

Your Life Quarterly Update



Your Life
Financial Services

Spring Edition September 2018

Invest In Your Life

Welcome to the Spring edition of Your Life Quarterly Update. In this edition we outline:

- Winner : All Star Adviser Award 2018
- Savings Accounts
- The Australian Economy
- Holiday Adventures : Fiji
- Rheumatoid Arthritis Prevention



Winner - All Star Adviser Award

We are thrilled to inform you that **Your Life Financial Services (Jason Danjoux)** was recently awarded **Winner for the All Star Adviser Award 2018**.

This award was presented to the team at the National Australian Unity Conference.

This award recognises quality advice, compliance, sound growth and overall practice operation.

This is great recognition for all of the hard work and commitment that Jason and the team strive to achieve on a daily basis for their clients.



Global Market Update

We have outlined below the major market indices as at 1st of September 2018 and their movement over the past 12 months

| Country | Index | Index 1/9/2018 | % change in 12 months |
|----------------|-----------|-------------------|--------------------------|
| Australia | ASX 200 | 6,319 | 10.6% |
| USA | Dow Jones | 25,913 | 17.9% |
| USA Technology | Nasdaq | 8,087 | 25.5% |
| UK | FTSE100 | 7,451 | 0.1% |
| Hong Kong | Hang Seng | 27,746 | -0.9% |
| Japan | Nikkei | 22,821 | 15.6% |

The USA Technology (Nasdaq) was the best performing index over the past 12 months.

Savings Accounts

Remember the first time you received interest from your savings account? Whether it's \$100 or just 10 cents, it's a magical feeling seeing "free" money appears in your account.

But feelings can be deceptive, and if you think you're earning significant money from a high interest savings account, you should look closer.



Current Savings Accounts

Savings accounts are a great solution for those with shorter-term financial goals where you can't take any risks with your money. After all, you never see your savings account going down, like you might with an investment.

But if you're trying to grow your money, a savings account may not be the best place to keep it.

The interest rates from a high interest savings account reflect the official cash rate set by the Reserve Bank of Australia, which is currently a modest 1.50% p.a..

Currently, most high interest savings accounts illustrate standard variable rates ranging from 1.20% to 1.75% p.a., and bonus interest rates are in the 2.95% to 3.15% p.a. range. However, the bonus rates do come with strings attached. Often the higher bonus rate applies only for a limited honeymoon period on balances up to a certain amount.

What you see is not always what you keep!

When you account for inflation and tax, you'll see that the rate of return is much smaller than you would think.

When investing, it's not what you earn but what you keep that matters. And to calculate that, you need to subtract the costs, taxes and inflation.

\$10,000 cash investment

If you deposited \$10,000 into a high interest savings account five years ago? What would it be worth today?

To look at the real worth of our savings account, we need to adjust the account balance as we see it in our account for two key items — inflation and taxes.

Inflation erodes the purchasing power of money, basically, a dollar today is not the same as a dollar two years ago as the cost of living increases.

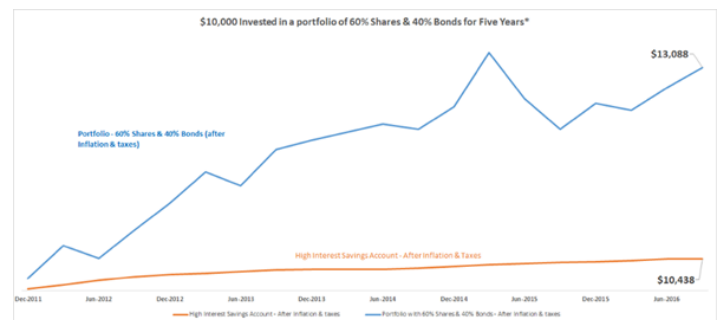
Secondly, any interest we earn on our savings account is treated as income and is taxable in the year it was paid.

As the chart below illustrates, \$10,000 invested during 2011 in a high interest savings account would have grown to \$12,014 over the five year period. After adjusting for the effects of inflation and tax however, the \$12,014 is only worth \$10,438 over that period.

Shares vs Cash

Below we compare how a portfolio invested in 60% shares and 40% bonds would have performed over the same five year period, adjusted for inflation and tax impacts.

High Interest savings account after inflation and taxes = \$10,438; Portfolio with 60% Shares and 40% Bonds after inflation and taxes = \$13,088.



As expected, investing in higher risk/return asset classes such as shares and bonds may produce significantly greater returns than a high interest savings account. The flip side is that shares are also more volatile, with their value going up and down a lot more which can be stressful at times.

Conclusion

High interest savings accounts are "safe" — you won't see your money decrease. However they present a different kind of risk called *Longevity risk* and the risk of not meeting your financial goals effectively. If you're planning to hold money in a savings account for an extended period of time, you may want to consider investing in a diversified portfolio.

Source : Adviser Ratings, 14 September 2018.

The Australian Economy

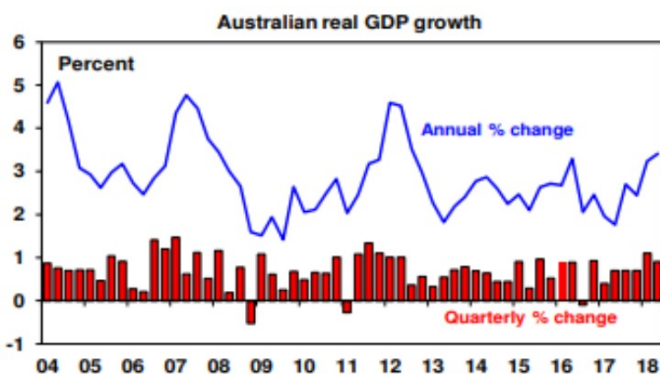
- The Australian economy grew solidly over the last year.
- While a recession remains very unlikely, the combination of a slowing housing cycle, constraints on consumer spending and still subdued business investment will likely see growth slow down going forward to around 2.5- 3%.
- The RBA is not expected to start raising rates until late 2020 and the risk remains significant that the next move could be a decrease in rates.

5 Things you should know about the Australian Economy

First : The economy grew solidly over the last year

After several years of muddling along, the Australian economy actually perked up over the last year with GDP growing a surprisingly strong 3.4% year on year, its fastest since 2012.

Second : Growth is likely to slow from here



While economic growth averaged a strong 1% quarterly pace in the first half of the year it's likely to slow down going forward.

The housing construction cycle is turning down as approvals trend down and the cranes come down.

Growth in consumer spending is likely to slow given weak wages growth, high levels of underemployment and slowing wealth gains as home prices fall.

Business investment plans for the current financial year are still subdued pointing to roughly flat investment (if plans for this year are compared with those made a year ago) and political uncertainty could start to weigh ahead of a potential change in government.

While agricultural production as a share of GDP is now just 2.5%, a 20% slump in farm production as seen in past droughts would still knock 0.5% off economic growth



Third : Low fear of recession

Mining has knocked around 1.5% per annum from GDP growth. However, mining investment is no longer 7% of the economy and it's near the bottom so its drag on GDP growth is approaching zero.

- Public infrastructure spending is rising and has further to go.
- Net exports are likely to add to growth as the completion of resources projects boosts export volumes, although a US/China trade war is a potential threat here.

Profits for listed companies are rising in contrast to the 2014-16 period. This is a positive for investment. 77% of companies in the recent reporting season (the highest since the GFC) have seen rising profits with **86% of companies raising or maintaining their dividends indicating confidence in the outlook**

Fourth : Spare Capacity will remain for some time.

Spare capacity remains most obvious in the labour market where the underutilisation rate remains historically high at near 14%. With it likely to remain high for some time to come, it's hard to see much acceleration in wage growth or inflation in the economy.

Fifth : RBA interest rate increases are a long way off

The risks posed by likely further falls in Sydney and Melbourne home prices, low wages growth, tightening bank lending standards and the drought indicate a rate hike is unlikely to be justified any time soon.

Implications for Investors

First, continuing growth should provide support for reasonable returns from Australian growth assets. Second, bank deposits are likely to provide poor returns for investors for a while yet. Third, while Australian shares are great for income, global shares are likely to remain outperformers for capital growth.

Source : Shane Oliver : 5 Things you need to know about the Australian Economy, 6 September 2018.

Holiday Adventures : Fiji

What does your dream holiday look like?

Welcome to Fiji.

Location : Fiji

For Australians, Fiji presents the tropical island destination of our dreams. Warm, balmy days and nights, crystal clear water, beautiful corals and perfect sandy beaches fringed by coconut palms straight out of our imagination.

Activities

Fiji is not just for sunloungers, beaches and cocktails. There are plenty of ways to get out and about from 'mild' to 'wild'. Whether it's a relaxing round of golf, zip lining across the forest, hike in the rainforest or swim, dive or snorkel in any of the wonderful aquatic playgrounds, Fiji has something for everyone.

Food

Dining in Fiji combines three main influences: the traditional Fijian dishes, the imported Indian cultural cuisine and the rest, made up of European and Asian 'world' foods found almost anywhere. If one dish was used to represent the Fijian national dish, it would be the 'lovo', the universal earth oven found throughout the Pacific.

Must See Attractions

There is plenty to see and do in Fiji, including Fire walking on Beqa island, Kava ceremonies, visit the Garden of the Sleeping Giant and discover pearls in SavuSavu.

Distance from Sydney : Approx. 8 hours



Rheumatoid Arthritis

Rheumatoid Arthritis is a chronic, generalized inflammatory disease that attacks the membranes surrounding joints and tendons, causing pain, swelling stiffness and loss of movement.

The condition is an autoimmune disease in which antibodies attack the lining on the joints.

Prevention & Management

Rheumatoid arthritis is virtually non existent in cultures where the diet consists of mainly fresh, unadulterated fruits, vegetables, nuts and grains.

However it is relatively common in communities that eat a diet high in sugar, meat, dairy products, saturated fat and refined carbohydrates.

Eating foods high in antioxidants can be beneficial.

Improving digestion with foods such as papaya and pineapple, which contain proteolytic enzymes, alleviates the effect of food allergy and reduces the inflammatory process in the joints.

Foods high in niacin and tryptophan (components of vitamin B3) can also dampen arthritic pain.

Superfoods for Arthritis

Alfalfa, Beetroot, Berries, Carrot, Celery, Curly Kale, Grapes, Garlic, Lentils, Mango, Nettle, Nuts, Papaya & Pineapple.

Source : The Complete Guide to Natural Health.
Pierre Jean Cousin & Kirsten Hartvig. p230



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