

Monthly Update

February 2023

We are now a long way into the year and as always we find ourselves asking how we got here!

We have been busy. I'd like to thank you and all readers as existing clients of ours, our success is only a function of the support that you give us and we honestly would not be here without you.

Late 2022 Complete Financial Planning started a team for the Red Cross Lifeblood bank. A few of you have beat us to the line and kicked off the tally! We as a team got hooked up and drained for our last team event! Please refer to the below photos of our team and Jane who sent through a photo!



Emma Oliver is now back on deck after taking some time off. Kathy will be on break from the 23rd of March until the 10th of April.

And now to business and some updates.

Important Updates

Executors cheat sheet

On a more sensitive note, we want to remind readers of the importance of having a compiled, one stop shop, for your executor/s. Dealing with an estate can be tough at the best of times. To make your family and loved one's life easier we recommend making a list of important passwords, memberships, and bank account. We have attached a cheat sheet which you may wish to use.

Downsizer Contributions

From the 1st of January 2023 the eligibility age to make downsizer contribution to superannuation were lowered from 65 down to 55. If any of our readers are looking to sell their family home, please reach out to our office as looking at downsizer contributions may be of benefit to you.

Centrelink

There have been changes to the way house proceeds are treated for Centrelink. House proceeds, which are intended to be used to purchase another personal use property, will now be exempt under the asset test for 24 months rather than the previous 12 months. Proceeds will be assessed under the income test, though the amount intended to purchase a new property will only have deemed income at the lower threshold rate, currently 0.25%, which may increase in the future.

Commonwealth Senior Healthcare Card

The income thresholds for the commonwealth senior healthcare card have increased.

	Before	Now
Singles	\$57,761	\$90,000
Couples	\$92,416	\$144,000
Couples separated by illness	\$115,522	\$180,000

We encourage readers who were previously above these thresholds to reapply if they are now eligible. Having the Commonwealth Senior Healthcare Card can entitle you to:

- A free return train journey every 12 months
- Cheaper medicine
- Cheaper property and water rates

Article of Interest

Don't Fear a Recession

When the media starts reporting higher interest rates and spiralling price rises, their next story will almost certainly scream the impending doom of a possible economic recession.

But what exactly is a recession and is it all bad news for local share market investors?

Most commentators believe a 'technical recession' occurs when there have been two consecutive quarters of negative growth in real gross domestic production or economic output, but there really is no strict definition. It's more just a time when unemployment increases and growth falls.

Likewise, a recession can last just a few months, or they can drag on for years, there is no strict time limit either. So, for example, in mid-2020 economic output plunged by 7 per cent in the June quarter and unemployment jumped to 7.5 per cent as the pandemic hit but then the economy quickly bounced back in the following September quarter as the Federal Government stepped in with financial support.

Typically, most economists expect a true recession to last several years, as it did during the so-called 'recession we had to have' in the early 1990's and the mining collapse recession of the early seventies.

What is interesting though is that share markets usually perform quite well during recessionary periods. The very long and very damaging drought induced recession that occurred from 1981 to 1983 prompted the Australian share market to post its best ever calendar year. It actually achieved a 60 per cent gain at a time when the economy felt like it was coming to a standstill.

This happens because investors are typically spooked by the idea or the prospect of a recession occurring and so they start to sell their shares early, and in doing so, put downward pressure on prices.

What causes prices to fall is the fear of an impending recession, not the actual recession itself.

Share markets in fact tend to rebound as the headlines talk of corporate layoffs and bankruptcies. Investors then start to be tempted to buy shares at their new lower prices in anticipation of profits improving as the economy invariably moves out of recession and by doing so, they push share prices higher.

While it is difficult to judge the situation accurately, it is likely the Australian share market has already fallen as far as it is likely to go during this business cycle, simply due to the prospect of higher interest rates, lower consumer spending and softer company profits already being factored into most company share prices.

Given this, the very worst thing any share market investor can do is panic and sell their shareholding on the fear prices will only fall further. This effectively crystallises your losses and means you will be out of the market when it does eventually recover, as it always does.

Needless to say, prevention is better than a cure. There are key steps you can take to effectively recession proof your portfolio. Diversify your shareholding across a number of sectors for example, as it is unlikely all sectors will be hit equally badly during tough times.

Avoid small, high-risk companies. Look for large, well-managed companies with a proven track record of doing well in good times and in bad and which have a very easy to understand way of making money.

Look for high dividend paying stocks as this income is likely to continue even when times get tough, and the market pushes their share price lower. While dividends may also fall during tough times, a company that continues to pay out income to its shareholders will always have some value.

Market downturns also present great buying opportunities for investors. Seek out companies with solid underlying businesses that for whatever reason are being marked down by the market. They could present good buying opportunities.

Another clever strategy is dollar-cost averaging. This is where you set a budget to invest a set amount of money every month or quarter. In doing this, you will always be buying more shares when prices are low and less when prices are high.

Remember all economic downturns come to an end eventually and good times will return. If you are concerned about your situation, speak with a qualified financial planner to better understand what you should be doing should Australia be hit by a recession.