

## Protecting Your Small Business

Owning and operating a small business is hard work. The last thing you need is to lose it all because of poor insurance choices.

### Do your homework

First you need to work out what needs to be covered. There are the obvious things such as plant and equipment, the less obvious things such as public liability, professional indemnity, and finally protecting the financial performance and position of the business on the sudden loss of a key person.

Policies should cover a wide range of eventualities and each business should have a policy package specifically geared to its needs.

People are the most important assets, and the success of the business may hinge on key personnel.

Business expense insurance can cover certain fixed business expenses, and key-person insurance can protect the financial performance in the event of a key person or business owner dies, is permanently disabled or suffers a traumatic event.

### Insufficient coverage

Owners risk losing control of their companies, serious financial

losses, and complex partnership problems by being uninsured, or underinsuring against something going wrong.

Having the wrong kind of insurance is equally risky and ultimately a waste of money, which is why it's necessary to seek advice on the right insurance for your business.

It's also important to regularly review and update your insurance, especially when your business grows or changes.

### There is always tax

Your accountant should assess all taxation matters including the tax deductibility of premiums together with any potential CGT or GST issues.

Working together with your financial adviser to determine what insurances can be put in place is an important consideration when running a business.

The Insurance Council of Australia, and the Australian Taxation Office, have more information.

(Source: RI Article Hub)



## Top 5 things to do this festive season on the Gold Coast

1. **Attend the 2019 Broadbeach Christmas Carols** - Don your Santa hat and join in for the annual Broadbeach Christmas carols on Saturday 14th December from 3pm. With live entertainment and a host of kid's activities, this will be great entertainment for the whole family.
2. **Get ready for Carols on the Beach 2019** - a great opportunity to experience the best of an Australian summer whilst being delighted and entertained by the line-up of talented performers. Carols on the Beach will be held on 22nd December at Surfers Paradise Beach, from 6.30pm.
3. **Enjoy a picnic** - Pack a hamper, throw down a rug, and enjoy a lazy afternoon in the park. Perfect for a get-together with friends and family.
4. **See the lights** - travel around your local area during the evening and be mesmerised by the brightly decorated houses. A favourite Christmas past-time for both young and old alike!
5. **Watch a festive film** - Catch a movie at the cinema - or a drive-in theatre if you are lucky enough to have one close by - or even stay at home and chill. A wonderful time of year to watch a feel-good flick to make you feel all warm and fuzzy inside.

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ISSUE  
04  
Dec  
2019

# RIT Coastal

## Jeff's Jottings

As another busy year draws to a close, we reflect upon the year that was - both in our everyday workings, as well as seeing the changes in the industry over the past 12 months.

The Australian financial system remains resilient, even with the governance issues being addressed in the Royal Commission into the Banking, Superannuation and Financial Services Industry.

Our office has been busy providing a service to so many wonderful clients - clients who make working in this industry so very rewarding.

The business continues to grow and we have welcomed some amazing staff into the team.

The weather has yet again proved challenging this year, and I would like to extend my support to all of those affected by the recent weather events, especially those enduring the drought, and those affected by the recent bushfires.

I look forward to seeing things improve weather-wise in the coming year, and wish all of our clients the most joyous Christmas, and a safe and happy New Year.

Kind Regards

*Jeff English*

Jeff English

CEO & Senior Financial Adviser  
RIT Coastal



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## Market Update

### Highlights in September

- The Reserve Bank of Australia (RBA) was on hold in September at 1.00% but cut the cash rate on 1 October 2019 by 25 basis points (bps) to 0.75%.
- September saw interest rate markets stage a solid sell-off, with higher yields and 10 year yields up by 30-50 bp.
- The Australian dollar (AUD) and the United States dollar (USD) briefly hit a 10-year low in early September.
- Dwelling prices rose by 1.1% across the eight capital cities in September.
- AUD credit delivered negative returns as yields rose.
- Equities markets were positive, although volatile.
- Agricultural commodities were generally stronger over the month as the drought continues.

### Cash

As expected, the US Federal Open Markets Committee (FOMC) cut the Fund target rate by 25 bps to 1.75% to 2.00% and the interest rate on excess reserves by 30 bps to 1.80%, in light of 'global developments' and 'muted inflation pressures.' The European Central Bank cut its policy rate by 10bps to -0.50% and confirmed it would be restarting bond purchases of 20bn euros a month from November.

The People's Bank of China announced a broad-based 50bps cut to the Reserve Requirement Ratio (RRR) to help bank lending as the latest round of Chinese economic data disappointed across the board. Locally, the RBA also cut the cash rate on October 1 by another 25bps to 0.75% in response to the recent lift in the unemployment rate.

### Australian and Global Fixed Interest

Interest rate markets showed a remarkably different month in September, from the scramble for yield in August (yields fell in August). 10 Year government bond yields rose by around 50bps for most major markets. The rise in yields (sell-off) was sparked by the largest fortnight of corporate issuance recorded in the US market. Over USD100bn was raised as yields touched new lows and spreads remained

tight. While central banks remained more pessimistic on global risks, there was some pushback in the FOMC on the September rate cut.

Action in global fixed income markets during September was a good reminder of how low bond yields had fallen in previous months. For Australian government bond yields, having reached a low of 0.89% at the end of August and into early September, yields rose over the first few weeks of the month to 1.2%.

### Australian Dollar

The AUD trade-weighted index rose by 0.5% in September. AUD outperformed against all major currencies we monitor except GBP and CAD.

AUD traded in a relatively narrow 2 cent range in September. After reaching a fresh 10-year low of 0.6888 in early September because of a weaker than expected Australian July retail sales report and a firm USD, the RBA's decision to leave the cash rate unchanged at 1.00% proved the catalyst for a stronger AUD early in the month. Strong Australian trade balance data and a perceived easing in US-China trade tensions also supported the commodity currency over the first half of the month.

AUD pared gains over the final two weeks of September. The dovish RBA meeting minutes which suggested a near term rate cut (which was delivered on 1 October) contributed to the fall in AUD. The RBA minutes highlighted that the RBA is becoming more concerned about the global backdrop. Rising US and UK political uncertainty late in the month also weighed on AUD.

### Commodities

Agri-commodity prices mostly rose during September. Cattle prices were the exception, falling by a modest 3% over the month. Pastoralists in drought regions continue to reduce their herds, weighing on prices. The rest of the agri-commodities made larger gains. Dairy, sugar and wheat fundamentals all evolved to somewhat tighter prospective supply.

### Australian Residential Property Market

The Australian property market appears to be back on a two-speed track. Prices have risen sharply in Sydney and Melbourne over the past couple of



## Fun Christmas Facts



'Jingle Bells' was actually written for Thanksgiving, not Christmas. The song was written in 1857 by James Lord Pierpont and published under the title 'One Horse Open Sleigh'.

In the Netherlands, **Santa Claus arrives from Spain** - not from the North Pole!

The world's largest **Christmas stocking** measured 32.56m long and 14.97m wide. It weighed as much as five reindeer and held 1000 presents!

Japanese people traditionally eat **KFC for Christmas dinner**. This is due to a successful 'Kentucky for Christmas!' marketing campaign in 1947.

The '**X**' in **Xmas** doesn't take Christ out of Christmas. Whilst it is an abbreviated form of Christmas, Christ isn't going anywhere! In the Greek alphabet, the letter 'X' ('chi') is the first letter of the Greek word for Christ or Christos.

## What is Christmas in Australia Worth?

**Australians will spend** on average \$537 on gifts this **Christmas**, adding up to a cumulative \$10.7 billion!

But the true meaning of Christmas and spending time with those we love remains priceless.



months while price action in the other capital cities has been far more sedate.

The 1.1% lift in dwelling prices in the eight capital cities over September built on the 1.0% gain in August. Prices rose by 1.7% in Sydney over the month which means that prices have risen by 3.3% over the past two months. Price rises for houses have been a little stronger than for units. It's a similar story in Melbourne. Dwelling prices lifted by 1.7% in September taking the price gains to 3.2% over two months.

These types of rises would normally fall under the category of 'house price boom'. And that may well turn out to be the case. But context of course here is key. Prices fell by 15% in Sydney from their July 2017 peak to their May 2019 trough. And prices declined by 11% in Melbourne from their November 2017 peak to May trough. So there's still a long way to go if prices in Australia's two largest capital cities are to return to their peaks. That said, there is a lot of momentum in the market at the moment. All of the forward looking indicators are pointing to further price rises. More specifically, auction clearance rates are firm, house price expectations continue to lift.

Across the other capital cities there were mixed outcomes for dwelling prices in September. Prices were up in Canberra (+1.0%), inched higher in Brisbane (+0.1%), were flat in Adelaide (0.0%), but fell in Perth (-0.8%), Hobart (-0.4%) and Darwin (-0.2%). So at this stage the home buyer responses to

## Break free from being asset rich and cash poor

**Here are four ways to try boost your income.**

Are you asset rich but cash poor? You're not alone. Data from the Australian Bureau of Statistics shows that almost one-third of older Australians in low-income households were asset rich but cash poor. Most of their wealth was tied up in illiquid assets, in particular their home.

But you need not scrape by on so little. There are ways to try boost your income.

### 1. Take advantage of your property

Selling up and moving to a cheaper house may free up money to help fund your retirement. But keep in mind that it might affect your benefits if you're receiving an age pension. Some of the proceeds from the sale might be counted as assessable under the age pension assets test, and this might lead to a drastic cut in your pension.

### 2. Supplement your income

Getting a part-time job could boost your cash flow if you are retired. But remember that working when you have become eligible for an age pension may reduce your pension amount. Discuss with your adviser how you might optimise your retirement benefits while working part time.

### 3. Rent out your property

If you have extra space in your home, you may consider to rent it out? Or if you have another property, like a holiday home, you may look into listing it as a short-term rental? This could impact the tax you pay when you sell your home so you should seek advice on these strategies.

### 4. Revisit your investments

Have you invested in securities? This may be a good time to meet with our financial adviser to review your portfolio. Your financial adviser may recommend strategies and ways to reduce your exposure to risk and volatility.

### Understand the risks

You don't have to be trapped in a situation where you are asset rich but cash poor. There are ways to boost your income, but keep in mind that some involve taking big risks. So seek financial advice to help you weigh your options and make decisions based on your situation.

(Source: RI Article Hub)

rate cuts, the re-election of the Coalition Government and extra borrowing capacity from the APRA induced changes to loan serviceability assessment has not been uniform across the country.

Rising home prices at a national level will support household expenditure via the wealth effect. And in time rising dwelling prices should also boost residential construction (there is always a lag between rate cuts, rising dwelling prices, building approvals and then construction).

If dwelling prices and new lending lift too briskly financial stability concerns may come back into the fray. But at this stage the RBA does not appear too perturbed about recent developments. Last week RBA Governor Lowe was asked in a Q&A if it was a problem if house prices were rising too quickly, to which he responded, *"it's true that prices have risen for a few months in a row now. But we have got to remember that for 18 months prices fell in Sydney and Melbourne. And they came down 15% and have just come up a couple of % so I'm not particularly concerned about that."*

He further added, *"from a monetary policy perspective, it is not an issue at the moment."* So it seems that current developments in the housing market are no impediment to further monetary policy easing.

(Source: Colonial First State)

## Staff Changes at RIT Coastal



**To our wonderful clients,**

As many of you are aware, with the departure of Matt Tuson we were excited to welcome Albert Evans as our RIT Coastal adviser. Albert has a wealth of knowledge in the financial industry, having worked for one of the Big Four banks, completing his Advanced Diploma Financial Planning and a Bachelor Degree in International Finance.

Having been an adviser for over 10 years, we have full confidence in Albert's skills and abilities to successfully meet your financial goals. With the strong support of Cecile Slattery and the team at RI Toowoomba, we know that all of our clients' needs will be met with efficiency and dedication.

We look forward to an exciting 2020!

## Shares vs property

There's no quick answer to the question of where to invest your hard-earned money. However, there are some basic facts and rules that can help guide your decision.

### Is property best?

We all love property. We all want to buy property. Whether we can afford to buy it is another question, but we all talk about house prices. Particularly for Baby Boomers, property has turned out to be a good investment. House price data from the Australian Bureau of Statistics supports this view. If you bought an average house in Sydney 40 years ago, you'd have paid \$50,700. Today, you could sell it for \$875,000. That's an overall increase of 1,626%. Amazing, right? Not quite.

It actually equates to an average growth rate of just 7.38%.

### So how did everyone make money?

Debt. Nearly every homeowner loaded up on it. In financial industry parlance, it's called leverage. You buy a house for \$100,000, you pay a 20% deposit (\$20,000) you borrow the remainder \$80,000. The house price rises by 50% to \$150,000. But your return is not 50%, it's 250%. This is because your \$20,000 investment has increased to \$50,000.

We're often lectured about the evils of borrowing (rightly so when it's excessive) but a little bit of sensible borrowing has its merits. Of course, the caveat to this is that while leverage can amplify returns when house prices go up, the reverse is also true if house prices go down. It is important to remember that all investments carry risks and that the value of investments and the income from them may go down as well as up and you may not get back the amounts originally invested.

### What about shares?

The perfect advocate for stock market investing is the billionaire Warren Buffett. One of the world's richest men, he initially built a fortune by fastidiously buying shares he believed were unfairly undervalued. According to Business Insider, he achieved a return of 24.5% a year, after fees, be-

tween 1957 and 1969 compared to only 7.4% a year for the Dow Jones stock market index. Today he's number three on the Forbes Rich List, worth \$86bn.

Extraordinary periods of returns may be just that – unusual one-offs. Mr Buffett had a pragmatic approach in 1967 when he said: "The results of the first ten years have absolutely no chance of being duplicated or even remotely approximated during the next decade."

That's a healthy, sceptical investment attitude. Buffett's success is one thing. Looking more broadly, you can analyse other data. The Credit Suisse Global Investment Returns Yearbook suggests stock market returns were 5.1% a year, with inflation taken into account, between 1900 and 2016. In the golden era, from 1980 to 1999, the annual return was 10.6%.

This may sound modest against the property price gains - but the house price numbers did not take into account inflation. Official data shows the average Australian inflation rate for the last 40 years has been approximately 4% per year. So a 7% annual gain is reduced to approximately 3% after inflation.

### How can I decide where to invest?

What we can say is that you shouldn't put all your eggs in one basket. Financial advisers often suggest having some money in cash for emergencies (the advice tends to range from three months worth of salary to one year) and some money invested in the stock or bond markets. It is also fairly easy to invest in commercial property through the markets (without the need for a mortgage deposit)! Assuming you have the funds needed to form a deposit, it's no bad thing to get a foot on the property ladder. For many people, that may be all the property investment they need.

Remember past performance is not an indicator of future performance – both in the share and property market. It's always a good idea to talk to a financial adviser before deciding what's right for you. (Source: www.schroder.com)

## RIT Coastal team - working for YOU



Photo: CEO Jeff English (right) getting into the festive spirit with Albert and Cecile.

Our amazing RIT Coastal duo, Albert and Cecile, have been hard at work in the office, ensuring that all of our coastal clients receive the best possible personalised service.

We were lucky enough to welcome Cecile back this year after she returned to the area, and Albert has proven himself to be a great addition to the RI team.

**Keep up the great work team!**

## Christmas Office Hours

The RIT Coastal office at Robina will be closed from Tuesday 24th December 2019 and will re-open on Thursday 2nd January 2020.

On behalf of our staff, we wish you a Merry Christmas and a safe and Happy New Year.

**We look forward to seeing you in 2020!**

*Merry Christmas*

