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## OUR ADVISERS



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Certified Quality  
Advice Practice

IMPORTANT  
ANNOUNCEMENT!

## ADVISERS' MESSAGE

## The Good, The Bad &amp; The Ugly

**Let's start with The Ugly** ..... You may be aware that a Royal Commission into the banking, superannuation and financial services industry is currently underway. The Commission has been asked to inquire into and report on our industry and will make an interim report later this year; with final recommendations delivered to the Government early next year.

It is important that you know that we welcome and fully support the aims of the Royal Commission which will further improve the community's trust and confidence in our industry as a strong, stable and trusted financial system which is critical to our economy and all Australians.

In recent weeks, the Commission has focussed on wealth management and financial advice, from which AMP has subsequently generated unflattering media attention. Many of our clients have AMP products and have been rightly concerned. However, rest assured, the issues of the Royal Commission in no way have any negative impact on your investment funds' returns or on our business in any way.

The Commission has heard about a specific issue with AMP's fully aligned AMP planners, in which fees had been charged to clients for services they didn't receive. This so called '*fee for no service*' issue is complex, but one that ASIC (Australian Securities and Investments Commission) has been investigating but yet to reach a conclusion. Essentially though, the issue involved the AMP Financial Planning licensee business practice to leave fees on while clients were transitioning between AMP advisers.

AMP had acknowledged that this practice was not appropriate and stopped it in 2016, reporting subsequently that action had been taken to prevent it from recurring. However, the way AMP reported it to the regulator (ASIC) before it was stopped was misleading.

## Wealth Financial - Our relationship with AMP

While Wealth Financial is licensed through Charter Financial Planning owned by the AMP group, as Authorised Representatives, we operate under strict legal obligations which include the requirement to act in the best interests of our clients **at all times**. This is the foundation of our business.

The issues raised during the Royal Commission are largely related to an historic business practice, over which all impacted AMP clients have already been remediated. They don't have any impact on Wealth Financial or any of our clients.

In saying that, we were nevertheless shocked by what we have read and heard because we take our ongoing service responsibilities to all our clients very seriously. There is no doubt in our minds that the way AMP has been cast in the media is very disappointing and has caused undue alarm to some of our clients which is sincerely regrettable.

As usual, if you have any issues (including lingering concerns about AMP) please don't hesitate to contact Michael or Graeme who are more than happy to discuss these matters with you.

**The Good and The Bad...** Well there's good news and there's bad news – in fact it's the same news but it just depends on which side of the fence you sit on. At Wealth Financial we have been incredibly fortunate to have a very loyal and capable team for many years with very little staff turnover. Without exception, the highest score on our yearly surveys is always for our staff's support and service to you, our clients. In fact, during the year, two of our staff, Kelli Popowski and Russell King both reached their 10 year milestones which they were very happy about and we are very thankful for.

In the case of Russell, our long-serving Practice Manager, he has made the decision to "stop work" (he doesn't like the "R" word). This, of course, is bad news for us but great news for him. Russell will finish up on 30th June so if you're near the office over the next few weeks, feel free to pop in and say goodbye. Of course, he will still be roaming the streets of Smithton and Stanley so we're sure you'll still see him around from time to time.

For over a decade now, Russell has overseen our Practice, providing "polish" and keeping our systems and compliance efficient and up to date. We wish him all the best in the next phase of his life and can't thank him enough for what he has added to our business.

**In conjunction with Russell's departure, commencing 6th July 2018, our office will be closing @ 2.30pm Friday afternoons.**

**Office hours Monday - Thursday remain unchanged.**



# BUSINESS NEWS

## *An additional 14 great investment quotes*

### Introduction

Investing can be frustrating and depressing at times, particularly if you don't understand how markets work and don't have the right mindset. The good news is that the basics of investing are timeless, and some have a knack of encapsulating these in a sentence or two that is both insightful and easy to understand. In recent years I've written insights highlighting investment quotes that I find particularly useful. Here are some more.

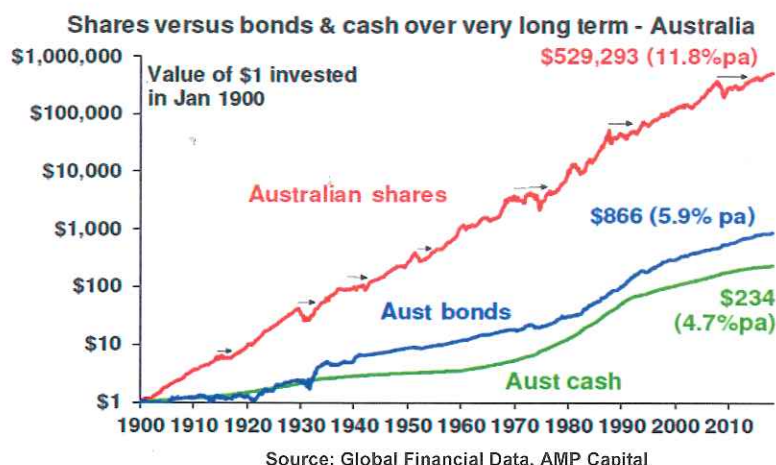
### Having a goal and a plan

**"Financial peace isn't the acquisition of stuff. It's learning to live on less than you make, so you can give money back and have money to invest. You can't win until you do this." Dave Ramsey**

The only way to be able to build wealth is to save and invest and you can only do this if you spend less than you earn. That is, you have to start with a savings plan.

**"Put time on your side. Start saving early and save regularly. Live modestly and don't touch the money that's been set aside" Burton G Malkiel**

In investing time is your friend and the earlier you start the better. This is the best way to take advantage of the magic of compound interest. The next chart – my favourite - shows the value of \$1 invested in various Australian asset classes since 1900 allowing for the reinvestment of any income along the way. That \$1 would have grown to just \$234 if invested in cash, \$866 in bonds but a whopping \$529,293 if invested in shares.



While the average share return since 1900 is only double that in bonds, the huge gap in the end result between the two owes to the magic of compounding returns on top of returns. A growth asset like property is similar to shares over long periods in this regard. Short-term share returns bounce all over the place and they can go through lengthy bear markets (shown with arrows on the chart). But the longer the time period you allow to build your savings the easier it is to look through short-term market fluctuations and the greater the time the compounding of higher returns from growth assets has to build on itself.

**"If you fail to plan, you plan to fail." Often attributed to Benjamin Franklin**

Having a clear understanding of your investment goals – like saving for a home or retirement or generating income to live on – and a plan to get there is critical. If you don't have a clear plan you will be subject to all sort of distractions which can blow you a long way from where you want to get with your investments.

### The Investment Cycle

**"Bull markets don't die of old age but of exhaustion." Anon**

Bear markets are invariably preceded by excess in the economy – over investment, high levels of debt growth, high levels of inflation and tight monetary conditions – and excess in the share market in the form of overvaluation and investor euphoria. It's this excess which drives exhaustion and hence the end of a bull market, not its age.

**"The stock market has predicted 9 of the past 5 recessions." Paul Samuelson**

In the short term the share market moves all over the place with each significant plunge eliciting calls for an impending recession and a deep bear market. But most of the time it's just noise providing an opportunity for investors before a rebound. For example, over the past 50 years in the US there has been 21 episodes of 10% or greater share market falls, but only seven saw recessions and bear markets.



## Risk

**"The biggest investment risk is not the volatility of prices, but whether you will suffer a permanent loss of capital. Not only is the mere drop in stock prices not risk, but it is an opportunity." Li Lu**

Risk is often portrayed as market volatility when in reality it's a whole lot more: the risk of capital loss; the risk of not having enough investment income; the risk of not having enough to last through retirement. It's also perverse – the risk of capital loss is lowest after a period of high volatility and vice versa.

## Contrarian Investing

**"The day after the market crashed on 19<sup>th</sup> October 1987, people began to worry that the market was going to crash" Peter Lynch**

This is perhaps a bit flippant, but it goes to the heart of crowd psychology and why it's best to go against the crowd at extremes. When times are good the crowd is relaxed, happy and fully invested. So everyone who wants to buy has. This leaves the market vulnerable to bad news because there is no one left to buy should prices drop. Similarly, after a sharp fall the crowd gets negative, sells their investments to the point that everyone who wants to sell has and so the market sets up for a rally when some good or less bad news comes along. So the point of maximum risk is when most are euphoric, and the point of maximum opportunity is when most are pessimistic.

## Pessimism

**"It is easier being sceptical, than being right." Benjamin Disraeli**

The human brain evolved in a way that it leaves us hardwired to be on the lookout for risks. So a financial loss is felt more negatively than the beneficial impact of the same sized gain. Consequently, it seems easier to be sceptical and pessimistic. As a result, bad news sells and there seems to be a never-ending stream of warnings regarding the next disaster. But when it comes to investing, succumbing too much to scepticism and pessimism doesn't pay. Historically, since 1900 shares have had positive returns seven years out of 10 in the US and eight years out of 10 in Australia.

**"A pessimist sees the difficulty in every opportunity, an optimist sees the opportunity in every difficulty." Winston Churchill**

This is what stops many investing after big falls – all they see are the reasons the market fell. Not the opportunity it provides.

## Psychology

**"An investment said to have an 80% chance of success sounds far more attractive than one with a 20% chance of failure. The mind can't easily recognise that they are the same." Daniel Kahneman**

Beware of tricks that your mind plays on you when investing. Numerous studies show that people suffer from lapses of logic – eg, assuming the current state of the world will continue, being overly confident and assessing the risk of certain events by how they are presented. The key for investors is to be aware of these biases and try to correct them.

## Noise

**"Stock market news has gone from hard to find (in the 1970s and early 1980s), then easy to find (in the late 1980s), then hard to get away from." Peter Lynch**

The information revolution has given us access to an abundance of information and opinion regarding investment markets. The danger is that it adds to the uncertainty around investing resulting in excessive caution, a short-term focus, a tendency to overreact to news and to focus on things that are of little relevance. The key is to recognise that much of the noise and opinion around investing is ill informed and of little value.

## Having a process

**"Three simple rules - pay less, diversify more and be contrarian – will serve almost everyone well." John Kay**

This helps bring the essentials of investing together. They stand to reason: the less you pay for an investment the greater the return potential; just having one or two shares leaves you very exposed should the news turn bad regarding those shares but if you diversify across a range of shares you can reduce the risk of a fall in your overall portfolio; and doing the opposite to the crowd means you can avoid the points of maximum risk in markets when most are fully invested and take advantage of periods of maximum opportunity when most have sold.

## Balance

**"A calm and modest life brings more happiness than the pursuit of success combined with constant restlessness" Albert Einstein**

This applies to life in general, but it also applies to investing – don't jump around all over the place and keep it simple.

**"The trouble with doing nothing is that you don't know when you have finished." Cafe blackboard in Byron Bay**  
...so it's always good to do *something* and investing is something worth doing (and worth doing well)!

About the Author: Dr Shane Oliver, Head of Investment Strategy and Economics & Chief Economist at AMP Capital is responsible for AMP Capital's diversified investment funds. He also provides economic forecasts and analysis of key variables and issues affecting, or likely to affect, all asset markets.





## ACCC REPORTS \$38.43 MILLION LOST TO DATE IN 2018 SCAMS



### Threats to life, arrest or other

Scams of this nature involve demands to pay money that you supposedly owe and threats to you or your family if you do not co-operate.



### Remote access scams

These scams try to convince you that you have a computer or internet problem and that you need to buy new software to fix the problem.



### Phishing

Scammers are quite skilled and will try to trick you into giving out your personal information such as your bank account number, passwords and credit card numbers.



### Identity Theft

This has become a common type of fraud that involves using someone else's identity to in turn steal money or gain other benefits.



### False Billing

These request you or your business to pay fake invoices for directory listings, advertising, domain name renewals or office supplies that you did not order or authorise.

**SCAM  
ALERT**  
DON'T BE FOOLED

## Random Trivia Facts Did you know?

The Vatican Bank is the world's only bank that allows ATM users to perform transactions in Latin.

The sum of all the numbers on a roulette wheel is 666.

A "milliHelen" is the quantity of beauty required to launch just one ship.

The Procrastinators' Club of America newsletter is called - *Last Month's Newsletter*.

A *Jiffy* is an actual unit of time for 1/100th of a second.

There are no words in the dictionary that rhyme with orange, purple and silver.

## TAX TIME REMINDER

2017-18 Investment Tax Statements will not be available until late August or early September

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Reminder!