). They also tried to reduce investment fees to bolster returns by increasing allocations to passive investments. Institutional investors also looked at a mixture of investing directly into private equity and infrastructure to match the long-term investment characteristics of their clients.

I would argue that in search for diversification the 60/40 portfolio is not dead. It is just that the investment mix within these growth/defensive sectors have become more nuanced. They have been better categorised and more diversified i.e. there are many ways to invest within the share market now (private equity, ETFs managed accounts, growth, passive et cetera). Just as there are many different markets and levels of risk to take within the bond asset class. Like every aspect of life everything evolves, and the 60/40 portfolio is no longer just made up of shares/bonds. ■

Goldsborough Financial Services
AFSL 225330
ABN 89 064 640 142

160 Greenhill Road, Parkside SA 5063
T 08 8378 4000 **F** 08 8373 4544
E mail@goldsborough.com.au
W goldsborough.com.au

SAM MARTIN CFP®
Authorised Representative (252676)

BRENTON MIEGEL CFP®
Authorised Rep. (227297)

BORIS PEDISIC CFP®
Authorised Rep. (301739)

The true value of advice

There's a lot to consider when trying to secure your financial future.

Should I pay off the mortgage or put money into super... but what about renovations? When can I stop work? How do I afford the children's education?

Good financial advice answers these questions by mapping out your goals and putting strategies in place to achieve them. The traditional measures of financial advice success have focused on achieving tangible goals, such as retiring earlier, relative investment returns, or simply spending less.

While these financial benefits of advice have long been established, we have evidence financial advice gives you much more.

In late 2020 IOOF conducted some independent research in conjunction with CoreData. At the time it was one of the largest of its kind undertaken in Australia. CoreData surveyed 12,643 advised clients and non-advised individuals. The study revealed that of those who received advice:

- 90% agreed their adviser is a critical partner in their financial success;
- 93% rated their financial adviser as very good or good with respect to the value of their services;
- 84% agree the value of advice outweighs the costs.

The research further revealed some of the key benefits client's experience from their advice, with it helping clients to identify, prioritise and achieve financial and personal goals, including that:

- 93% believe advice provides clarity around goals and progression towards them;
- 91% agreed receiving advice helped them to achieve their financial goals;
- 86% agreed advice helped them achieve personal goals;
- 82% believe advice helps inspire them to work towards and reach their goals.

What's more, 90% of advised clients say that accessing financial advice has left them in a better position financially. Advised clients say it also provides them with improved mental health (50%) less worry and stress (88%), and better relationships with family and friends (41%).

Even if you have your financial house in order, a financial adviser provides the comfort and peace of mind of a well thought out plan, a plan that ensures you are better prepared for the future.

The benefits of receiving financial advice

Australians who receive comprehensive financial advice have an average of 22% more funds in their superannuation account and were able to withdraw funds at a higher drawdown rate, according to new research conducted in late 2022 by Aware Super. The study of more than 100,000 Aware Super members looked at the retirement savings and behaviours of those receiving financial advice compared to those who had not.

On average, advised clients were found to have almost $150,000 more in retirement savings.

A Financial Adviser can help provide a clear understanding of your financial situation and create a personalised strategy, to help you achieve your goals. Other benefits include:

- Helping you make informed decisions about your finances and guiding you towards achieving these goals;
- Providing objective advice and expertise on superannuation, retirement planning, investments and risk management;
- Optimising your savings and investments to meet your short, medium and long-term goals;
- Reducing your financial stress and providing peace of mind by addressing your financial concerns and helping you stay on track with your strategy;
- Having access to specialised resources and information that most individuals don't have;
- Providing ongoing support and guidance to help you navigate changes in your financial situation and adapt your personalised strategy as needed.

At Goldsborough we have seen a wide variety of client circumstances over the years and can cater for all situations. We always have the capacity to meet with new clients on an ongoing basis, and particularly welcome referrals from our existing clients. We have a long and proud history of helping South Australians to be successful and comfortable with their financial situation. This comes from a very collaborative approach in office, and a great sense of satisfaction 'when a plan comes together' for our clients.

And finally to quote Warren Buffett:

*"Price is what you pay.
Value is what you get."*

Having a great financial adviser is like having an expert guide to get you where you want to go – faster, more safely, more enjoyably and with a lot less effort. Yes, you can muddle through life on your own. Or, with the help of a professional financial adviser, holistic financial advice and comprehensive service, you can get a whole lot more out of life. ■

LACHLAN HARVEY CFP®
Authorised Rep. (227293)

WILL CHAPMAN Dip FS(FP)
Authorised Rep. (311745)

John Oliver and Glenn Todman

Lachlan Harvey, Will Chapman and Jade Robran

1395 FIVEaa TALKING ADELAIDE

Join us as we celebrate 30 years on radio with FiveAA

Our advisers now join the fabulous Jade Robran every second Thursday at 3pm to shine a spotlight on financial planning topics and answer your questions. We are now being live-streamed via Facebook and Twitter. Follow the link on the FiveAA homepage.

After 30 years of talkback radio and an amazing 605 guest appearances, John Oliver reflects on his first time on radio as being "more nervous than any time in my life during that first appearance in 1993," but his favourite memory was the final show with the late Bob Francis, "all our advisers went into the studio and had a lot of laughs reminiscing about the odd calls we've received over the years."

Goldsborough's founding Partner, the late Glenn Todman was the first to appear on air in 1991, he then teamed up with John Oliver in 1993 to become the "finance experts from Goldsborough" on FiveAA. When Bob retired in 2013, the team continued as guests on Jeremy Cordeaux's evening show, before moving to our regular afternoon slot in 2017.

Brenton Miegel recalls his most memorable call, "a call that we took late one night from a person who asked what I thought about investing in a camel farm. He explained that he worked FIFO at Roxby Downs and had seen wild camels, wondering if they could be farmed. My response was a polite, 'I'm not sure', instantly realising that it was a good mate of my brother who was trying to stitch me up on air!"

Lachlan and Brenton are now the longest-serving of the current panel of advisers. Lachlan reflects that "it's been an amazing opportunity to work with some of the most talented people in radio including Jade Robran and Alan Hickey as well as three Radio Hall of Fame legends in Jeremy Cordeaux, Tony "Pilko" Pilkington and Bob Francis."

The Goldsborough team are extremely proud of this long-standing commitment to educate, inform and promote better financial planning in the community. We remain firm in our belief that financial planning improves people's lives.

Bob Francis, Glenn Todman and Brenton Miegel

We would love you to **help us celebrate our 30 years on radio** by answering the following questions:

1. **How has financial planning made a difference in your life?**
2. **How would you describe your financial planner?**

We look forward to hearing your comments. You can email onair@fiveaa.com.au or text 0448 08 1395.

Don't forget to tune into FiveAA 1395 at 3pm every second Thursday. You can give us a call live on air on 8223 0000.

Craig Kirkwood

CRAIG KIRKWOOD AFP®
Authorised Representative (401525)

The key to building wealth

The key to building wealth can be explained simply as make more than you spend, and invest the difference wisely. Many people will delay taking control of their finances because they don't have the time, it's too daunting or they don't know where to start. The reality is saving for retirement is about starting early, saving consistently and letting compound growth do the heavy lifting.

The first step is always the hardest Building wealth can be broken down in to four phases of **Earn, Save, Invest** and **Preserve**.

Earn

Firstly, you need to have a long-term source of income. In the early years income may only be enough to cover the basis essentials. A budget is important to determine when you will have saving capacity and if possible what reductions can be made to expenditure. This is the most fundamental step and consideration should be given to your chosen career. Work in something that you enjoy and do well... and will pay enough to meet your financial expectations.

Save first, spend later

As our income rises it's amazing how quickly we can adapt our lifestyles to the additional income. It's easier not to miss something that we don't already have, so aim to save half of any bonuses or pay increases. Success in this stage is about having a savings plan as simple as directing regular money to a bank account, or an investment (like superannuation). A review of the budget will assist in confirming what can be saved first, and what is left over for spending.

Invest wisely

Before investing, you should first review your risk tolerance. This includes unique factors such as your investment time horizon, liquidity needs and tax considerations. A long-term investment strategy can then be developed to build a portfolio of different investment styles with an appropriate mixture of fixed interest, property, equities and alternative investments. Invest in quality assets and don't try and time the market. Portfolio diversification and regular investing will remove the timing element risk. A regular review will help in assessing investment performance and modifying the strategy to fit with personal changes and risk tolerance.

Once you have a regular amount being invested, eventually the investment returns will exceed this.

Preserving

Moving closer or into retirement, the shortening time horizon becomes highly relevant. Spend time reviewing what your anticipated drawdown is required to provide a steady cash flow throughout retirement and capital for estate planning goals. The most overlooked element of retirement planning is longevity risk; running out of money before you run out of life. The portfolio will likely contain a higher weighting of fixed income investments but some exposure to growth assets will be required to keep pace with inflation.

When building wealth a variety of factors will come in to play, but none more so than patience. Providing you start with a good plan early, take your time, and save consistently you'll find yourself a wealthier person in no time. ■

MATTHEW KELLY CFP®
Authorised Representative (314983)

Financial hardship and aged care

If you find you are having trouble with paying your aged care costs, you may be able to apply to Centrelink for financial hardship assistance.

If your claim is granted, Centrelink will pay some or all your costs. How much Centrelink pays will depend on your situation, and they will pay this to your aged care provider on your behalf. Not everyone can get financial hardship assistance.

If you started getting a Home Care Package on or after 1 July 2014, you may get help with both your:

- Basic daily fee
- Income-tested care fee

If you moved into an aged care home on or after 1 July 2014, you may get help with your:

- Basic daily fee
- Means-tested care fee
- Accommodation costs

As part of the application process, Centrelink will assess your income and assets. You will not be eligible for assistance if you:

- have assets valued at more than $40,033.50 (excluding unrealisable assets)
- have gifted:
  - more than $10,000 in the previous 12 months or
  - more than $30,000 in the previous 5 years

An asset may be considered unrealisable if you cannot sell it or borrow against it. This may include:

- a house that you own that has been on the market for 6 months or more
- jointly owned property
- gifting – where the decision to gift was made by a Power of Attorney or when the person was incapacitated
- frozen assets

It does not include:

- properties that you own and rent out
- private trusts and private companies ■

MICHELLE SANCHEZ
Authorised Representative (325471)

The extinction of cash?

Good old-fashioned cash seems to be heading the way of the Tasmanian tiger, as Australian's shift more and more to contactless payments. So, is this the end for dollar notes in Australia? It's predicted that by 2025, cash will account for just two percent of all retail transactions, which is usually used for much smaller purchases.

It seems Aussies are favouring other payment methods such as credit or debit cards, with the use of digital wallets increasing in popularity and likely to overtake all other payment methods within a couple of years. Digital wallets are becoming increasingly popular as the convenience and security of digital wallets, along with the increasing acceptance of digital payment options, have contributed to their growing popularity.

Buy now pay later services also account for 11% of all purchases and is likely to keep growing given its convenience and the ability for customers to make purchases without having to pay upfront.

This shift away from cash use was only exacerbated during the pandemic, as people's payment methods adjusted to deal with the virus risk, with a reduction of 20% during the first year of the pandemic. But perhaps the most convenient thing, certainly for me, is that now one in 10 of us leave home without our wallets.

But moving to a cashless society isn't without risks. Firstly, it's much easier to keep track of your spending with physical dollars, without getting carried away. We have also become very dependent on technology, which is vulnerable to outages, hacking and cyber-attacks. It comes with it privacy concerns and exclusion for some people who don't have the ability to access the required technology. And as a mum of young kids, a cashless tooth fairy seems a little mean. So, in my opinion cash will continue to be legal tender for the foreseeable future, however, time will tell ■

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Seminars for 2023

We are looking forward to hosting our quarterly seminars again in 2023.

If you would like to register for any of our seminars, please contact our office on **08 8378 4000** or via email at **mail@goldsborough.com.au**. Please also keep an eye on our **Facebook** page or **website** for the most up-to-date details. ■

Retirement Living and Aged Care

Wednesday 3 May

Wednesday 2 August

Wednesday 1 November

at 6.00pm

If you or a loved one will need Retirement Living support and/or Aged Care in the coming years, then this seminar will explain the different options that are available.

Retirement Planning Talk

Tuesday 9 May

Tuesday 8 August

Tuesday 14 November

at 6.00pm

There's never a better time to plan for tomorrow than today! We'd love to help you start planning your financial future, and it's as simple as attending one of our free Retirement Planning Talks.

Referral award

Goldsborough is a referral-based business. **The biggest compliment any client can give us at Goldsborough is the referral of a friend, relative or business associate who could benefit from our services.** To show our appreciation for the wonderful referrals that we receive from our clients we are now drawing a winner for **each month**, to receive a $100 gift voucher!

We have pleasure in announcing the winners of our 'Referrers Awards' December 2022, January 2023 and February 2023 are:

- Paul & Leonie Orchard
- Jeff & Cheryl Thompson
- George & Catherine Smith

Congratulations and thank you again, your vouchers are on the way. ■

The winner of the draw receives a $100 gift voucher!

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