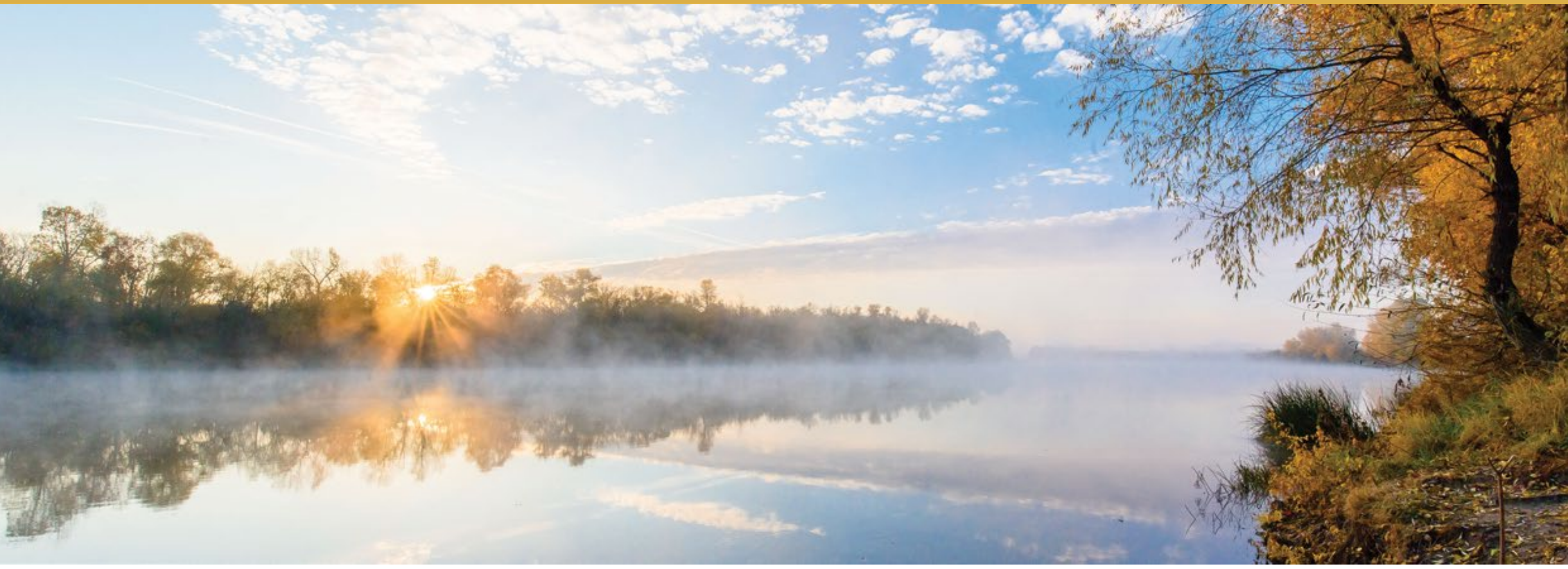


March 2022

Welcome to the Autumn edition of our client newsletter.

It's March already which marks the beginning of Autumn. While this is traditionally the season when things cool down, the economic and political scene is gearing up with the Federal Budget later this month and a federal election expected by May.

Russia's invasion of Ukraine in late February increased volatility on global financial markets and uncertainty about the pace of global economic recovery. Notably, crude oil prices surged above $US100 a barrel, breaking the $100 mark for the first time since 2014. Rising oil prices add to inflationary pressures and could set back global economic recovery in the wake of COVID. In Australia, the price of unleaded petrol hit a record 179.1c a litre in February and is expected to go above $2.

In the US, inflation hit a 40-year high of 7.5% in January. Australian inflation is a tamer 3.5% and this, along with unemployment at a 13-year low of 4.2%, is raising expectations of interest rate hikes. The Reserve Bank stated earlier in February that a rate hike in 2022 was ''plausible" but that it is ''prepared to be patient". The Reserve is also looking for annual wage growth of 3% before it lifts rates, but with annual wages up just 2.3% in the December quarter Australian workers are going backwards after inflation. The average wage is currently around $90,917 a year.

Before the latest events in Ukraine, consumer and business confidence were improving. The ANZ-Roy Morgan consumer rating rose slightly in February to 101.8 points, while the NAB business confidence index was up 15.5 points in January to +3.5 points.

War in Ukraine has triggered a flight to safety, with bonds, gold and the US dollar rising while global shares plunged initially before rebounding but remain volatile. The Aussie dollar closed at US72.59c.

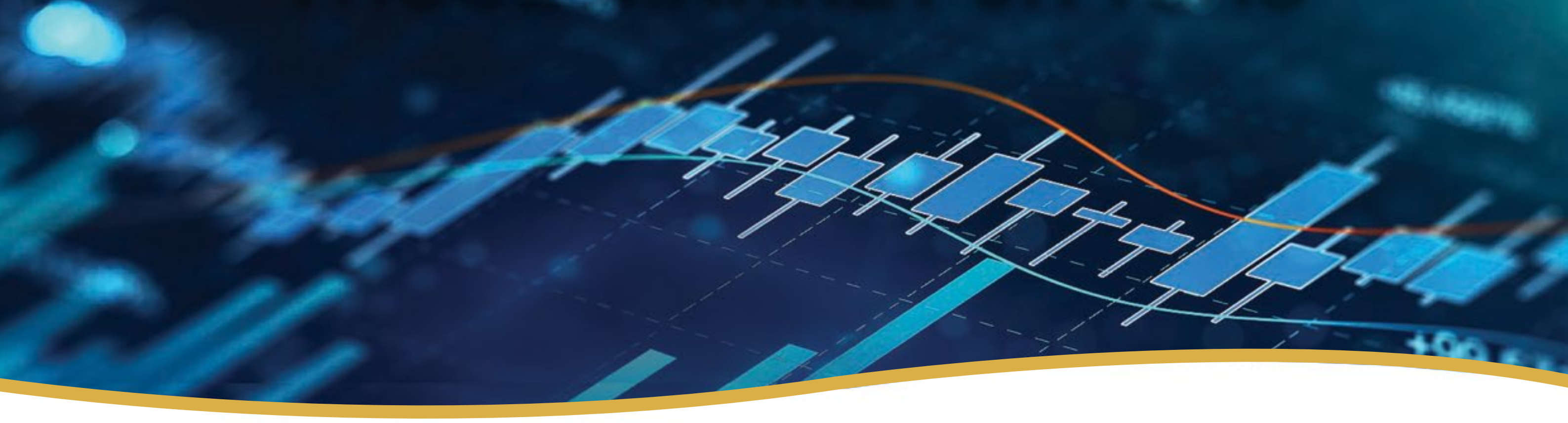
All the best,

Advisers and Staff at Lowe Lippmann Wealth Advisers

Lowe Lippmann Wealth Advisers
Level 7, 616 St Kilda Road
Melbourne VIC 3004

PO Box 130
St Kilda Vic 3182
P 03 9525 3777
E info@llwa.com.au
W www.llwa.com.au

HOW TO CALM THOSE MARKET JITTERS



It's been a rocky start to the year on world markets but that doesn't mean you should hit the panic button. Staying the course is generally the best course, but that's easier said than done when there's a big market fall.

In January markets plunged some 10 per cent but then staged a recovery. That volatile start may well be an indication of how the year pans out.[i]

The key reasons for this volatility are fear of inflation, the prospect of rising interest rates and pressure on corporate profits. Add to that ongoing concern surrounding COVID-19 and the conflict between Russia and Ukraine, and it is hardly surprising markets are jittery.

But fear and the inevitable corrections in share prices that come with it are all a normal part of market action.

Downward pressures

Rising interest rates and inflation traditionally lead to downward pressure on shares as the improved returns from fixed interest investments start to make them look more attractive. However, it's worth noting that inflation in Australia is nowhere near the levels in the US where inflation is at a 40-year high of 7.5 per cent. In fact, the Reserve Bank forecasts underlying inflation to grow to just 3.25 per cent in 2022 before dropping to 2.75 per cent next year.[ii]

Reserve Bank Governor Philip Lowe concedes interest rates may start to rise this year, with many market analysts looking at August. Even so, he doesn't believe rates will climb higher than 1.5 to 2 per cent. After all, with the size of mortgages growing in line with rising property prices and high household debt to income levels, rates would not have to rise much to have an impact on household finances and spending.[iii]

Even with rate hikes on the cards, yields on deposits are likely to remain under 1 per cent for the foreseeable future compared with a grossed-up return (after including franking credits) from share dividends of about 5 per cent.[iv]

The old adage goes that it's "time in" the market that counts, not "timing" the market. So if you rush to sell stocks because you fear they may fall further, you risk not only turning a paper loss into a real one, but you also risk missing the rebound in prices later on.

Over time, short-term losses tend to iron out. Growth assets such as shares offer higher returns in the long run with higher risk of volatility along the way. The important thing is to have an investment strategy that allows you to sleep at night and stay the course.

Chance to review

A downturn in the market can also present an opportunity to review your portfolio and make sure that it truly reflects your risk profile. Years of bullish performances on sharemarkets may have encouraged some people to take more risks than their profile would normally dictate.

After many years of strong market returns, it's possible that your portfolio mix is no longer aligned with your investment strategy. You may also want to make sure you are sufficiently diversified across the asset classes to put yourself in the best position for current and future market conditions.

A recent study found that retirees generally have a low tolerance for losses in their retirement savings. Retirees often favour conservative investments to avoid experiencing downturns, but this means they may lose out on strong returns and capital growth when the market rebounds.

Think long term

Over the long term, shares tend to outperform all other asset classes. And even when share prices fall, you are still earning dividends from those shares. Indeed, the lower the price, the higher the yield on your share investments. And it is also worth noting that with Australia's dividend imputation system, there are also tax advantages with share investments.

For long-term investors, rather than sell your shares in a kneejerk reaction, it might be worthwhile considering buying stocks at lower prices. This allows you to take advantage of dollar cost averaging, by lowering the average price you pay for a particular company's shares.

Investments are generally for the long term, especially when it comes to your super. Chopping and changing investments in response to short-term market movements is unlikely to deliver the end results you initially planned.

If the current turbulence in world markets has unsettled you, call us to discuss your investment strategy and whether it still reflects your risk profile and long-term objectives.

i https://tradingeconomics.com/stocks

ii https://www.abc.net.au/news/2022-02-02/rba-governor-philip-lowe-press-club-address/100798394

iii https://www.ampcapital.com/au/en/insights-hub/articles/2022/february/the-rba-ends-bond-buying-but-remains-patient-on-rates-we-expect-the-first-rate-hike-in-august?csid=1135474712While

iv https://www.ampcapital.com/au/en/insights-hub/articles/2022/february/the-rba-ends-bond-buying-but-remains-patient-on-rates-we-expect-the-first-rate-hike-in-august?csid=1135474712While

AVOID THE RUSH

Get ready for June 30

It seems like June 30 rolls around quicker every year, so why wait until the last minute to get your finances in order?

With all the disruption and special support measures of the past two years, it's possible your finances have changed. So it's a good idea to ensure you're on track for the upcoming end-of-financial-year (EOFY).

Starting early is essential to make the most of opportunities on offer when it comes to your super and tax affairs.

New limits for super contributions

Annual contribution limits for super rose this financial year, so maximising your super contributions to boost your retirement savings is even more attractive.

From 1 July 2021, most people's annual concessional contributions cap increased to $27,500 (up from $25,000). This allows you to contribute a bit extra into your super on a before-tax basis, potentially reducing your taxable income.

If you have any unused concessional contribution amounts from previous financial years and your super balance is less than $500,000, you may be able to "carry forward" these amounts to further top up.

Another strategy is to make a personal contribution for which you claim a tax deduction. These contributions count towards your $27,500 cap and were previously available only to the self-employed. To qualify, you must notify your super fund in writing of your intention to claim and receive acknowledgement.

Non-concessional super strategies

If you have some spare cash, it may also be worth taking advantage of the higher non-concessional (after-tax) contributions cap. From 1 July 2021, the general non concessional cap increased to $110,000 annually (up from $100,000).

These contributions can help if you've reached your concessional contributions cap, received an inheritance, or have additional personal savings you would like to put into super. If you are aged 67 or older, however, you need to meet the requirements of the work test or work test exemption.

For those under age 67 (previously age 65) at any time during 2021-22, you may be able to use a bring-forward arrangement to make a contribution of up to $330,000 (three years x $110,000).

To take advantage of the bring-forward rule, your total super balance (TSB) must be under the relevant limit on 30 June of the previous year. Depending on your TSB, your personal contribution limit may be less than $330,000, so it's a good idea to talk to us first.

More super things to think about

If you plan to make tax-effective super contributions through a salary sacrifice arrangement, now is a good time to discuss this with your employer, as the ATO requires documentation prior to commencement.

Another option if you're aged 65 and over and plan to sell your home is a downsizer contribution. You can contribute up to $300,000 ($600,000 for a couple) from the proceeds without meeting the work test.

And don't forget contributing into your low-income spouse's super account could score you a tax offset of up to $540.

Get your SMSF shipshape

If you have your own self-managed super fund (SMSF), it's important to check it's in good shape for EOFY and your annual audit.

Administrative tasks such as updating minutes, lodging any transfer balance account reports (TBARs), checking the COVID relief measures (residency, rental, loan repayment and in-house assets), and undertaking the annual market valuation of fund assets should all be started now.

It's also sensible to review your fund's investment strategy and whether the fund's assets remain appropriate.

Know your tax deductions

It's also worth thinking beyond super for tax savings.

If you've been working from home due to COVID-19, you can use the shortcut method to claim 80 cents per hour worked for your running expenses. But make sure you can substantiate your claim.

You also need supporting documents to claim work-related expenses such as car, travel, clothing and self-education. Check whether you qualify for other common expense deductions such as tools, equipment, union fees, the cost of managing your tax affairs, charity donations and income protection premiums.

Review your investment portfolio

After a year of strong investment market performance, now is also a good time to review your investments outside super. Benchmark your portfolio's performance and check whether any assets need to be sold or purchased to rebalance in line with your strategy.

You might also consider realising any investment losses, as these can be offset against capital gains you made during the year.

If you would like to discuss EOFY strategies and super contributions, call our office.

Elevating your mood.. *naturally*

If it's been a while since you had that wonderful feeling of euphoria, there are measures you can take to elevate your mood by encouraging production of your bodies naturally occurring 'happy hormones'.

Our hormones control many aspects of our body's responses and certain hormones are known to help promote positive feelings, including happiness and pleasure.

Happiness is an emotional state that has a profound impact on our quality of life, enabling us to better form relationships, respond to change and deal with challenges that may come our way. There is a strong correlation between happiness and enjoying good physical health too. And there is no such thing as too much happiness in our lives, so whatever your current level is, there is always room for improvement.

Getting a 'happy' hit

Hormonal production is quite a complex aspect of human physiology; however we know that hormones are a reflection of your environment, relationships, exercise regime and dietary choices. In fact, recent studies even point to your gut microbes also playing a role on the production of certain hormones.[i] What's exciting about this is you have the power to influence your mood by the choices you make every day.

Here's a look at how to make the most of these natural mood-boosters.

Get moving

If you've heard of, or experienced, a 'runner's high', you might already know about the link between exercise and the release of endorphins.

But exercise doesn't just encourage the production of endorphins. Regular physical activity can also increase your dopamine - the 'pleasure' hormone that plays a motivational role in the brain's reward system and serotonin - a mood stabiliser that contributes to feelings of wellbeing.[ii]

You don't even have to pound the pavement to get the benefits, any intensive cardio exercise like swimming, cycling or rowing can work at stimulating those amazing brain chemicals, just make sure you keep the intensity high, and the routine varied so you are continually pushing yourself at the edge of your comfort zone.

That loving feeling

Oxytocin isn't known as the 'love hormone' for nothing – pleasurable physical touch promotes the production of this chemical, so hugging and cuddling, having a massage, or even patting your pet can have a positive effect in elevating your mood.

Actually, it's not just touch, any activity that involves positive interaction with others is also beneficial - having a chat with friends can increase oxytocin significantly. Surprisingly, even if you can't get together in person, a chat on the phone or even connecting with your buddies via social media still works.

Laughter more than the best medicine

If you've ever been a bit down and felt much better after watching a funny movie or comedy performance and laughing yourself silly, there's a scientific reason for your change in mood. Laughter stimulates the production of endorphins and oxytocins and reduces the body's production of stress hormones.

Even the act of smiling releases those same chemicals and it's possible to fake it 'til you make it, as a fake smile has also been known to do the trick.

Music and meditation

Pop on the headphones as listening to music can give more than one of your happy hormones a boost. Different types of music can have different benefits. Listening to instrumental music, for example, especially emotive music that gives you 'the chills', increases dopamine production in your brain, making you feel relaxed and at peace. Energetic music with a powerful beat and strong baseline is more likely to increase your endorphin levels, leading to a more euphoric state of mind.

As you can see, there are many ways you can promote these happy hormones, just decide which ones resonate most with you and go for it.

While there are a lot of things that are out of our control which impact how we feel on a day-to-day basis, it is possible to make choices that will support your wellbeing on a hormonal and chemical level and hopefully help you to experience a brighter, happier life.

i https://atlasbiomed.com/blog/serotonin-and-other-happy-molecules-made-by-gut-bacteria/

ii https://www.healthline.com/health/happy-hormone