

SEPTEMBER 2015

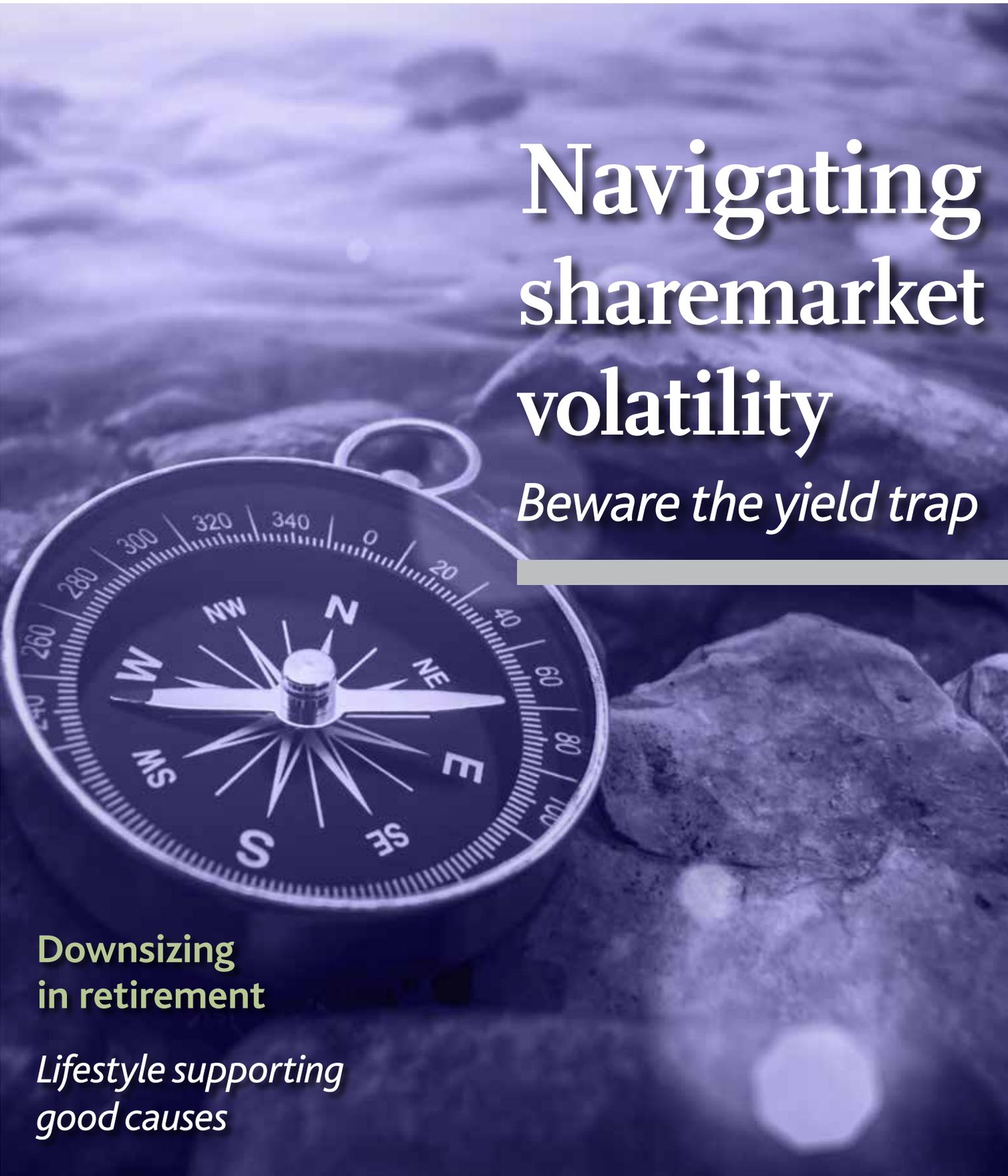
Lifestyle Matters

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Navigating sharemarket volatility

Beware the yield trap

**Downsizing
in retirement**

*Lifestyle supporting
good causes*

ASX200 Dividends pushing towards 5pc!

As continuing share market volatility spooks investors, the average dividend yield on the ASX200 (200 largest Australian companies by capitalisation) is nearing 5% (from around 4% in early 2015) for the first time since the GFC... and this is largely in the form tax-effective fully-franked dividends.

Recent share market falls now mean that Australian equities command the second-highest dividend yield of any major global market behind Spain.

This has led to the extraordinary situation where you can borrow money from the bank at under 5% and re-invest the money immediately into blue-chip shares and make a cashflow profit from day 1. There are very few times in the last 20 years that we, at Lifestyle, have experienced this scenario.

Despite recent poor GDP growth numbers for the Australian economy, 2015 dividends payments are 5.4% greater than 2014... How is this possible?

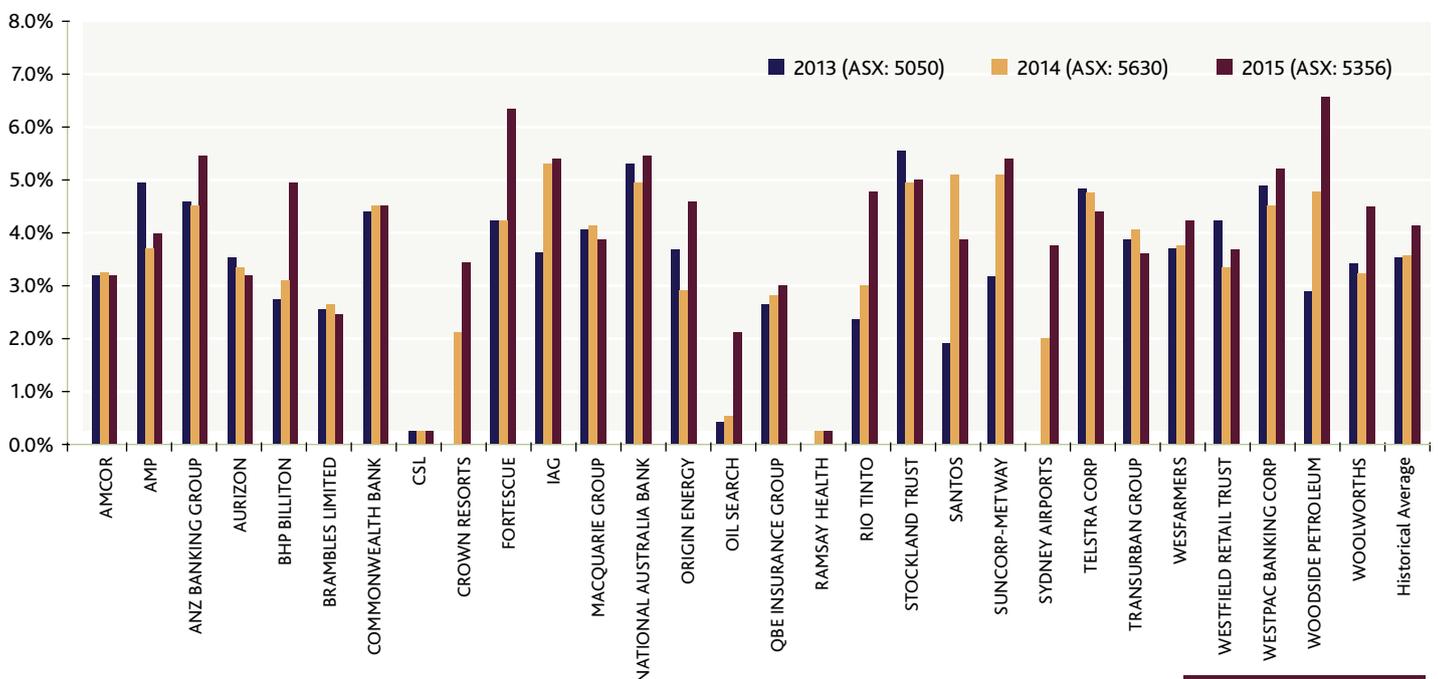
Higher dividends have been made possible by: scaling back capital investment, low debt repayments (due to lower interest rates) and a higher payout ratio. All of these factors

are not sustainable so while the top-line dividend yield looks great, sooner or later, businesses will need to generate growth in order to sustain a growing dividend yield to their shareholders.

While there are some obvious headwinds for profit growth, there are also some positives on the horizon. The ongoing depreciation of the \$A is a clear benefit for our exporters and should start to be reflected in profit results as forward currency hedging contracts unwind and companies can enjoy the full benefits of earning offshore currency – particularly \$US. Secondly, commodity prices are at cyclical lows. Iron Ore prices are now at the lowest level in 6 years.

But volume exports are still strong. Eventually, cyclical resources prices will turn and profits from resource companies such as BHP and Rio Tinto should rise significantly.

ASX Top 30 – Dividend Yields



2015 Yield = 4.7%

Source of Dividend Yields: The Trading Room - 16 August 2015, All Ords at: 5356

The chart above highlights some interesting dynamics at play. Firstly, Australian companies are very consistent dividend payers. In fact, many investors demand a consistent dividend yield and will sell a stock if the dividend falls, even if there is a very good reason for doing so – like reinvesting into the business to build the foundation for future profit growth. Secondly, while the headline dividend yield of 4.7% in August

looks impressive, note the big jump in yields from resources companies such as BHP, Rio Tinto, Fortescue and Woodside. We believe these yields are not sustainable, and, once commodity prices and demand improves, these yields will drop as resource companies begin to re-invest into new plant, equipment and mines. In other words...

Beware of the Yield Trap!

...30 per cent of all seniors surveyed were considering downsizing...

Downsizing...Dream or Nightmare?

At some point, most client discussions we have regarding financial independence come to that old chestnut...Downsizing!

In the back of your mind, you might be thinking about the wealth that could be unlocked from selling the family home and moving into something more manageable...like a 3 bedroom apartment by the water or beach.

The most likely financial impact, unfortunately, is NIL, by the time all changeover costs are factored in. Of course, we would encourage such a move if the result was a more comfortable and stress-free retirement.

Downsizing to a smaller home is often viewed as a logical step for people once they reach retirement age.

Recent research by the National Seniors Productive Ageing Centre showed 30 per cent of all seniors surveyed were considering downsizing. The cost and physical labour associated with staying in a big family home were the main reasons cited by those considering the change.

Conversely, 30 per cent of seniors surveyed stated they were unable to downsize due to financial barriers.

Amongst these barriers is the Age Pension Assets Test. For many age pensioners, having the full proceeds of the sale of the family home included in the pension test is a discouraging factor in deciding whether to move.

Regardless of your current situation, the decision to downsize should be considered carefully. It may have serious consequences for both your lifestyle and your financial situation. Therefore, the pros and cons should be weighed up.



The PROS of downsizing might include:

- Saving Money – Lower cost of rates, maintenance and utilities.
- Less Physical Upkeep - Reduced cleaning and gardening.
- Better Access - A single storey dwelling makes it easier to move around.
- Financial - “Possibly” make a profit on the changeover that can be used to fund retirement.

The CONS of downsizing might include:

- Leaving your community - You may need to make new friends, find new local doctors, join new social and sporting clubs and, generally, rebuild your whole network at a time when you just want to relax.

- Less room for entertaining and the grandkids - According to a 2013 report by the Australian Institute of Family Studies, baby boomer grandparents are now caring for 40 per cent of children whose parents work. A smaller home may mean this is no longer an option.
- Leaving a family touchstone - Often there are many memories that connect you, your children and extended family.
- More clutter & the stress of moving - Smaller homes have less storage and less room for furniture. Further, moving house can be stressful. It can take months to find the right property and sell your old one.
- Financial – If you get your sums wrong, unexpected costs and a potential loss of some Age Pension can actually leave you worse off.

The OPPORTUNITY to downsize should not be about the money. Financial considerations are important but the real opportunity lies in establishing yourself for the next stage of your life. Apart from forcing you to let go of a lot of clutter, downsizing to an appropriate property could dramatically increase your quality of life by allowing you to focus on the things that will be more important in your future as opposed to hanging on to the relics of the past.

What's happening at Lifestyle

Jersey Day

On Friday the 7th of September, the Lifestyle team came to work wearing their favourite team jersey to support and raise awareness for Organ Donation. Jersey Day has been inspired by the story of Nathan Gremmo who was tragically lost in an accident in May 2015. Nathan's family chose to give the gift of life in honour of Nathan's generous personality.



Children's Medical Research Institute

As part of Lifestyle's ongoing support of the Institute's great research work into children's health, we attended the 22nd Annual Jeans for Genes Gala Night. Given the theme was "Fabulous Las Vegas", our most flamboyant team members attended on our behalf: Shane, Heather, Sandy and Elena.



Tim's Big Brood!

Would you believe that Tim's eldest son has just turned 15 and is now really into his teenage years. To contrast this, his youngest daughter is just about to turn two, and is still causing many a sleepless night. While this age difference does create issues when deciding on family activities, Tim is pleased to advise that his two year old learnt to snow ski this year and, while she is only skiing the carpet ride at the moment, it won't be long before they can all ski as a family (that is if the teenager will acknowledge them).

It's all happening at MUDGE

Having now relocated to Mudgee, life is busier than ever for the growing Hall family. Daniel (Gareth's son) and Maxine have just given birth to their second child – Alex! And...Gareth is somehow finding time to grow things on his new patch of dirt. Next time you see him, ask about his marinated olives – I think "he" is even surprised about how good they taste!



Gareth Hall
CFP® Financial Adviser & Authorised Representative



Irene Kay
CFP® Financial Adviser & Authorised Representative



Shane Foster
CFP® Financial Adviser & Authorised Representative



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