Russia Ukraine Update

On 21 February, Russia asserted its view on the independence of the Donetsk People's Republic and the Luhansk People's Republic and began mobilising troops to conduct peacekeeping operations in these areas. This was a violation of Ukraine's sovereignty and independence, the Minsk agreement, and has been widely denounced by the West. Subsequently, Russia has instigated military strikes on Ukraine and has invaded.

Russia initiates full scale military assault on Ukraine

The build-up of Russian forces on the Ukrainian border in recent weeks has been a clear indication of intent to take action in Ukraine. In response the U.S. and NATO Member nations had for some time been providing Ukraine with military aid, including lethal weapons, anti-armour missiles, anti-armour artillery, heavy machine guns, small arms, ammunition, radio systems, medical equipment and spare parts. Monetary aid has also been provided. The U.S. Administration has pledged aid to Ukraine of some $650 million to date. The U.K, Danish and Dutch Governments have also provided material monetary support. None of this deterred Russia from taking action and invading Ukraine with missile strikes and border crossings. Russia has seized key strategic assets such as the Chernobyl Nuclear plant and have attacked both military and civilian sites.

U.S. and EU Member State Sanction Reactions

Post the initial move on Ukraine by Russia, sanctions were imposed. Post the missile strikes, further sanctions have now been imposed by the U.S. and other countries. Further sanctions and action may be taken as events unfold.

The U.S. has sanctioned Russia's foreign debt, meaning it can no longer raise money from Western financial institutions. This will impact Russia's ability to finance its military efforts. Further sanctions by the West are likely as Russia deepens its invasion of Ukraine. All 27 EU Member states have agreed on a range of anti-Russia measures. Russian banks have had their assets frozen in the U.K. and certain wealthy Russian billionaires have been issued travel bans and their ability to access funds from EU banks has been denied. Further to this, trade between EU and the two rebel-held regions has been banned.

Germany has halted major infrastructure projects with Russia, including those involving the Nord Stream 2 gas pipeline, refusing to allow it to open. In addition to this, some 351 members of Russia's Duma, or parliamentary lower house have been hit with restrictions. Further restrictions that may be imposed include excluding Russia from the global financial messaging service known as Swift, used by most banks worldwide. That would seriously curtail Russia's ability to do business.

At some point, further sanctions would start to harm the economies of those imposing them, as countries such as the U.S. and Germany have strong ties with Russia via trade. Macroeconomic Impacts The economic damage to Ukraine, the second largest country in Europe and a huge source of agriculture, could have worldwide implications. Russia has already inflicted economic damage on Ukraine, with contracts being cancelled and businesses withdrawing people. The White House has warned the US silicon chip industry to prepare for a ban of exports to Russia. This may well soon extend to all electronics supplies.

Crude Oil WTI has risen about $3 USD/Bbl today or about 3.33%, continuing recent increases. Any prolonged conflict is almost certain to put further upward pressure on oil and natural gas prices. Sanctions will continue to limit supplies and force prices even higher, particularly in Europe, which is already struggling with high energy prices and limited supply. This may mean sustained or even higher inflation, which could mean further upward pressure on interest rates. Gold is usually seen as a safe haven in times of conflict. The main Ukraine exports are the raw materials iron, steel, mining products and agricultural products, along with chemical products and machinery. Given Ukraine is a large exporter of grains and cereals, there is the potential for some significant price rises, with the U.S. being a large purchaser.

Interest Rates Have been largely driven by inflation and market expectations of rate hikes over the next 12 months, however US Bonds saw some buying as investors shifted allocations in a flight to quality given uncertainty inherent in equities markets during times of elevated uncertainty.

Equity Markets

Have been volatile for some time, with high growth stocks particularly suffering over the past 3 months, as the potential for rate hikes became clearer, however the increased volatility presented by the Russian invasion of Ukraine has dominated the market narrative since late January.

It is worth noting that historically, the market impacts of localised geopolitical events like this have typically been short-lived. Our diversified model portfolios are built on a Strategic (Long-Term) Asset Allocation foundation that includes stress testing for geopolitical events such as this.

From a very long-term perspective, we note that volatility has historically tended to cluster (both to the upside and downside), so if investors react to the large negative movements by selling out of equities, they run the risk of being out of the market for the large positive days. The consequences of missing just a handful of these "best days" can be substantial.

(Source: IOOF)

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RIT Coastal

In this Issue

Jeff's Jottings

Welcome to our first quarterly newsletter for 2022. It was lovely to take a break and reflect on the year that was.

Looking forward, even the most optimistic economists have been surprised with the strong and improving business confidence within the job and property markets. At the beginning of March, the Australian dollar hit its highest levels since November, fuelled by the Russia-Ukraine Conflict with fears of further supply disruptions. Whilst there is an expectation by market economists of the first interest rate rise to occur towards the latter part of 2022, Australia has been considerably successful in keeping the pandemic contained within our borders, which has meant we are well positioned for economic recovery. Even the slight dip in our market with the appearance of the Omicron variant in January after such a long surge is not cause for concern, as market correction is not unusual.

When markets fluctuate, it is important to not lose focus on your long term strategies and goals. Please do not hesitate to contact our office should you have any concerns.

Jeff English

CEO and Senior Financial Adviser

Market Update

In January, there was a lot of commentary in the US about the Federal Reserve potentially increasing the official cash rate sooner than expected, and also speculation that they will soon stop buying bonds in the market. Inflation in the US, measured by the US Consumer Price Index, is currently at 7.0% p.a. This is the highest it's been since 1982.

This speculation caused both 3-year and 10-year US bond yields to rise, which had a knock-on effect to the US share market. The S&P 500 fell 5.3% in January. The NASDAQ, which is dominated by technology stocks, fell 9.0%.

As often happens with events in the US, global share markets around the world experienced similar results in January – Australia included. The S&P/ASX 300 Accumulation Index fell 6.5%, with small cap stocks and Real Estate Investment Trusts (REITs) experiencing the largest falls.

Most market indices across asset classes including shares, property and fixed interest experienced a negative return in January.

AUSTRALIAN SHARES

The Australian share market behaved similarly to the US share market in January.

Our Consumer Price Index rose by 1.3% in the December quarter and 3.5% annually, which led to investors anticipating increasing interest rates and tighter monetary policy.

Subsequently, the S&P/ASX 300 Accumulation Index fell 6.5%. Small cap stocks and Real Estate Investment Trusts (REITs) experienced even larger fall of 9% in January.

Resource stocks were the exception, with the ASX 300 Resources Index actually rising 2.5% in January. This performance was helped by strong commodity prices – especially iron ore and higher energy prices driven by the escalating tensions between Ukraine and Russia.

GLOBAL SHARES

Global equities, as measured by the MSCI All Country World ex Australia Net hedged to movements in the Australia dollar (AUD), fell 14.7% in January.

Most global markets experienced negative returns in January, largely due to the same concerns over rising inflation and its impact on central bank policies.

The US share market experienced the largest falls. The S&P 500 fell 5.3% while the NASDAQ, which is dominated by technology stocks, fell 9.0%. This set a trend that was followed in Europe, where the EuroSTOXX Index fell 3.8%, and in Asia, where the South Korean KOSPI Index fell 6.2%.

There was one noticeable exception to this global trend. Hong Kong's Hang Seng Index had a positive return of 5.0% in January. This result was fuelled by China cutting key lending rates over the month.

FIXED INTEREST

Bond yields all around the globe rose in January thanks to growing concerns about inflation and when central banks will end the unconventional monetary policies we've seen over the past couple of years.

The Bloomberg AusBond Composite Index fell 1.0% in January. In international fixed income markets, the Bloomberg Global Aggregate Hedged Index fell 1.6%.

After the sharp fall earlier in the month, the US share market started to recover in the last two trading days of January. The lower share prices meant that some US stocks were significantly more attractive to investors from a valuation perspective, which led to investors buying stocks and driving up prices again.

Our investment managers are sceptical about the short-term outlook for the US share market, largely due to the concerns about inflation which started off the market downturn earlier in the month. They believe that inflation, and therefore interest rates, are set to rise in the US in 2022. Combined with weakening growth in the global economy, this could have an ongoing impact on the US share market this year. However, even with tighter US monetary policy looking likely, they believe the US economy has sufficient momentum to deliver solid economic growth in 2022.

So, what does all this mean for Australian investors and

Chocolate Hot Cross Bun Bread and Butter Pudding

Have you bought too many hot cross buns or just need to get rid of leftovers? This pudding is a great way to use up the extra's — with or without the addition of chocolate.

Ingredient:

- *6 Hot Cross Buns*
- *30g unsalted butter, softened*
- *125g roughly chopped (good quality) chocolate*
- *1 vanilla bean, split and seeds scraped*
- *600ml thin (pouring) cream*
- *600ml thickened cream, plus extra to serve (optional)*
- *Zest of 1 orange*
- *4 eggs*
- *170g caster sugar*
- *1/4 cup brandy (optional)*
- *Icing sugar, to dust*

Method:

1. Split the hot cross buns and butter each half. Lay the bases on a 2 litre baking dish, sprinkle with the chopped chocolate, then place the bun tops on the bases.

2. Place the vanilla pod and seeds in a saucepan with the creams and zest, and heat over low heat until just simmering. Remove from heat.

3. Beat the eggs, sugar, and brandy until just combined, then pour into the warm cream, stirring continuously. Strain the custard evenly over the buns and set the pudding aside for 30 minutes for the buns to soak up some of the custard. (The pudding can be prepared to this stage several hours in advance and refrigerated—just bring to room temperature before baking).

4. When ready to cook, preheat the oven to 170 degrees Celsius.

5. Place the pudding dish in a large roasting pan to come halfway up the sides of the pudding dish. Place in the oven for about 45 minutes or until the custard is set. Dust with icing sugar and serve with extra cream, if desired.

(source: taste.com.au)

super members? We may see plenty of ups and downs in the various global markets over 2022, as interest rates begin to rise and the pandemic continues to impact businesses and consumers. Depending on how your super is invested, that might mean you see fluctuations in your super balance. However, the outlook for economic growth and market returns is generally positive. In Australia, the Reserve Bank is forecasting economic growth of 5.5% in 2022, which is well above the long-term trend of 2.8%.

(Source: Colonial First State)

What to Consider When Helping Your Children Buy a Home

So you want to help your children buy a house. But will that generosity hurt you down the line?

Does this scenario ring any bells? You've worked hard and built yourself a comfortable financial position. Now your kids are growing up and you're wondering if you should be doing something to give them a head start in life by helping them to buy their first home.

It's natural to want to help

There are many reasons why you'd want to help – after all, what kind of parent doesn't want to do the best for their children? Plus, it probably feels like everyone else is doing it. Recent research shows 55 per cent of first home buyers received help from the bank of mum and dad.

Be aware of the risks

While giving them a financial leg up may be a great thought, according to MSI Taylor Wealth Management partner, Peter O'Callaghan, it requires serious planning and you'll need to be aware of the potential dangers. First of all, he says, you need to find out whether you can actually afford to help, which is about more than simply having the money at hand or equity in your home.

He says the emotional drive to support their children can sometimes blind parents to the financial reality. "I have a client who effectively gave each of their four children $50,000 towards buying a house," he says. "That $200,000 outlay has dropped their income in retirement by $10,000 a year and that's meant the wife is 68 and still working because they can't manage their lifestyle needs just on the income they get." And that's not the only risk. Using your own capital to guarantee your child's mortgage or loaning them money, can leave parents exposed if the child runs into financial trouble. And when that happens, how many parents are going to force their children to keep paying them back amid serious hardship?

Put your future first

Ultimately, O'Callaghan says, parents need to look after their financial needs first, before helping their children. "It's like when you get on an aircraft and they go through the safety demonstration. They tell you to fit your own mask before you fit the mask on your child because you're going to be of no use to that child if you don't have any oxygen," he says. "It's a similar sort of situation here. You don't want to give away all your assets and then have to go back to your children for help."

Start early, plan ahead

The key, according to O'Callaghan, is proper planning. If parents start putting money aside regularly for their children early on, they will be in a much better position to help them once they reach adulthood, he says. Encouraging good saving patterns in children from an early age, such as saving 10 per cent of their pocket money or their wages from a part-time job, can also make a huge difference in the long run. Another way to help is for parents to pay for children to get proper financial advice early in their adult lives so they can start their finances off on the right foot and be building up a deposit. "That way they can get some guidance around strategic directions: how should you be allocating money? Should you be putting more money in super? Should you be investing for the longer term?" he says.

A first home doesn't have to be the dream home

Finally, O'Callaghan says, parents should consider guiding their children towards a more modest first home, perhaps one a little further from the city or one that needs work. That way, they will have a lower mortgage and lower repayments, and can build up equity in the home to allow them to upgrade in the future. "You can negotiate with them the idea that maybe living in the outer suburbs, rather than the inner-city, is not a bad thing because it allows you to get a foothold into the market."

Speak to an adviser

Before you make any decisions about helping your children buy their first home, it may be worthwhile talking to a financial adviser. They can help you assess your situation, so you can make informed decisions that don't negatively impact your own financial future.

(Source: Colonial First State)

Why Aged Care Matters

The last couple of years have been tough on a lot of people with the COVID pandemic throwing the world into chaos and taking a toll on our physical, mental, financial and emotional wellbeing. If you have had a family member in aged care over the period of lockdowns and were not able to visit them or help care for them, you were probably even more grateful to the staff who turned up day in and day out to care for the residents. This highlights, even more, the importance of having options when it comes to aged care, and getting it right for you.

Accommodation options in retirement and aged care:

Own home – if you choose to remain in your own home there are a range of services that can be provided under a Home Care Package (HCP). These may include personal care, clinical support and light home duties. A HCP can be hard to secure with greater demand than supply. As at 31 March 2021 there were 183,376 people who had accessed a HCP. This is a 20.7 per cent increase since 31 March 2020.

There is also a Commonwealth Home Support Program which is assessed by the regional assessment service to determine the type of in-home care needed.

Retirement village – a retirement village is a residential option offering a community lifestyle designed specifically for the needs and lifestyles of people over age 55. Most retirement villages offer self-contained accommodation for independent living. They may also provide services such as meals, cleaning and personal care for an additional fee.

Aged care accommodation – residential aged care is a purpose-built facility that offers specialised care for those who need assistance with their everyday living. The services provided may include:

- on-call staff for assistance
- meals
- basic accommodation services such as furnishings
- cleaning and general laundry
- bedding
- maintenance of buildings and grounds.

Additional services (such as hairdressing, outings or a cafe) are offered by some aged care residential facilities at an extra cost.

Accessing accommodation packages

A conversation with an Aged Care Assessment Team (ACAT) is the key to accessing what packages are available to an individual to help determine if a home care package can be secured, or if entry to residential aged care accommodation is the more suitable option.

An ACAT assessment is done by doctors, nurses and social workers to assess the physical and mental needs of the individual.

Choosing an aged care facility

The decision on which aged care facility to choose is made by the prospective resident and their family. This decision may be largely based on accommodation cost and availability, but consideration should also be given to family circumstances, quality of the accommodation and facilities, reputation of the facility, closeness to family and friends and other personal and emotional factors.

It's important to remember there are often long waiting lists for entry to many facilities, so it's a matter of weighing up the urgency of entry and the availability of preferred facilities. The sooner you consider your aged care options and get onto a waitlist, the easier it is to make the transition. In saying this, you should also be prepared to move rapidly once a facility can accommodate you, as places tend to be assigned very quickly and if you take too long to decide, it may be offered to someone else.

Other considerations

This article barely scratches the surface of things you need to know when it comes to your aged care, or that of a family member or close friend. There is a lot to understand when it comes to costs, whether the family home needs to be sold or can be retained, impacts on the age pension for those in receipt of this social security payment and thought to ongoing income.

Talk to a Financial Adviser

With so much to know about this very important decision around how you, or someone you care about, will live our their final years, it's important to get all the facts from a qualified Financial Adviser who understands the aged care system and can provide options and advice, giving consideration to your individual circumstances.

Make an appointment today to discuss aged care, it's important to explore your options while you are of sound mind and can make informed decisions.

(Source: RI Article Hub)

RETIREINVEST

Office Closures

Easter Long Weekend—Friday 15th April to Monday 18th April (Inclusive)

Anzac Day—Monday 25th Aprill

Labour Day—Monday 2nd May

Introducing Troy

Troy has been part of the Adviser Assistant team since September 2021. He has completed both a Bachelor of Commerce degree, with a Major in Finance, as well as a Bachelor of IT Management. He enjoys being involved in the community through volunteering his time with charities, as well as tutoring all levels of education, from Primary through to Undergraduate Studies.

In his free time he enjoys camping, spending time with friends, reading, playing chess, and providing community support via his church. Troy is a welcome addition to the team.

We Are Moving

Due to our lease ending, we are on the move. Whilst we haven't yet found a new perfect space, please rest assured that we are still available to chat with our wonderful clients. You can continue to call us on 07 5593 0000 and speak to one of our friendly staff who will be more than happy to assist.

We can also still accommodate in-person appointments by visiting clients in the home.