inTouch

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Welcome to our quarterly magazine – in this edition:

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- Protect your ability to earn income
- What does a weaker Aussie dollar mean for your investments?
- Retirees get more flexibility to boost their super
- How to live a happy life

Welcome to this quarter's edition of inTouch. Late last year RI Advice announced that its parent company, ANZ Wealth, had agreed to sell its advice dealer groups and Platform and Investments business to IOOF. We have been diligently working through the transition process with regular input from our advisers. I am pleased to announce that as of 01 October, RI Advice will make the transition to its new owner, IOOF.

This is a very exciting time for our business and our new home at IOOF will mean we are part of one of the largest wealth businesses in Australia, and with that comes additional experience, resources and benefits for all our clients.

If you have any questions, please contact us, or your RI Financial Adviser. If you enjoy reading this edition of inTouch, please feel free to pass it on to someone you know who may also benefit from our articles. Until next quarter....

Peter Ornsby
RI Advice Group, CEO

Five ways to protect your financial information

As theft of financial data becomes more common, securing online accounts and personal information has never been more important.

Hacking and identity theft are growing in scale and sophistication.

Research shows that hackers stole more than $2.3 billion from Australian online consumers in 2017...

...with more than 6 million people falling victim to cybercrimes such as identity theft.[1]

Money is a primary motivation of hackers, making financial information a major target of cybercrimes. Financial pretexting – which involves obtaining personal information under false pretence – and phishing accounted for 93 per cent of all the 2017 breaches Verizon investigated.[2]

So how might you keep phishers and hackers from snooping into and stealing your financial information? Here are five suggestions.

1. Use strong passwords

Setting strong and unique passwords for your accounts is your first line of defence. According to Verizon, 81 per cent of hacking incidents in 2017 succeeded due to stolen or weak passwords.[3] Use long and complicated passwords to help you secure your accounts. Avoid re-using them for other accounts, no matter how tempting it is to recycle a password. Changing them regularly – once every few months – may also help you increase your account security.

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2. Set up two-factor authentication

Two-factor authentication adds a layer of security that makes it difficult for hackers to access your online accounts. Many financial institutions require two-step authentication to access applications or portals. If your provider offers this as an option, it's wise to activate it. Also set up two-factor authentication for any other accounts or portals that contain financial information, including emails and cloud storage.

3. Monitor your accounts

Regularly monitoring your financial accounts – at least once a week – may alert you to any suspicious activity and enable you to report it early. Using a private network to access your online accounts is also critical to help ensure your financial information remains secure.

4. Deal directly with your provider

If someone claiming to be from your financial institution reaches out to you through email or over the phone asking for your account information to address a 'problem', it's sensible to do a basic check, regardless of how legitimate the request may seem.

Experts suggest that users contact their provider directly instead of responding to the email or giving information to the caller.

5. Use secure portals

If your financial provider has a client portal – or a secure online storage system – for keeping and sharing digital documents, take advantage of it. Using a secure portal provides a level of security that may help protect your identity and personal information.

Experts advise against relying on emails to share financial documents because of their vulnerability to attacks.

Take precautions

Cybercrimes will not go away – they will only grow in sophistication. But you may keep hackers and phishers at bay by increasing the security of your personal data, especially your financial information.

1 Norton, 2017, 2017 Norton Cyber Security Insights Report – Australia. Available at: https://au.norton.com/cyber-security-insights-2017

2 Verizon, 2018, 2018 Data Breach Investigations Report. Available at: www.verizonenterprise.com/verizon-insights-lab/dbir/

3 Ibid.

MANAGING YOUR INSURANCE COSTS

You don't have to cut corners on your insurance or sacrifice the adequacy of your cover to make your policy more affordable.

CHOOSING A PAYMENT STRUCTURE

Choosing stepped premiums in the first few years of your life insurance policy may help you keep the cost of cover low in the beginning.

USING YOUR SUPER

Taking out life insurance through your superannuation may have cashflow advantages.

WAITING FOR A LONGER PERIOD

When taking out income protection insurance, you can choose a waiting period which might lower your premiums.

GETTING ADVICE

Seeking advice from a professional financial adviser is important to help make insurance affordable – and manageable.

Protect your ability to earn income

An illness or injury can keep you from working and earning. Are you doing enough to protect your income if you're unable to work?

Your ability to earn an income is usually one of your biggest assets, so it's important to protect it. You may get help from a worker's compensation payout or personal savings if you become unable to work due to illness or injury. But they're likely to only cover nominal living expenses. How are you going to service your debts, and pay medical bills or your children's school fees?

> Taking out an income protection (IP) plan may help provide peace of mind that you'll be able to meet your financial obligations and focus on recovering.

IP cover may provide a monthly income while you're unable to work as a result of illness or injury. It typically replaces up to 75 per cent of your income for a set period of time.

When looking to take out an IP plan, it's important to consider:

- the period of time you're willing to wait before payments start
- the length of time that you will receive payments for.

These factors may affect your premiums and benefits.

Standalone cover or through super?

You may get your IP cover through your superannuation fund or by buying a standalone plan outside your super. Taking out a policy through your super may be a good idea if you want to avoid paying for insurance out of pocket. You might also get a cheaper premium rate because super funds bulk buy insurance. But keep in mind that the policies offered through super may not cover all your financial responsibilities for an extended period of time.

A standalone IP policy may provide more adequate coverage. It may also offer tax benefits – IP premiums are usually tax deductible if you fund your cover outside super.

Keeping your costs down

If cost is a concern in taking out a standalone plan, there are a few ways you may be able to make your premiums more affordable. One of them is choosing a longer waiting period before you receive benefits after being unable to work due to illness or injury. The longer you wait, the lower your premiums.

Opting for indemnity cover may also help you keep your insurance costs down. IP plans require you to choose between indemnity and agreed-value cover. Under an indemnity policy, your insurer bases the monthly benefit you would be paid on your income, at the time you make a claim.

For an agreed-value policy, the benefit is based on your income when you apply for coverage. Premiums for indemnity cover are generally lower than for an agreed-value policy.

But indemnity policies may vary among providers, so speak to your financial adviser about which cover may suit you. Your adviser may also help you tailor your insurance plan to meet your income protection needs.

What does a weaker Aussie dollar mean for your investments?

By Mark Rider, Chief Investment Officer, ANZ Wealth

Australians are well known for their love of travel. Along with Kiwis, we're probably the most prolific travelers in the world. This intrepid nature means that many Australians understand currency risk.

For a long time the strong Aussie dollar meant we all had extra overseas spending money and could seek out online bargains from US retailers but times have changed and the Aussie has slipped from its peak of $US1.10 in 2011 to $US0.74 in 2018[1]. This may curtail travel plans for some, but what does this mean for our overseas investments?

"Overseas investments expose your portfolio to currency risks and opportunities because international shares are purchased in their 'home' currency. This means changes in the value of that currency relative to the Australian dollar will affect the gains or losses on the investment when the money is converted back" says Mark Rider, ANZ's Chief Investment Officer.

Simply put, a stronger Australian dollar will decrease the value of your international investments because your overseas shares now buy fewer Australian dollars than when you first invested. Conversely, a weaker Australian dollar will increase the value of your international investments.

The US dollar has strengthened this year as the US Federal Reserve (Fed) has gradually raised interest rates offering investors increasingly higher yield on US debt vs Japan, Europe and emerging markets.

The Australian dollar has weakened a little over the past year as the RBA has remained content to keep rates on hold. This trend may continue into the future, although it is reliant on a sustained period of rate hikes by the Fed, which is far from guaranteed.

We should also consider that iron ore prices are expected to continue to drift lower and this may mean the Aussie could drift lower too. China's main economic engines have changed over the past decade with growth increasingly driven by the consumer and the services sector and less so by construction and exports. The latter remain critical for the Australian economy, and particularly the Resources sector.

While we expect this trend to continue, risks on the horizon from a potential trade war with the US may also place increased downward pressure on the Aussie against the US dollar.

> Against other currencies such as the Euro and the Yen, the outlook is better. Australia still has a large interest rate differential with these currencies.

While a slightly weaker Australian dollar may look like a signal to invest more overseas, bear in mind that a weaker dollar is a positive for Australian companies who export goods and services, such as our farmers, as it makes them more competitive. Tourism, higher education and companies who generate a lot of their earnings from offshore operations also benefit. On the flip side, companies who need to import or buy goods from overseas will feel the pain.

Various strategies, such as currency hedging, can be considered to manage currency risk, but it all depends on your investment timeframe and the performance of the overseas asset.

What is currency hedging?

When an investment manager buys units in an unhedged fund that invests offshore it's effectively holding overseas assets in the foreign currency. Currency hedging means converting a percentage of the value of a portfolio's offshore assets into Australian dollars to protect from changes to the exchange rate.

However there are benefits from unhedged exposure, usually when global share markets falls, the AUD declines in the 'risk off' environment protecting the value of your investment. Deciding on the appropriate level of hedging is a good discussion to have with your adviser.

Equally, investors need to consider if they're aiming to maximise returns or to reduce overall portfolio risk.

"Some professional investors consider currency risk as another layer of diversification and may take a bet each way with exposure to hedged and unhedged investments. Either way, currency risk on investment performance is incredibly hard to predict" says Rider.

With such a range of factors to consider it's prudent to talk through your investment approach with your financial adviser. They can consider your level of risk tolerance, investment time horizon and an investment manager's approach to managing the risks and opportunities associated with currency movements.

1 Figure current as at 30 June 2018

Retirees get more flexibility to boost their super

Recent retirees may get a one-year exemption from the proposed superannuation work test to help them boost their super.

Many Australians are retiring without enough savings in their super. Research shows that in 2015–16, Australians had average super balances of only $270,710 for men and $157,050 for women at the time of retirement.[1] These sums are significantly lower than the $545,000 the Association of Superannuation Funds (ASFA) estimates an individual needs for a comfortable retirement.[2]

To encourage recent retirees to save more for old age, the Australian Government is proposing to allow them to contribute to their super for a year without having to show that they've been 'gainfully employed'.

The current rules

The current rules allow anyone below 65 to contribute to their super regardless of whether they work or not. But those between 65 and 74 need to meet the work test before they can make super contributions.

To pass this test, they have to show that they've been gainfully employed for at least 40 hours over 30 consecutive days in the financial year they plan to contribute.

The government has already given members with a total super balance of less than $500,000 some flexibility to further grow their super. These individuals can 'carry forward' any unused amount below the concessional contribution cap of $25,000 on a rolling basis for five years starting from 1 July 2018. They can use their unused cap amounts from 1 July 2019. But people between 65 and 74 must still meet the work test before they can make these 'catch up' contributions.

The proposed measure

To encourage this age group to save more for retirement, the government is proposing to give individuals who don't meet the work test an extra year to beef up their super savings. From 1 July 2019, those aged between 65 and 74 with a super balance below $300,000 will be able to make voluntary contributions in the first financial year that they don't satisfy the work test requirement.

The annual concessional and non-concessional contributions caps – currently $25,000 and $100,000 respectively – will continue to apply.

But members can access any unused concessional contributions cap amounts they have carried forward.

Carry forward arrangements for non-concessional contributions are generally not available to those aged 65 and above (unless they turn 65 in the financial year), so members won't have access to this provision under the work test exemption.

The government will assess total super balances at 30 June of the financial year in which members last met the work test. Individuals who retire in the 2018–19 financial year may be eligible to make additional contributions, but those who retired before 1 July 2018 won't qualify.

Seek professional advice

Rules on super contributions continue to change, requiring careful consideration of the implications for caps and taxes. If you're thinking of contributing to your super under the proposed work test exemption, it may be wise to speak to your adviser to see how making additional super contributions may work to your advantage.

1 ASFA, 2017, Superannuation account balances by age and gender. https://www.superannuation.asn.au/ArticleDocuments/359/1710_Superannuation_account_balances_by_age_and_gender.pdf

2 ASFA, 2017, 'How much do you need to get comfortable?'. https://www.superannuation.asn.au/media/media-releases/2017/media-release-4-december-2017

How to live a happy life

What's the key to happiness? Research shows it has to do with relationships.

Many of us spend our lives pursuing that elusive feeling of happiness. Is there a formula we can follow to lead happier, more fulfilling lives? Unfortunately, there's not, but research shows that warm relationships and generosity can help people live a 'good life'.

The Harvard Study of Adult Development, one of the world's longest-running studies of adult life, offers some interesting findings about what makes people happy. It has found that good relationships keep people happier – and healthier.

Robert Waldinger, the director of the study, said society puts a lot of emphasis on status and work. "But over and over, over these 75 years, our study has shown that the people who fared the best were the people who leaned into relationships, with family, with friends, with community," he said in a TED talk.[1]

Waldinger identified three lessons about happiness from the study.

1. Social connections are good for people

Close relationships protect people from life's discontents and are better predictors of long and happy lives than social class, IQ or genetics, according to the study. And there's more: relationships also help delay mental and physical decline.

2. The quality of relationships matters

It's not the number of close relationships that matters, but their quality. "High-conflict marriages, for example, without much affection, turn out to be very bad for our health, perhaps worse than getting divorces," according to Waldinger.

Meanwhile, warm relationships are protective, he said.

3. Strong relationships are good for the mind

Good relationships also protect the brain. The study has shown that people who are in relationships where they can count on the other person in times of difficulty have sharper memory, according to Waldinger.

This doesn't mean relationships have to be perfect – it's enough that people feel they could count on the other person in times of adversity.
Continued overleaf...

Finding happiness by helping others

Doing good things for others can also make people feel good. In fact, just thinking about doing a generous act can make people happier. A study found that pledging to help others can help reinforce altruistic behaviours and make people feel happier.[2]

Helping others regularly may also influence long-term wellbeing. A study of older people found that those who have a habit of giving tend to have better health and live longer than those who are less giving and even those who receive.[3]

Happiness may seem elusive, but doing little things – such as being generous to others and nurturing good relationships – can help you live a life of contentment.

1 Waldinger R, 2015, TEDx, 'What makes a good life? Lessons from the longest study on happiness'. Available at: https://www.ted.com/talks/robert_waldinger_what_makes_a_good_life_lessons_from_the_longest_study_on_happiness

2 Park SQ, Kahnt T, Dogan A, Strang A, Fehr E & Tobler PN, 2017, 'A neural link between generosity and happiness', Nature Communications. Available at: https://www.nature.com/articles/ncomms15964.pdf

3 Brown WM, Consedine NS & Magai C, 2005, 'Altruism relates to health in an ethnically diverse sample of older adults', The Journals of Gerontology, Series B: Psychological Sciences and Social Sciences. Available at: https://www.ncbi.nlm.nih.gov/pubmed/15860784

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