Insight

PALLADIUM WEALTH PARTNERS NEWSLETTER
SUMMER 2018

Welcome

INSIGHT

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From all the team at Palladium Wealth Partners, we wish to extend our sincerest well wishes to you, your families and acquaintances for the upcoming Christmas and New Year festive season.

This sentiment was personally conveyed to all those who attended our most recent Christmas functions for clients in Pt Augusta and Adelaide.

Both evenings were well attended and they set the scene for the joyous occasion that this time of the year is noted for.

We also hope that this time of the year will provide you with the opportunity to not only relax and enjoy the season to be merry, but also reflect on the year gone and the excitement and hope for the year ahead.

In final, we gratefully thank you for your ongoing support and we look forward to being of service to you in 2018 and beyond.

Please note, we will be closing the office this year from **12.30pm Friday 22 December 2017** and we will reopen on **Monday 8 January 2018**.

Once again, **Merry Christmas and a Happy New Year.**

In the meantime and when you have a spare moment, please enjoy this bumper edition of our newsletter, whereby Dino provides the latest Market Update, whilst also including articles about:

- Cryptocurrency, Bitcoin and Blockchain;
- Retirement Savings and Longevity Risk;
- Holiday Period Savings Tips;
- Recognising and dealing with Financial Stress; and
- Enlightening Warren Buffett Quotes.

In the 'Rear View" we discuss Palladium Wealth Partners newly established working arrangement with mortgage broker Esteban Mesa, Director of Optimo Home Loans and we also continue with our front cover competition for 2 Gold Class movie tickets.

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Market Update

As another year draws to a close, we cast our thoughts to 2018 with the hope that the sustainable economic recovery underway continues its momentum and the risks of geopolitical tensions remain contained.

Jingle bells, jingle bells what a year it's been, oh what fun and delight to see investment cheer… hey.

Indeed from an investment return perspective, the market bells are ringing and Santa has well and truly come to all those who wait.

In fact, it is in these moments of time that one can truly appreciate and reflect the virtues of having a well diversified portfolio and being invested in the market over time, does deliver its rewards.

To summarise 2017, notwithstanding the political circuses both here and abroad, the geopolitical tensions in the Middle East, the ongoing US standoff with North Korea, the US forceful rhetoric against Russia and China, the terrorist atrocities and the continued rise of popularism albeit with concerning nationalist undertones — investment markets went from strength to strength on the back of continued accommodative policy settings from the various central bank policy makers such as the European Central Bank (ECB), the Bank of Japan (BoJ) the US Federal Reserve and even our own Reserve Bank of Australia (RBA) as to deliver returns not seen for a considerable number of years, all with the backdrop of the lowest levels of volatility experienced in 25+ years.

To date, the Australian All Ordinaries has returned 11% and finally broken through the 6000 point mark for the first time since the Global Financial Crisis (GFC).

International markets fared better still, with the Emerging Market Index up 27.7%, the US Dow Jones up 24% and the MSCI World Index up 19%.

And to top it all off, the advent and hyperbolic rise of cryptocurrencies in the back half of the year has been beyond any rationale.

So for all the talk of doom and gloom, 2017 has been a stellar year, notably dubbed as the "Goldilocks" expansion.

So, where to from here as we head into 2018.

Australia

The Australian economy remarkable continues to exhibit resilience and notably achieved the feat in the September quarter of being the longest continuous growing economy without recession of any OECD nation since 1970.

Indeed, GDP growth for the year will likely come in at 2.8% and looks likely to accelerate to 3% over the course of 2018.

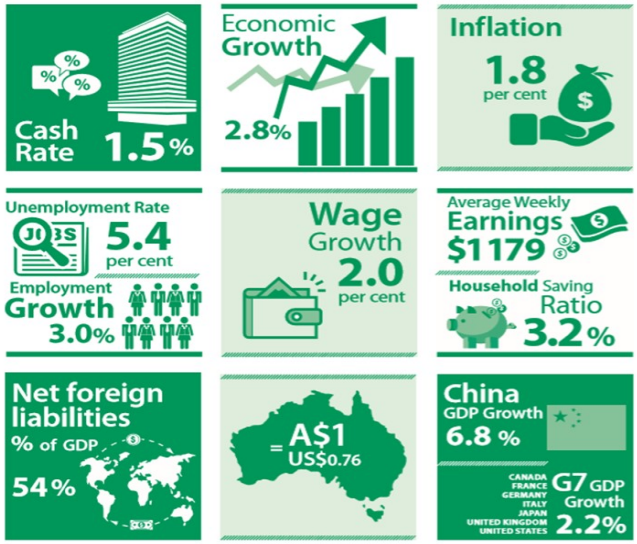
Consumption growth continues to increase, yet whilst this may be so, everyone it seems is only managing to get by, as wages growth remains stubbornly weak and the savings ratio continues to freefall.

This is unlikely to change in 2018.

In turn, inflation remains weak and household debt is now a staggering 190% of income, the latter of which is something we hope will potentially settle over 2018 as property markets cool, particularly on the eastern seaboard.

Based on all these metrics, the RBA has no option but to continue to hold the official cash rate at a record low of 1.5% and there is no expectation of any immediate rate rises and only the slightest possibility of such in the back half of 2018.

The employment data on the other hand is one aspect which remains encouraging and is likely to underpin all facets of the Australian economy in 2018 with the unemployment rate currently at 5.4% is envisaged to fall to a low of 5.25% over 2018.



Source: Reserve Bank of Australia

The $AUD has hovered in the 75c to 78c range to $USD throughout the majority of the year and is likely to remain so over 2018 supported by stabilising oil and rising agricultural and bulk commodity prices.

Business confidence and company earnings in the main continue to rise and on the back of this, we should see much of the same, if not a slight improvement for the Australian economy in 2018.

China

China remained subdued economically speaking for 2017 compared to previous years.

Yet this is actually a good thing, as it wrestles with the wind down of property speculation, curtaining the issuance of credit in the shadow banking sector and reigning in the rapid infrastructure stimulus of years gone by.

In fact, following the October Communist National Assembly, whereby China's leader Xi Jingping having assumed full power and supreme leadership of the party even to a greater extent than the late Mao Zedong, will now exert himself to push for tighter credit controls, cut industrial capacity and curb environmental pollution as to transition and position China economically and politically as the new world super power.

All in all, GDP is envisaged to hover around 6.25% in 2018, inflation will trend in and around 2.5% and barring any credit unwind calamity, China will further exert itself globally by openly affronting US hegemony with respect to the North Korean crisis, the South China Sea standoff and other global events via the UN Security Council.

Europe

The Eurozone was one of the best performing regions in 2017 and looks set to be self-sustaining for continued momentum in 2018.

The recovery is now broad-based across many nations and GDP growth is set to come in at 2.25% in 2018 with the ECB set to pull back quantitative easing from January to September 2018 with the hope of ceasing altogether thereafter. Notwithstanding this, interest rates are unlikely to rise until very late 2018, yet more likely into 2019.

The UK will continue to negotiate its was out of the Eurozone over the course of 2018 and assuming a smooth transition, should be able to reset for GDP growth in and around 1.5%.

Mind you, the Bank of England (BoE) will watch closely such talks and hope not to intervene as it did immediately after the Brexit vote in the event of the negotiations breaking down.

US

The US will be the make or break for the world economy in 2018.

Economically speaking, growth is gathering pace and should come in at 2.5%.

Coupled with the long awaited corporate tax cuts now set to become law, a wave of USD will likely be repatriated by US companies from abroad amounting to some $2 trillion which will provide another kick along to the tune of up to an additional 0.3% growth.

Considering too, the promise of infrastructure renewal all bodes well for continued momentum for not only the US but also for world growth.

However and politically speaking, Trump never ceases to amaze and his rhetoric may yet cause alarm and any misguided steps by his administration could unravel rapidly and potentially result in unintended consequences for us all.

Yet rather than dwell on this latter risk, let us take comfort knowing that investment markets in 2018 should continue to gather pace for all the right reasons.

In the meantime and until the next market update …….. **Have a Merry Christmas and a Happy New Year!!**

Cryptocurrency, Bitcoin and Blockchain

What are cryptocurrencies and are we witnessing the birth of the new financial system?

When you think about currency, the first things that may come to mind are Australian coins and bank notes.

Currencies can largely be classified into two monetary systems, namely, fiat money and commodity money (i.e. objects that have intrinsic value as well as value in their use as money e.g. gold).

Without going into too much detail, in economic terms, our coins and bank notes are commonly referred to as fiat money – basically this means money, without intrinsic value, that is issued and controlled by our Government and deemed as legal tender, namely, recognised as an appropriate medium of exchange for the purchase of goods and services.

In addition to coins and bank notes, data such as bank balances and records of credit or debit card purchases can also fall under the umbrella of fiat money.

As such, the way that you complete a payment for a purchase with fiat money may be with physical money (e.g. coins and bank notes) or via electronic means (e.g. a debit card that draws from the money held in your bank account).

An important point regarding electronic payments is the process that is undertaken to complete a transaction.

Here is a simplistic example:

1. On your way to work, you stop at your local café, and decide to purchase a morning coffee by using your debit card and the vendor's EFTPOS machine.
2. This payment request is received and then actioned by your financial institution (unless there is insufficient funds in your bank account).
3. Your financial institution then sends a payment file to the receiving financial institution who then processes the payment file and transfers funds to the vendor's bank account.
4. The end result is your purchase is approved and both your bank account and the vendor's bank account are adjusted to reflect the transfer of funds e.g. a debit in your account and a credit in theirs.

However, unbeknownst to you and the vendor, there is one final step that takes place.

5. The sending and receiving financial institutions settle the differences in the amounts of debits and credits via the Reserve Bank of Australia at the end of the day.

The definition of fiat money and the process involved in transactions are important to understand when considering the remainder of this article.

With this in mind, over the last few years, there has been increased discussion around cryptocurrency, Bitcoin and blockchain.

So what are they?

Cryptocurrency

Overview

A cryptocurrency is an alternative type of currency, considered by some to be a hybrid between fiat money (such as coins and bank notes) and commodity money (such as gold or silver).

It is a virtual or digital currency, which is not considered legal tender; however, it can be used as a medium of exchange if a vendor chooses to accept it as payment for their goods or services.

Cryptocurrencies do not require government issuing or control, nor assistance from financial institutions to process payments.

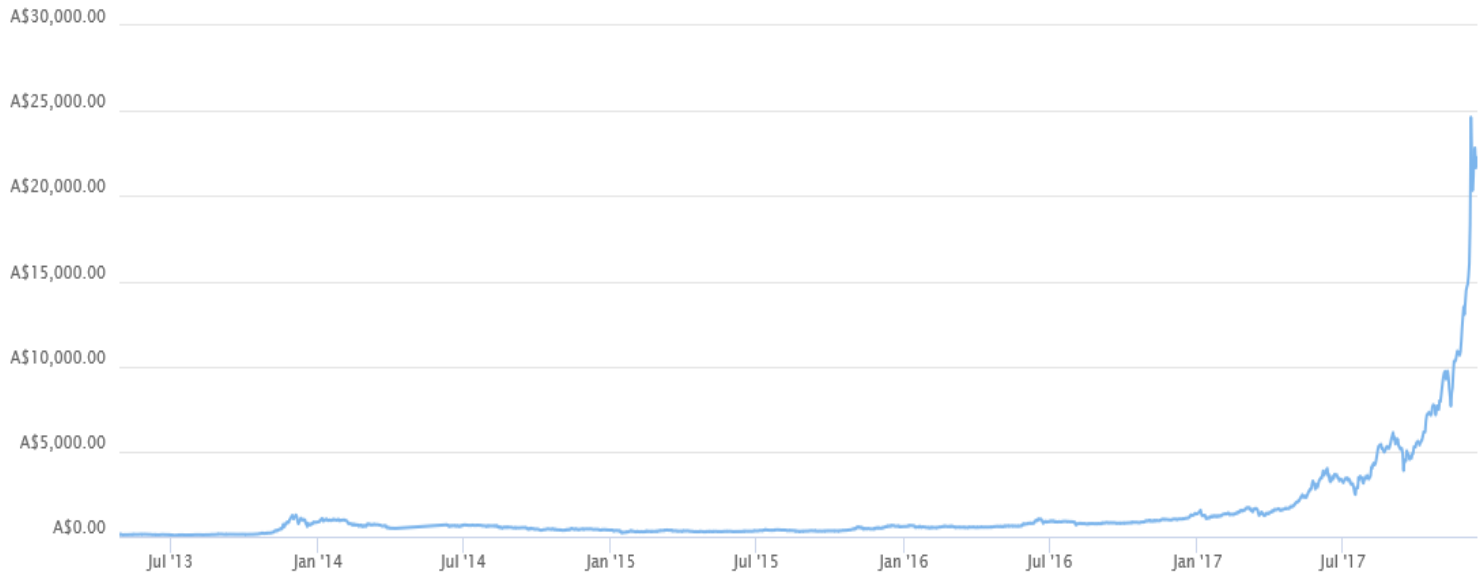
Instead, they use special encryption techniques (e.g. cryptography) to keep data secure, store and create 'monetary units' as well as verify transactions within a decentralised (e.g. peer-to-peer network), digital public ledger (e.g. a blockchain).

As it stands, there are over 1,000 different types of cryptocurrencies, with a combined market capitalisation (market cap) of over AUD $177 billion.

Market cap refers to the total market value of a company's outstanding shares (or, in the case of cryptocurrencies, their monetary units) and is calculated by multiplying the current market price of one share/monetary unit by the number of outstanding shares/monetary units.

Bitcoin Price Chart Australian Dollar (BTC/AUD)

Bitcoin price for today is A$22,252.7573. It has a current circulating supply of 16.7 million coins and a total volume exchanged of A$5,748,005,889



Source: CoinGecko

Market cap is commonly used to understand the relative size of one company versus another.

Bitcoin

The cryptocurrency that is probably most well-known, and the first of its kind, is Bitcoin.

An unknown individual or group called 'Satoshi Nakamoto' created it in 2009 along with the technology that underpins it, namely, blockchain.

Currently, Bitcoin has a market cap of over AUD $380 billion and a trading value of AUD $22,252 per monetary unit (i.e. bitcoin) as at 15 December 2017 at 12.00 pm.

Despite the high trading value, you do not need to purchase a full bitcoin, each bitcoin is able to be divisible to a certain amount of decimal places.

Bitcoin, as with other cryptocurrencies, can be purchased and sold via special cryptocurrency exchanges.

Blockchain

Blockchain is the technology that enables the existence of cryptocurrency.

Blockchain is a decentralised, digital public ledger of all cryptocurrency transactions linked together as 'blocks' in a linear sequence.

Here is a simplistic example of the blockchain process involved in transactions:

1. You request a transaction involving the transfer of bitcoins from your account to another's as payment for the purchase of goods or services.

   This request is initiated via instructions utilising what are called public *keys* (comparable to a bank account number) and private *keys* (comparable to an ATM PIN).

   As these keys are long strings of numbers and letters, the underlying identity of the sender remains anonymous.

2. The requested transaction is broadcast as a *block* to a peer-to-peer network consisting of computers, known as nodes. Individuals or groups called *miners* operate these nodes. The network of nodes then approve the transaction and validate it by solving mathematical algorithms.

3. Once verified, the transaction block is time stamped and added to the existing blockchain in a way that is permanent and unalterable. A reward for the *miners* in approving and validating a transaction is payment via transaction fees and/or the release/creation of new bitcoins.

4. The transaction is complete.

Given the characteristics of blockchain, mostly around the permanent and unalterable nature of time stamped blocks within a chain, it has been proposed that this technology has other applications not just limited to cryptocurrency, for example, property settlements, voting and health care record keeping.

Important Considerations

Volatility

To date, speculative investing and short-term trading has taken precedence over the intended use of cryptocurrencies, namely, to act as an alternative medium of exchange for the purchase of goods and services.

Part of the reason may be attributed to the fact that the value of cryptocurrencies can be quite volatile.

Reasons for the volatility may be due to Government reactions to the alternative currencies (e.g. taxation measures and proposed regulation), varying perceptions of its intrinsic value (and, how to calculate it) and news relating to potential security vulnerabilities*.

An example of volatility can be seen in Bitcoin's trading value per monetary unit (bitcoin) for the month of September 2017:

- Highest trading value: $6,393.39 AUD
- Lowest trading value: $3,472.02 AUD
- Average trading value: $5,096.73 AUD

*For example, the hacking of cryptocurrency exchanges, which has occurred in the past and resulted in investors losing funds relating to the purchasing and selling of cryptocurrencies.

Tax Treatment

Below is not a complete list, but serves to highlight several considerations for investors and consumers regarding the tax treatment of cryptocurrencies, such as Bitcoin:

Cryptocurrencies held for investment purposes may be subject to capital gains tax upon disposal, however if cryptocurrency costing $10,000 or less is used to acquire goods or services for personal use, capital gains tax does not apply.

In May 2017, the Government announced it would end GST on the purchase of cryptocurrency from 1 July 2017.

Legislation amending the GST Act has recently passed through parliament, however for this proposal to take full effect further amendments are still required regarding the GST Regulations.

Whilst we have tried to simplify cryptocurrency, Bitcoin and blockchain into something intelligible, as you can see it can be quite complex.

If you are considering investing in cryptocurrency, it's important to keep in mind investment fundamentals (e.g. diversification, risk versus return and liquidity), the potential to lose funds via security vulnerabilities and the associated tax treatment, as well as carefully consider whether such an investment is appropriate to your financial situation, goals and objectives.

Retirement Savings and Longevity Risk

Going the distance……..what will last longer, you or your retirement savings?

In one of our recent articles, we explored similarities between retirement planning and marathon running.

One of the take-home messages that we touched on was that retirement planning does not cease on the day that you retire – it is simply a transition to the next phase of your life.

This retirement phase also requires careful planning and management, especially regarding the risks you may face in retirement.

Probably one of the greatest risks is the potential to run out of money in your retirement savings by living longer than you had expected — this is commonly referred to as longevity risk.

In terms of life expectancies in Australia, based on 2013-15 statistics*, a 65 year old male could expect to live for an average of 19.5 years (to age 84.5 years) and a female 22.3 years (to age 87.3 years).

However, there are many factors, such as your existing lifestyle choices and health status, that could see you live beyond these average life expectancies.

As such, to fund your desired lifestyle, you may find that your retirement savings need to last longer than your life expectancy.

In this article, we discuss several interrelated considerations for retirees in terms of retirement savings and longevity risk.

Be mindful of the transition from Employment to Retirement and spend accordingly

Retirement often involves a shift from employment income to income derived from a combination of your retirement savings (investments inside and/or outside of superannuation) and potentially the Age Pension.

In most cases, this requires a reduction of your lifestyle expenses to accommodate a drop in your total household income.

Initially it may be difficult making this adjustment, especially if you have become accustomed to a higher standard of living that your employment income allowed.

Consequently, you may find that there is the temptation to keep your pre-retirement lifestyle afloat with larger than planned drawdowns from your retirement savings.

However, it is important to realise that, your retirement savings are a finite resource, that is, at some point they will run out.

As such, the drawdowns you make to fund your retirement lifestyle need to be sustainable for the long-term.

If you are finding it difficult transitioning from employment income to retirement income and the subsequent change in lifestyle that often accompanies this, then consider completing a budget and reviewing your household expenditure.

Both of these are great ways to help assess and manage the way you spend your retirement income.

Furthermore, you may even identify areas where surplus income potential may exist and depending on your personal circumstances, it may be worthwhile considering using this for investment purposes to further bolster your retirement savings.

Understand the impact of Pension Payment Drawdown

When you commence an account based pension to fund your retirement lifestyle, you will find that there is a minimum annual pension payment amount that you must receive.

As shown in the table on the following page, this is a percentage drawdown on your account based pension's balance that incrementally increases as you reach certain age brackets in your retirement years.

Due to this minimum percentage drawdown, as well as other factors such as lump sum withdrawals and fees, your account based pension's account balance will eventually reduce.

The rate at which it reduces can be accelerated by your decision to draw more than the minimum annual pension payment amount.

For example, let us say you retire at age 65, commence an account based pension with a $500,000 balance and the underlying assets generate a total net return of 5% per annum.

Minimum Annual Payments for Account Based Pension	
Age	**2017/2018 Minimum Percentage Drawdown**
55-64	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 or older	14%

"Probably one of the greatest risks is the potential to run out of money in retirement".

If you opted to draw $25,000 per annum (indexed to inflation), then you may find that your account based pension lasts approximately 25 years (age 90).

However, if you decided to instead draw $50,000 per annum (indexed to inflation), then your account based pension may only last 11 years (age 76).

Based on the average life expectancies and drawing $50,000 per annum, this could mean a potential shortfall in your retirement savings of 8.5 years for a male and 11.3 years for a female.

Consequently, you may then find that you need to rely solely on the Age Pension to support yourself in retirement, which may result in a reduction in your retirement lifestyle moving forward.

Although the above example is simplistic in nature, it does highlight the importance of being mindful of the impact that drawing more than the minimum pension payment amount can have on your retirement savings over the long-term and the potential ramifications that this may have for you later in life. In addition, it also leads us to the next consideration.

The '3 Bucket' approach to Retirement Investing

Being too conservative with your underlying assets and not appropriately considering your specific cashflow requirements over time are two things that can also affect the life of your retirement savings.

As such, the '3 Bucket' approach aims to extend the life of your retirement savings whilst appropriately managing your retirement lifestyle needs along the way.

The '3 Bucket" approach involves dividing the underlying assets into different short, medium, and long-term buckets to leverage the relationship between risk versus return (pegged to your specific timeframes and cashflow requirements) whilst still applying the principle of diversification and risk profiling.

An example of the '3 Bucket' approach, which could be applied to your account based pension, is shown below:

- A 'Cash Bucket' with cash investments to fund your short-term retirement lifestyle (regular pension payments and expected lump sum withdrawals) over the next one to two years;
- A 'Stable Bucket' with other income generating investments (e.g. fixed interest) to help account for an additional one to two years of retirement income; and
- A 'Growth Bucket' with the remaining balance held with more risk-associated investments (e.g. property and shares) for longer-term growth.

The cash and stable buckets are then replenished periodically, with enough funds to cover the next two to four years of regular pension payments and expected lump sum withdrawals.

For a more detailed overview of the '3 Bucket' approach, please re-read our article, 'The 3 Bucket Approach to Retirement Investing' in our newsletter published in January 2017.

Take advantage of available Concessions

Another way to help your retirement income stretch further is to understand and take advantage of any concessions you may be entitled to.

For example, depending on your eligibility, this may include the Commonwealth Seniors Health Card.

This card may assist you with certain health care costs (e.g. cheaper medicine under the Pharmaceutical Benefits Scheme), and depending on your State or Territory Government and local council, you may be entitled to other benefits (e.g. a reduction in your utility bills and property and water rates).

Supplement your Retirement Income with Part-Time or Casual Work

Although this may be the last thing on your mind after retiring, by participating in part-time or casual work you may gain access to additional income to spend on your retirement lifestyle and/or use for investment purposes to further bolster your retirement savings.

However, before undertaking part-time or casual work, it is vital to consider what implications this may have on other aspects of your life, such as your Age Pension entitlements.

Invest a portion of your wealth in an Annuity

An annuity primarily invests in cash and fixed interest assets. It can provide you with guaranteed income payments over your lifetime or for a fixed number of years. This may help secure income payments when market volatility may affect other income generating assets within your investment portfolio, as well as make sure a portion of your retirement savings are immune to longevity risk.

Moving Forward

Given our increasing life expectancies, it is no surprise that longevity risk is one of the major concerns for retirees. However, with careful planning and management, appropriately considered strategies can be put in place to help mitigate this and other potential risks you may face in retirement.

If you have any questions about the considerations discussed in this article, please contact us.

*Australian Government, Australian Bureau of Statistics. Life Tables, States, Territories and Australia, 2013-2015. Retrieved from: http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3302.0.55.0012013-2015?OpenDocument

Holiday Period Savings Tips

Avoid the Christmas budget blowout and the New Year credit card blues with these handy tips

The holiday period is a time in which you may find that your spending increases considerably from what you are usually accustomed to throughout the year.

According to a recent survey, Australians on average spend $955 per person over the holiday period when taking into account:

1. Gifts ($591);
2. Entertaining at home with family / friends ($266); and
3. Extra food and drink out of home ($138)*.

Whilst your spending may be higher or lower than this, as you can see, the figures can add up to something quite substantial.

As such, we have provided you with several saving tips to help you keep your spending in check over this holiday period.

Gifts

The purchasing of gifts is often one of the largest expenses that you will incur over the holiday period.

As such, it's important to carefully plan by making a list of who you wish to buy a gift for and setting an appropriate and realistic dollar limit for each.

Once this is done, consider what each person may like as a gift.

This will not only give you an idea as to what to focus on, but also help curb impulse buying and allow you to shop around either online or in store to get the best price.

In addition, if your family is quite large, consider establishing a Secret Santa or exploring other cost-effective options for giving this year, such as a Family Christmas Auction.

This is a fun way to breathe life back into some of your possessions that you no longer need or want, such as books, games, toys and tools, by passing them up and down the family tree to those that will appreciate them moving forward.

Lastly, at some stage you have probably seen the gifts received by either your children or those of other family members in previous years – whilst this can be an exciting part of the holiday period for the kids, take some time to consider the following for the kids:

> **"The purchasing of gifts is often one of the largest expenses".**

How the gifts will shape their perception and expectations around gift giving.

Whether your gift provides satisfaction over time, thus giving a greater return on your investment.

We are not suggesting you change the way that you give, but perhaps consider focusing on gifts that will have a longer lasting meaning by applying the old adages 'quality not quantity' and 'experiences over material possessions'.

Entertaining friends and family at Home

Over the holiday period, you may entertain friends and family at your home.

This is a great way to save money collectively when comparing the cost of eating out at a café or restaurant.

However, if you are not careful, the costs of being a host can add up when considering the amount of food and drink required to accommodate everyone.

To save money, consider asking each guest to bring his or her own drinks and contribute to the food – a specific and collectively agreed upon plate of food (e.g. salad, meat or nibbles) or meal (e.g. entree, main or dessert).

In addition to saving you money, this will mean that each person will be able to consume the drinks of their choosing as well as have food that caters to everyone's tastes and dietary requirements.

Alternatively, if you want to take on the task yourself, make sure that you create a list that is adequate to cater for everyone (whilst limiting potential waste) and is at a cost to you that is within your means.

To reduce the cost of purchasing food and drink, it may be worthwhile shopping around at different supermarkets to take advantage of specials as well as considering substituting expensive brand name products for ones that are often just as good quality, but cheaper.

Extra food and drink Out of Home

Given the nature of the holiday period, there will be times when you will be out and about and need to pay for food and drink that are not part of your normal household expenditure.

However, if you notice yourself dipping into your pocket on a frequent basis to pay for extra food and drink, it may be time to put the brakes on.

The holidays are a time to relax and enjoy yourself, but if you are not careful you may find yourself quickly eating into your savings or needing to overuse a credit card.

Neither of these are great solutions.

Instead, consider limiting the amount of times that you eat and drink outside of your home and for the times that you do intend to dine out, set a dollar limit.

In addition, this could also be a great opportunity to practice (or improve upon) your culinary skills in the kitchen without breaking the budget.

For example, try replicating your favourite gourmet breakfasts, lunches and dinners at home as this can often be at a fraction of the price of what it would cost you at a café or restaurant. Embrace your inner Master Chef!

Moving Forward

The holiday period is invariably a time that we loosen our purse strings and wallets and spend a little more than what we are accustomed to when considering our usual spending habits.

With all of the saving tips above, it is important to first understand your existing financial situation so that you spend within your means.

As such, consider creating a realistic holiday budget and then monitor your adherence to it by tracking your spending.

*Commonwealth Bank XMAS Spending Study. (November 2016).

Recognising and dealing with Financial Stress

Christmas and the New Year can be a stressful time especially from a financial point of view.

Here are some stress relieving remedies to consider

At some point in your life, you may have experienced a certain level of financial stress.

This may have been due to one or a combination of issues, such as managing your debt obligations, running your household budget, and/or handling the financial considerations of a life event (e.g. marriage, birth of a child, job loss, a sickness or injury).

Recognising and dealing with financial stress is important. If left unchecked, it may lead to an overwhelming feeling or disengagement towards your personal finances, which in turn may affect your ability to focus and work towards achieving your financial goals and objectives.

In addition, it may also begin to impact other aspects of your life, whether they be personal (e.g. your family, relationships, physical and mental wellbeing) and/or work-related (e.g. your engagement and overall productivity).

Recognising Financial Stress

The first step towards dealing with financial stress is recognising that it is present.

According to the most recent Australian Attitudes and Behaviour Tracker survey*, close to a third of Australians find dealing with money stressful and overwhelming.

Furthermore, the Australian Bureau of Statistics^ proposes several potential indicators that a household may be experiencing financial stress.

For example, and to name just a few:

- You spend more money than you receive.
- You find it difficult paying your bills on time.
- You are unable to raise $2,000 in a week for something important.

Although each person is different, perhaps one way to identify whether you are experiencing financial stress is to take a few minutes and think about how you currently feel towards each of the areas of your personal finances (e.g. cashflow, debt management, investments, superannuation, insurance planning, taxation and Estate planning).

For example, ask yourself, “Is there one particular area, or multiple areas, that I feel overwhelmed or disengaged with?”

If the answer is yes, consider what the underlying issue or issues may be.

Pinpointing the source of your financial stress can help you to explore and apply appropriate strategies for dealing with it that are relevant to you.

Suggestions for dealing with Financial Stress

Whilst the appropriate strategy to deal with financial stress may depend on the underlying issue causing it in the first place as well as your own personal circumstances, we have provided you with a few suggestions which you may find helpful:

Talk to your Partner.

This can help you to both be on the same page when it comes to assessing your existing financial situation, and working together towards achieving your financial goals and objectives moving forward.

Seek help from your Professional Advice team.

This is especially important when you take the time to consider the different areas of personal finance, their interconnectedness and the diverse range of skillsets required to bring these all together to help you in a meaningful and comprehensive way.

Get to know your Money Personality.

This can enable you to better understand your natural personality preferences for dealing with money and improve your knowledge in the topics that relate to your personal finances.

Keep your finance-related paperwork in a filing system.

This may include, superannuation and investment statements, Estate planning documentation, general and personal insurance policies, debt documentation, bank statements, PAYG statements, and past tax returns (and receipts for future returns) just to name a few.

This can assist you with the organisation of your personal finances and allow you to find and refer to things with greater ease.

Put in place a Budget or revisit the one you already have.

This can help you to gain a better understanding of your cashflow and an overall picture of your personal financial statement, as well as allow you to assess your household expenditure (and, subsequent surplus income potential).

In doing this, you may find it easier to manage your money to meet future expenses, track and review your spending habits over time and devise plans to utilise surplus income for debt reduction, saving, and investing.

Establish an Emergency Buffer.

Life can be full of unexpected events, but by pre-planning an emergency buffer, you can have funds available to cover unexpected events without the need to rely on other sources (e.g. credit cards and borrowing).

Get a handle on your Debt Repayments.

In some respects, debt may be a necessity (i.e. home loan), whilst in other circumstances (e.g. credit cards) it may be used to spend more money than you receive.

Either way, in the end, debt repayments restrict your cashflow and, if not carefully managed, can cost you money in interest that could have been better targeted towards something more beneficial to you.

By repaying your debt obligations as soon as possible, you can free up cashflow to be used for other purposes such as saving and investing for the future.

Make sure you have Insurance in place.

Appropriate types and levels of general insurance (e.g. motor vehicle, private health or home and contents) and personal insurance (e.g. Life, Total and Permanent Disability, income protection and trauma) are a safety net that can provide you with peace of mind financially when an unexpected event occurs.

Take care of your Wellbeing.

For example, eating a balanced diet, engaging in adequate exercise, allowing yourself time to rest, and acknowledging your achievements to date, may help you to reduce your overall stress levels.

To summarise, financial stress can arise at any point in your life. The cause and the subsequent level of financial stress that develops can vary.

Although the above suggestions are not a comprehensive list, you may find that getting your personal finances in order can help with alleviating the underlying cause of your financial stress.

As always, if you feel that you do need help in a specific or variety of areas related to your personal finances then please contact us.

*ASIC and EY Sweeny. Australian Financial Attitudes and Behaviour Tracker: Wave 4 (September 2015-February 2016). Retrieved from: http://www.financialliteracy.gov.au/media/559536/australian-financial-attitudes-and-behaviour-tracker_wave-4.pdf

^ABS, Household Income and Wealth, Australia, 2013-14. Retrieved from: http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6523.0~2013-14~Main%20Features~Financial%20Stress%20Indicators~33

Enlightening Warren Buffett Quotes

Everyone can learn from the "Oracle from Omaha" - one of the greatest investors of our time -

Warren Buffett is arguably one of the most successful investors of all time. At the age of 87, he currently has a net worth of roughly $78 billion USD, which makes him the fourth richest person in the world.

Over the years he has delivered some very insightful quotes on the topics of investing, risk management, and philanthropy.

In this article, we explore some of his most famous quotes and apply the meaning behind them to certain areas of your personal finances.

"It is not necessary to do extraordinary things to get extraordinary results."

When it comes to your personal finances, often it is the many small things you do, compounded over time, which can produce extraordinary results.

Take a regular savings plan for example.

Let's say you decided to commence a saving plan and regularly deposit $50 a week into an investment account generating a net return of 5% per annum.

If you continued the regular deposit over the course of a 30 year timeframe, your regular investment of $50 would grow to $180,880 (i.e. $78,000 invested and $102,880 in investment earnings).

So, powerful results can occur when the small things you do in all aspects of your personal finances are combined together and compound over time. These can include, budgeting, debt reduction and saving and investing for the future.

Someone is sitting in the shade today because someone planted a tree a long time ago."

This can be applied to several areas of your personal finances.

For example:

Wealth accumulation does not happen overnight. It takes preparation, flexibility and perseverance over a long period of time.

By putting a plan in place that appropriately reflects your financial situation, goals and objectives, you can begin the journey towards turning your vision of the future into a reality.

Taking the time to give your children an education in financial matters can be truly beneficial in helping them to develop and apply healthy financial habits over their lifetime.

In many ways this quote can also relate to the benefits derived by others through your engagement in philanthropic endeavours.

However, it is important to have an appropriate and planned approach. Prior to engaging in philanthropy, here are a few things that may be worth considering:

- What are your motivations for giving?
- What resources do you have to give?
- Are there any constraints or factors that may impact your ability to give?

What causes or people do you wish to benefit from giving?

"Do not save what is left after spending; instead spend what is left after saving."

Given the choice, would you restart the way you approach your income and expenditure?

instead of focusing on what you can buy with your income, would you start with the mindset of how much do I need to save to achieve my financial goals and objectives and then spend the remainder?

"Risk comes from not knowing what you are doing."

There are certain gifts and skills that each individual has and it is important to recognise where yours end and another's begin.

In the world of personal finance, this is especially pertinent. People can often come unstuck when they try to undertake something that is beyond their capability.

By building and leveraging a professional advice team, you can use their gifts and skills to help you achieve your financial goals and objectives.

If you buy things you do not need, soon you will have to sell things you need."

This is particularly relevant when considering healthy financial habits in cashflow and debt management.

For example, by consistently tilting your spending habits towards want purchases, and further exacerbating it with the inclusion of credit cards and borrowing, there may come a time when your expenses exceed your income.

Once this point is reached then some difficult decisions may need to be made to get back on track towards equilibrium regarding your income and expenses, for example, selling certain assets to clear debts obligations that are not able to be met with your existing level of income.

"Predicting rain doesn't count. Building arks does."

Unfortunately, it is often very hard to forecast the future in terms of when an unexpected event may occur.

However, when such an event does present itself, the results can be distressing for those that weren't appropriately prepared.

As such, it is important to consider risk management when it comes to your personal finances.

This can often involve multiple areas, for example, superannuation (e.g. retirement planning), investments (e.g. diversification and dollar-cost averaging), insurance planning (e.g. general and personal insurances) and Estate planning (e.g. Will and Powers of Attorney).

"The investor of today does not profit from yesterday's growth."

This is an important reminder of making sure that procrastination does not get in the way of achieving your financial goals and objectives.

By failing to be proactive with putting plans into action regarding wealth accumulation, you can miss the opportunities that present themselves throughout your lifetime.

However, it is never too late to start.

As another famous saying goes:

"The best time to plant a tree was 20 years ago. The second best time is now."

(Chinese Proverb)

We hope you have enjoyed our look at some of Warren Buffett's famous quotes.

If you have any questions regarding anything discussed in this article then please contact us.

The "Rear View"

Optimo Home Loans

Palladium Wealth Partners welcomed a new sub-tenant into its offices in August in Optimo Home Loans

At the beginning of August, Palladium Wealth Partners sub-let a room of its office space and thus commenced a working arrangement with mortgage broker Esteban Mesa, Director of Optimo Home Loans.

Esteban is well known to us all, especially Palladium Wealth Partners Director, Daniel D'Amato, the two of whom worked together at Westpac for several years.

As the name suggests, Optimo Home Loans is a mortgage broking service providing an array of loans advice.

Specifically in relation to:

- Home Loans
- Investment Loans
- Construction Loans
- Equity Loans / Cash Outs
- Debt Consolidation
- Commercial Loans
- Car Loans
- Personal Loans
- SMSF Loans

MFAA Mortgage & Finance Association of Australia Accredited Finance Broker

EA Winner Connective Excellence Awards 2017

Esteban likes to typify himself as a sounding board for people who want to improve their financial situation, but have not yet figured out a way of moving forward.

He is also a great listener and someone who knows how to creatively get things done. He is thorough and with his personal approach, will do all such things as to have your loan application approved.

With over 30 providers at his disposal, whether you or family member are in the market to buy another home or investment property, or simply wish to have a second opinion and find a better deal, Esteban will guide you through the entire loan application process.

Palladium Wealth Partners looks forward to working with Esteban of Optimo Home Loans as an added service to our overall financial advice offering and we hope you too may seek his services in the new year.

You can contact Esteban on 0423 515 251 or email to emesa@optimohomeloans.com.au

For further information, check out his website at www.optimohomeloans.com.au

OPTiMO Home Loans

Congratulations to Kerry Hammill drawn winner from a number of correct entries of our Winter 2017 newsletter competition in guessing the correct location of the front cover picture which for everyone's curiosity was that of Remarkable Rocks, Kangaroo Island.

How would you like to have another chance to win 2 Gold Class Movie tickets on us.

All you need to do is guess the exact location and correct name of the location of the Christmas tree pictured on the front cover of the Summer 2018 newsletter.

Simply email us at **enquire@palladiumwealth.com.au by Sunday 7 January 2018** with the correct answer along with your full name and contact number and you will go into the draw to win.

The draw of all the correct entrants will be conducted on Monday 8 January 2018 and the winner will be contacted by telephone.

We will post out the tickets to the winner and announce to you all who that winner was in our Autumn 2018 newsletter. **Good Luck!!**

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