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Complete Financial Planning Newsletter

IMPORTANT INFO:

- Happy 2022 to everyone.
- We hope you all enjoyed the festive season even though it seems like so far away now!
- The team at CFP has a couple changes happening this year.
  - Lisa who has been with us for nearly 3 years is leaving us to become a carpenter. We thank her for the last 3 years and wish her all the best for the future. She has bought such an upbeat and energetic vibe to the office, and we know her presence and humour will be missed.
  - We welcome in Lorna Sumpton – who has just started with us part time and is in training, so you may start having calls or meeting Lorna in person in meetings.
  - We are also in the process of finding a replacement for Lisa, however there are slim pickings in the paraplanning market at the moment, so we will update you as we go.
  - Kathy & Emma have taken a year of leave of their study to ensure that they can make the time to work in the business to get the team up and running and the processes working efficiently.
- Congrats to Michelle, who has just reached her one-year anniversary with us.
- Kelli is still working well down remotely from Collie and has just hit 5.5 years with CFP
- Ev is now working with us 3 days per week.
- 2022 it seems has not yet reduced the wait times in the administration process for platform providers, insurance companies and Centrelink. Documents, applications, rollovers and forms are taking a lot longer than they used to, not only to be received - yet alone processed. That, along with longer wait time for calls – the CFP team is trying very hard not to get frustrated with it all. So thanks once again for bearing with us during this time & here's hoping that all will be resolved at some stage in the near future!
- Once of the new processes the government has installed on us, is ensuring that clients are signing up each year to continue to be a client of ours for the next 12 months. The document we have created to comply with this legislation is called an Annual Fee Engagement form. You will have signed at least one of these documents and most likely your second one too. In July 2021 the government also increased this requirement by not only making you sign an agreement with us, but also signing confirmation to the product provider (super/pension/investment account) that the fee you have agreed to pay is coming out of.
- This form is called a Fee Consent form and varies for each provider. There is a requirement that we need these forms to be signed prior to the end date of our 'old' agreement. (Meaning the form you signed last year) So going forward, in the essence of time – if for some reason your review is delayed and we cannot see you for your review in that month, these forms will be emailed to you via DocuSign, to ensure we can get them signed and processed before the old agreement expires. We aim to email you to let you know if we do need to do this, so please just keep an eye out for any DocuSign documents in your inbox 😊 And if you are unsure – don't hesitate to get in touch.
- ***Reminder: Please remember to let us know of any personal details that need to be updated when we contact you before your review. If there have been no changes, please also let us know that the details we hold are current.***

ARTICLE FOR THIS MONTH:

Preparing for Retirement in Uncertain Times

As most long-term investors know, investment markets have their ups and downs. The downs are usually associated with periods of uncertainty, perhaps due to political or economic factors, or even natural disasters. Uncertainty leads to volatility – more extreme movements in asset prices – which can have a big impact on portfolio values. This can be of particular concern if you are close to retirement and preparing for your last payday. So what can you do about it?

If you are building wealth in preparation for retirement in wobbly times, there are some options:

1. Save more. The 10% Super Guarantee will not be enough. Savings of at least 15% of salary over your working life are required to produce a sufficiently large retirement investment.
2. Spend less now and in retirement. Review your budget and review your plans about how you will live in retirement.
3. Work longer. Put off retirement until later; maybe consider working part-time in the first few years of "retirement".
4. Seek higher investment returns.
5. Implement a gearing strategy to accelerate returns.

This last solution will involve taking on more risk. Investors have always accepted that the higher the return, the higher the risk. It is often easier to see the good investment opportunities after the event but the challenge is to identify where consistent higher returns can be found.
Don't abandon shares

Over the long term, shares have produced higher returns than fixed interest though with greater volatility. The difference in returns between shares and fixed interest is called the "equity risk premium" – the reward for taking on the extra risk. In the past, the difference has been 5-7%. When investment volatility is high, shares tend to be the hardest hit. But while it is tempting to sell shares in a falling market, this robs investors of the opportunity to ride the upswing when markets recover.

It is possible that better returns may be found amongst the 'boutique' managers who are not constrained by huge fund size and/or manage their funds on an 'absolute return' basis rather than simply trying to beat the investment sector benchmark. This requires smart investing, not just following the pack.

Allocate more to riskier assets

Fund managers have traditionally held a significant proportion of investments in blue chip company shares. Whilst they tend to pay consistent dividends, there may be other opportunities for faster growth. These include smaller companies (or small caps), unlisted shares (private companies) and overseas shares in less developed countries (emerging markets).
Apart from shares, higher yielding debt instruments offer the potential for even higher returns but at higher risk.

The key to investing in these areas is good research – identifying sound opportunities and eliminating those with unacceptable levels of risk. Of course, the supply of "good quality, relatively safe" investment opportunities may appear to be limited when things are uncertain. Some fund managers offer products specialising in a wide variety of assets.

Active asset management

Good investment management requires talented people and sophisticated systems and strategies. Organisations with these attributes have a better chance of identifying under- and over-priced securities and markets. By moving money between countries, currencies, sectors, and asset classes, these managers aim to produce higher returns. Funds managed according to an “absolute return” philosophy is an example of where managers aim to produce above average returns in rising and falling markets.

When selecting a fund manager always pay attention to the fees charged as these can impact on the overall return on your investment. Sometimes they may even offset the larger returns made on the investment itself.

Implement a gearing strategy

Borrowing (or gearing) gives you a larger sum of money to invest. This magnifies any growth you achieve on your investments especially over the long term. Careful thought should be given regarding the method of gearing as some strategies may be more suitable to your particular circumstances than others. You should always bear in mind that gearing may not only increase your gains, it can also magnify any losses.

If none of these latter strategies appeal to you, then you may have to revisit options 1, 2 and 3 above, but before you make any rash decisions, talk to your financial adviser first to develop a plan specifically to suit your needs.