wealth financial NEWS

July 2019

ADVISERS MESSAGE

Welcome to our first Newsletter of 2019. We have a major announcement to make and want you all to join us in welcoming Michael Rowlands, our new business partner, to the Wealth Financial team.

21 years ago, Graeme and his wife, Louise, had a vision to set up a business to help people with their financial affairs. Graeme Drake Financial Services started off in the back of their home at Massey Street and then within a year, had grown to such a level that a move was needed to a larger, more permanent business premises. Therefore, the business moved into an office in Emmett Street, where it remains today.

In 2006, with continued growth, Graeme took on an equal partner, Michael, and the name of the business was changed to Wealth Financial, to better reflect the change of ownership and growth. No longer were we a 'one man show', with multiple advisers and a dynamic team. We purchased the building and expanded the offices to accommodate the growth.

Wealth Financial continues to flourish, beyond our wildest dreams all those years ago. We look after many clients all over Tasmania and throughout Australia. Along the journey we have faced many challenges with regular changes to our industry, due to increased scrutiny and changes to legislation. However, we continue to meet these challenges and aim to provide a high level of professional, cutting-edge service to our clients.

Much of our success has been due to our experienced team of staff and our 'client central' focus, assisting our clients and providing them with the best possible service and advice. However, we also need to be able to grow and adapt to be able to continue to provide this personalised service.

In the wake of the Royal Commission, our industry is experiencing a large exit of financial planners as they retire or leave due to increased education requirements and increased administrative and compliance costs. Additionally, many of the banks are exiting from financial advice due to scandals unearthed in the Royal Commission.

At Wealth Financial, we believe in what we do and want to be able to continue to provide all our clients (and future clients) with access to professional advice, delivered in plain English and a friendly environment. We believe people generally need access to professional advisers that can assist them with financial advice. However, going forward this will be more difficult with the reduction of Financial Planners in our industry.

With this backdrop, we had been assessing our options in how best to ensure Wealth Financial is here for the long run and that we have sufficient staff and adviser resources to continue to provide a high level of service to all our clients. As such, we are extremely pleased to announce the addition of Michael Rowlands as an equal business partner and experienced Financial Planner. Michael has taken the opportunity to provide a bit of information about himself and his family inside this newsletter, so you can get an understanding of his values and passion he holds in helping people with their finances.

Michael is a little younger than us, and whilst we have no plans in going anywhere ourselves, it ensures the longevity of the business for many years to come. It will allow the business to grow further, whilst allowing us to continue to provide a high level of service to our existing clients, which may have been at risk if we just continued to grow without the addition of another Planner. Michael holds similar values to us in being quite relational in nature. He is a wonderful man with a young family and understands well the challenges for people with their financial affairs. He is experienced and highly regarded within the industry. We look forward to introducing Michael to as many of you as possible over the next few months.

wealth financial

Graeme Drake

Michael Thrower

Certified Quality Advice Practice

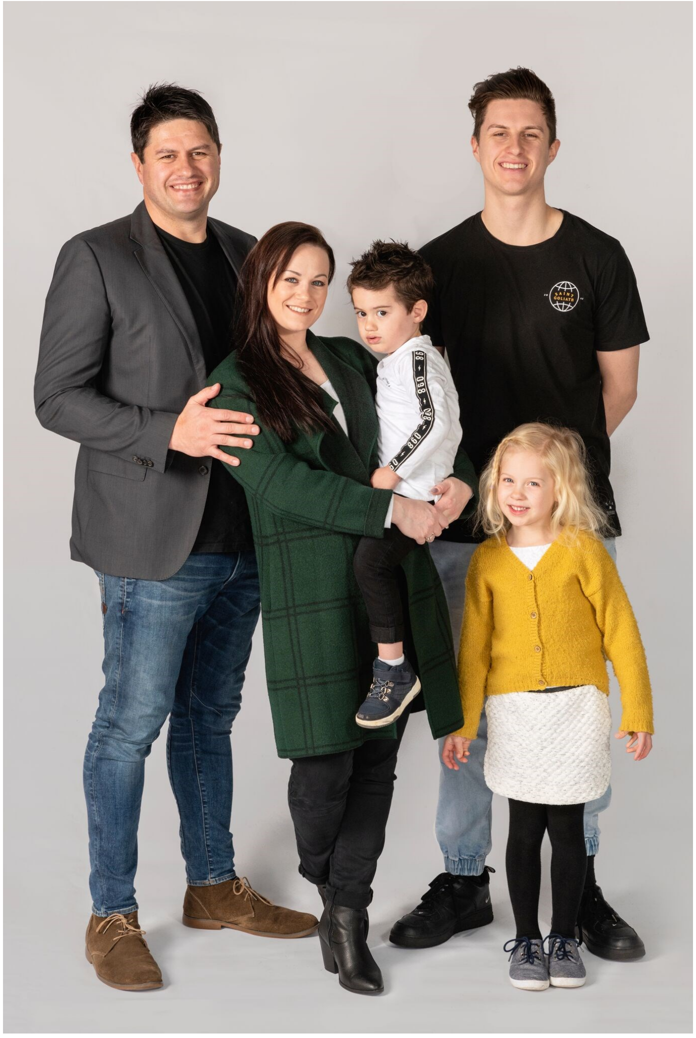
Staffing updates ...

GREETINGS FROM MICHAEL ROWLANDS

It is with great pleasure that I join the Wealth Financial team and just as important is the opportunity to meet you all to deliver value and build a lasting relationship - that genuinely excites me. Over the past 12 months, Graeme, Michael and myself have been working through a thorough due diligence process and I look forward to complimenting the team and ensuring the business continues to stay client focused, relevant and strives to deliver value to our clients in a changing, heavily regulated and compliant industry. For myself I have worked in the financial services industry for six years. During this time we have seen significant changes within the industry designed to better protect consumers and provide transparency. We will continue to evolve as legislation changes.

I am 42, married to my amazing and supportive wife Anna with 3 beautiful children, Mitchell, Georgina and Miller. Our family has strong values and we believe in being a part of the fabric of the community. I enjoy meeting people and learning their story - to me that is what makes up our business – your story is our business! Everyone has a story and my commitment to you is to support you and your family on your journey.

I look forward to speaking to you soon.



OTHER STAFFING NEWS

In other staffing news, it is with great pleasure that we welcome back to Wealth Financial, Heidi Cramer. Heidi will be a familiar name and face to many of you, having previously worked at Wealth Financial for 12 years prior to having a well deserved rest from the industry.

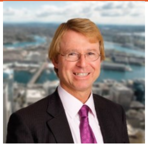
Heidi now returns to our office on a part-time basis, joining Teena in the Para-planning team.

We also welcome to our team Jasmine Spinelli. Jasmine joins Wealth Financial in a new role as a Junior Administration Assistant. Jasmine is a new face to Circular Head, relocating from Devonport to find a full-time position with us here at Wealth Financial.

Jasmine will be working closely with Irene and Kelli, maintaining the day to day administration requirements for the office and our clients.

Business News …

2018-19 saw a rough ride for investors but it turned out okay



By Dr Shane Oliver

The past financial year saw pretty good returns for investors. Bit it didn't feel so good around Christmas as a combination of worries – President Trump's trade war with China, a slowdown in China, Fed rate hikes, an end to quantitative easing in the Eurozone, falling property prices and election fears in Australia saw share markets fall sharply. In fact, from its September high to Christmas Eve US shares plunged 20%. But in the last six months share markets have rebounded as while the trade threat has run hot and cold and tensions in the Middle East have escalated central banks have turned dovish with many either easing or signalling that monetary easing is likely. This has seen global share markets rebound sharply with Australian shares having their best June half since the early 1990's – helped along by the return of the Coalition Government.

So for the financial year as a whole global shares returned 6.6% in local currency terms and thanks to a fall in the Australian dollar they returned 12% in Australian dollar terms. Australian shares returned 11.6% touching an 11 year high.

Cash and bank deposits had poor returns not helped by the RBA cutting the cash rate to a new record low in June. But bonds had a spectacular turnaround as rising bond yields on the back of Fed tightening a year ago gave way to plunging yields – to record lows in many countries – as inflation subsided and central banks turned dovish resulting in Australian bonds returning 9.6%. Balanced growth superannuation funds are estimated to have returned around 7% after taxes and fees. For the last five years their returns have averaged around 7.4% pa, which is not bad given sub 2% inflation.

Australian residential property fared poorly though with average capital prices down 8%, but signs of stabilisation have emerged recently helped by the election results and rate cuts.

Key lessons for investors from the last financial year

These include:

- Turn down the noise – despite the endless predictions of financial disaster it turned out okay again.
- Maintain a well-diversified portfolio – while shares had a rough ride, bonds, unlisted assets and exposure to foreign currency for Australian investors provided some stability.
- Cash is still not king – while cash and bank deposits provided safe steady returns, they remain very low.

The negatives which will likely constrain returns ….

There are a bunch of threats which are likely to lead to bouts of volatility and constrain returns.

- First, President Trump's trade war with China and threats against other countries is adversely affecting business confidence and investment. Trade talks with China have resumed and both sides have a strong incentive to resolve the issue but there is a risk that they may not.
- Second, global growth indicators are well down from their highs at the start of last year. And the yield curve in the US is flashing a recession warning.
- Third, the risk of conflict with Iran has escalated after the US ditched its commitment to the 2015 Iran nuclear agreement. As roughly 20% of global oil demand flows through the Strait of Hormuz its disruption would threaten sharply higher oil prices.
- Fourth, US political risk is likely to ramp up with the debt ceiling needed to be increased around September (remember the debt ceiling/US ratings downgrade of 2011!) and Democratic presidential debates highlighting a sharp leftward lurch at a time when the top Democrat nominees are polling ahead of Trump.
- Fifth, Eurozone risks remains with an increased risk of a no deal Brexit which would be a big drag on the UK economy as 46% of its exports go to the RU and a small drag on European growth as 6% of its exports go to the UK. More important for the Eurozone is the ongoing tension around the still worsening Italian budget deficit.
- Finally, in Australia while house prices are showing signs of being at or near the bottom, rising unemployment risks resulting in a negative feedback loop and another leg down, which in turn would further weigh on economic growth.

…but a bunch of things should keep returns positive.

However, there are a bunch of positives providing an offset.

- First, while global growth indicators are soft, there has been a loss of downwards momentum in the Eurozone and globally it still looks like the growth slowdowns of 2011-12 and 2015-16.
- Second, the fall in global inflation has seen central banks move from tightening to easing to various degrees, providing a renewed stimulus to growth. This is a big difference to a year ago when it was thought that the hurdle for central bank easing was high.
- Third, while the US yield curve is flashing red it's not always reliable, it may be distorted by central bank quantitative easing and it has long lead times. What's more there is still little sign of the sort of excess that normally precedes recessions – there is still spare capacity globally, growth in private debt remains moderate, investment as a share of GDP is around average or below, wages growth and inflation remain low and we are yet to see a generalised euphoria in asset prices. The current growth slowdown globally maybe seen as extending the investment cycle by delaying the build up of recession driving excesses.
- Fourth, while Trump's trade wards and maximum pressure on Iran may reflect the pursuit of international relevance at a time when his ability to do anything in the US is constrained (having lost Congress) it is in his interest to resolve both in a non-disruptive way as American's don't re-elect presidents when unemployment is rising and oil prices are surging.
- Fifth, share valuations are not excessive. While price to earnings ratios are moderately above long-term averages in developed countries, this is to be expected in a world of low inflation. Valuation measures that allows for low interest rates and bond yields show shares to be fair value or cheap.

What about the return outlook?

The threats around trade and geopolitical risks along with the tendency for seasonal weakness out to September/October could see a pull back in share markets and returns are likely to be constrained. But easy money and the absence of large-scale economic excess should help extend the cycle and keep returns positive at around 6% over the next 12 months from a well-diversified portfolio.

wealth financial

Our new look team

Back: Graeme Drake, Teena Beattie-Wells, Michael Thrower, Irene Grey, Michael Rowlands. Front: Jasmine Spinelli, Heidi Cramer and Kelli Popowski.

Wealth Financial

62 Emmett Street, Smithton Tasmania 7330

TELEPHONE: (03) 6452 2770 **FAX:** (03) 6452 2819

GRAEME: 0418 541 588 **MICHAEL T:** 0427 685 420

MICHAEL R: 0447 774 905

Certified Quality Advice Practice

wealth financial

FPA
FINANCIAL PLANNING ASSOCIATION OF AUSTRALIA
PRINCIPAL MEMBER

Wealth Financial is one of a select number of businesses that has been awarded Certified Quality Advice Practice status by Charter Financial Planning. This programme sets an industry benchmark for providing high-quality financial advice.

GR & LK Drake Pty Ltd, Thrower Enterprises Pty Ltd and Quay Franklin Pty Ltd trading as Wealth Financial, ABN 98 930 389 091, are authorised representatives of Charter Financial Planning Limited, Australian Financial Services Licensee 234665.

This newsletter contains general advice only. You need to consider with your financial planner, your investment objectives, financial situation and particular needs prior to making an investment decision. Charter Financial Planning Limited and its authorised representatives do not accept any liability for any errors or omissions of information supplied on this newsletter.