



October 2015

Welcome to the latest edition of our client newsletter,

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.

In the meantime we hope you enjoy the read.

All the best,
Wealth Connected Financial Solutions

Wealth Connected Financial Solutions

2/151 Carinish Road,
CLAYTON VIC 3169

P 0432 101 777

E vviral@wealthconnectedfs.com.au

W www.wealthconnectedfs.com.au

Facebook <https://www.facebook.com/wealthconnectedfs>

If you've always thought property prices only go up...

With so much emphasis on property in the media, it can be difficult to sort fact from fiction. But before investing in any type of asset—including property—it pays to consider the pros and cons, and any commonly held misconceptions.

We bust 3 property myths.

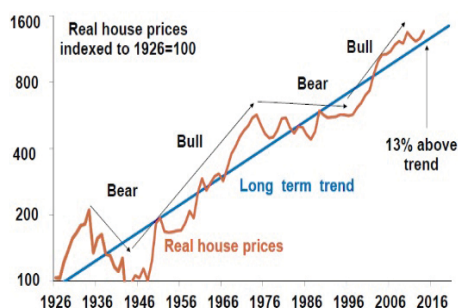
Myth 1:

Prices always go up

Believing that property always goes up is understandable—especially given prices have dramatically increased in our major cities in recent years.

But like most investments, the property market demonstrates cyclical patterns. That means, at times property performance can be stagnant and show little or no growth. And like many investment cycles, a boom can be followed by a bustⁱ.

Australian house prices relative to their long term trend



Source: ABS, AMP Capital

Myth 2:

All property is the same

When we think about property, we tend to think about it as one market. We generally take a macroscopic view. We hear about the performance of Australian property and may think that buying a property anywhere will turn out to be a good investment.

But this approach can lead to decisions that fail to yield the results we expect.

Within the property market are countless micro-markets. And property prices can depend on the different economies they have links to—as we've seen in Australian mining towns where prices reached record highs in recent years only to be followed by a sharp decline.

Similarly, we hear general reports in the media that property prices are rising, and this general sentiment can set unrealistic expectations. For example, specific price expectations in the CBD should be markedly different from those in a particular region or suburb. But we may tend to think that all prices in all areas will always rise. And this is where the danger lies.

Myth 3:

Property's a sure thing

The combination of low mortgage rates and rising home values means debt levels have

increased dramatically. In fact, the ratio of household debt to disposable income is recorded at 155.9%—a record highⁱⁱ.

If you cannot afford to repay a home loan due to changes in personal circumstances, such as losing your job, your entire financial future can be put at risk. Any slumps in house prices could result in many people being unable to cover outstanding loan amounts if forced to sell.

Take a long-term view

It's important to think about property as a long-term investment, even when buying a home to live in—and to borrow within your means so you're not financially stretched. Explore your capacity to repay a loan with our borrowing power calculator.

And if you take on a home loan, consider buying insurance to help protect you in case your circumstances change and you're unable to meet your loan repayments.

When it comes to investing, it's important not to put all your eggs in one basket. That way you may be able to protect your money by spreading risk over different markets. Speak with us to find out more about the types of investments that may suit you.

i <http://advice.realestateview.com.au/buying/beginner-guide-to-investing/4/>

ii <http://www.corelogic.com.au/news/while-housing-and-household-debts-keep-climbing-so-too-does-asset-values>

Important information © AMP Life Limited. This provides general information and hasn't taken your circumstances into account. It's important to consider your particular circumstances before deciding what's right for you. Although the information is from sources considered reliable, AMP does not guarantee that it is accurate or complete. You should not rely upon it and should seek qualified advice before making any investment decision. Except where liability under any statute cannot be excluded, AMP does not accept any liability (whether under contract, tort or otherwise) for any resulting loss or damage of the reader or any other person.





It must be true, I saw it on the news

“Good evening and welcome to the evening news. Our top story – the All Ordinaries rose by one point on limited trading with little economic data of any consequence released today”.

That’s a line viewers are unlikely to hear when they flick on the 6pm news. It’s not very dramatic, and it’s not bad news. A more realistic lede might include details of “billions wiped off the value of shares” or “fears for mum and dad investors”. You’d be lucky to hear details of a seemingly insignificant share market recovery outside of the briefest of updates squeezed in somewhere between the latest Kardashian crisis and the cute Panda story from China.

Bad news sells

Firstly, why bad news? Why can’t we have a break from stories of refugee crises, badly behaved footballers or surfers providing sharks with a tasty afternoon snack?

Several publishers and broadcasters have put this to the test over the years – most recently in 2014 when a Russian news site known as *City Reporter* decided to report good news to its readers for an entire day. Bad news was reported, but it was given a positive angle i.e. “deposed Prime Minister looks forward to spending more time with the family”. The result was a potpourri of sunshine, unicorns and positivity – that absolutely no one wanted

to read. The City Reporter lost two-thirds of its normal readership that day, according to a post by one of its editors on Facebook. “If it bleeds, it ledes,” according to an old newsroom adage.

An avalanche of news

Newspaper readership and patronage of free-to-air nightly news has been steadily declining for decades – the introduction of digital devices and media, the change in people’s lifestyle and work patterns, myriad distraction for a slice of our leisure time, inflexible business models and an inability by media proprietors to embrace the world of ‘new media’ are just some of the reasons. But the irony, at least for a TV news perspective, is that there is more news being shown each day than at any time in broadcasting history. News is both cheap to produce and can be repeated many times each day without losing its currency or relevance.

Advertising as news

The other conundrum for media operators and users alike is that newspapers and broadcast newsrooms are producing more

content than ever with increasingly few staff. How is this possible?

Just take a look through your daily paper or favourite news website – in addition to a handful of stories sourced by reporters, you’ll find content from media releases dressed up as news, unsubstantiated rumour lifted straight from social media and, worst of all, reams and reams of comment pieces to whip up public fervour and generate a few extra desperate clicks on the operator’s website. For generations, the nightly news was a trusted and generally reliable source of information but that’s no longer the case.

But, returning to our initial point and the money issues that impact these invisible “viewers” every day, how can this source remain trusted in the face of increased competition, particularly from sites and blogs that can and do specialise on topics covering the smallest niches imaginable, and decreasing resources. It’s simple – it can’t. We can help you pick through the mountain of information available and take the time to review it with you and discuss the relevance to your specific financial situation.



Top places to retire in Australia and overseas

As Australia's cost of living continues to rise, more and more retirees are seeking value for money—and not always in their own backyards.

While some Aussies choose to stay in the family home in retirement, many are stretching their wings and enjoying life elsewhere in Australia, and overseas.

Retirement hotspots in Australia

Popular retirement destinations in Australia offer unique attractions:

- 1. Sunshine Coast, QLD**—a relaxed community atmosphere, local airport, beautiful beaches and year-round sunshine.
- 2. Hunter Valley, NSW**—stunning golf courses, great food and wine, and better real estate deals within reach of Sydney's big smoke.
- 3. Esperance, WA**—an unspoilt coastline, friendly community, relatively low-priced housing and local airport about seven hours south-east of Perth.
- 4. Mornington Peninsula, VIC**—coastal villages, endless beaches, great food, vineyards and rolling hills dotted with orchards and market gardens.
- 5. Huon Valley, TAS**—outstanding natural beauty, clean air, a cool climate and relatively low living costs.
- 6. Kadina, SA**—community spirit, good health services, retirement and aged care living options about two hours north of Adelaide¹.

The lures of a new culture

Aussies are increasingly saying goodbye to a traditional retirement lifestyle in Australia altogether; packing up and heading overseas². Living overseas is much easier for today's retirees thanks to advances in communications technology, internet banking and cheaper airfares.

Some move to France and Italy for adventure and a change in culture. Other retirees head to south-east Asia where retirement savings stretch a lot further. Australia has been declared the world's most expensive place to live³ so it's no wonder that as Australia's cost of living rises, many people want more value for money.

Value for money

South East Asia holds particular appeal for retirees thanks to a warm climate, friendly people and most importantly the cost of living can be up to 80% less⁴.

In fact, during the global financial crisis, the number of government pensions paid to Australians living overseas increased by 30 per cent⁵. It's easy to understand the attraction of a house in Bali with a pool, landscaped gardens and price tag of just \$60,000⁶.

But Indonesia's not the only hot spot that appeals to retired Australians. Philippines, Vietnam and Malaysia are on the lists of many. Rent in Malaysia costs about 80% less than in Sydney and you can enjoy eating out for 30% of the cost. Malaysia also

offers an excellent health system and—along with Thailand—special extended visas for foreign retirees⁷.

But a move overseas can be challenging in many ways. From family and lifestyle challenges to issues relating to government pensions, super, tax, visas and healthcare, all of which need to be well considered in advance.

First things first

Wherever you choose to retire, be sure to get your finances in order first and plan ahead. Start by using the AMP retirement simulator (<https://www.amp.com.au/myretirementsimulator>) to find out how much you'll need to fund the lifestyle you're aiming for.

If you're considering selling—or renting out—your home to fund your retirement, we can help you work out how your home fits in with your plans.

- ¹ Over Sixty, [oversixty.com.au/finance/retirement-income/2014/08/11-best-places-to-retire-in-australia/](https://www.oversixty.com.au/finance/retirement-income/2014/08/11-best-places-to-retire-in-australia/)
- ² Sydney Morning Herald, [smh.com.au/money/planning/stretched-try-calling-asia-home-20150303-13pyg2.html](https://www.smh.com.au/money/planning/stretched-try-calling-asia-home-20150303-13pyg2.html)
- ³ Annual world consumer price index, Deutsche Bank 2014, updated April 2015
- ⁴ Sydney Morning Herald, [smh.com.au/money/planning/stretched-try-calling-asia-home-20150303-13pyg2.html](https://www.smh.com.au/money/planning/stretched-try-calling-asia-home-20150303-13pyg2.html)
- ⁵ Australian Financial Review, [afr.com/personal-finance/tax/how-you-can-afford-to-retire-abroad-20140829-jd3u0](https://www.afr.com/personal-finance/tax/how-you-can-afford-to-retire-abroad-20140829-jd3u0)
- ⁶ Australian Financial Review, [afr.com/personal-finance/tax/how-you-can-afford-to-retire-abroad-20140829-jd3u0](https://www.afr.com/personal-finance/tax/how-you-can-afford-to-retire-abroad-20140829-jd3u0)
- ⁷ Australian Financial Review, [afr.com/personal-finance/tax/how-you-can-afford-to-retire-abroad-20140829-jd3u0](https://www.afr.com/personal-finance/tax/how-you-can-afford-to-retire-abroad-20140829-jd3u0)