

Passionate Planning

VOLUME 5 EDITION 1

Learning investment lessons from history

Preparing to start a family

Estate planning triggers

Learning a language

Learning investment lessons from history

“History, is just one damned thing after another” said one sceptic. For investors, it’s something else altogether. Studying history is a great way to learn to be a successful investor – and so improve your lifestyle.

Investment experts will remind you that past performance is no guarantee of future performance – and they’re right. But the past does have lessons to teach. Looking back at the last 50 years of the Australian share market history, many important lessons can be learned.

*‘Chaos isn’t the pit,
chaos is the ladder’**

Over the past five decades the world has seen its share of chaos – wars, terrorism, economic crises, world changing innovations and epochal elections.

However, it’s important to look beyond the emotions surrounding such events – crises like the 1987 crash or September 11, or bonanzas like the 90s dot-com revolution and the resources boom of earlier this decade.

People become irrationally negative just as they become irrationally euphoric. If you take a long-term view when others are panicking, you can buy a business which is selling for well below its fundamental value.

*Bank on the balance sheet,
not the banks.*

The balance sheet is the thing that stands between you and disaster. When times are good, markets throw caution to the wind and chase companies that have a lot of debt and so a lot of risk. You’re better off future proofing your portfolio by buying companies with a good balance sheet.

You want to be holding businesses that have cash on their books and aren’t dependent on the banks when things turn ugly. Banks are great at lending you an umbrella when it’s dry. As soon as it starts raining they want it back again.

Be born in Australia

Warren Buffett famously said two of the big reasons for his success were compound returns and being born in the US. You can make the same argument for Australia.

Australia has been a great place to buy shares. Credit Suisse’s Global Investment Yearbook tracks share market performance as far back as 1900. According to their research, Australia has been the world’s second best source of real share market returns – generating an average, after-inflation return of 6.7 per cent a year over 116 years.

Financial preparing to start a family.

Having a baby is a wonderful experience, but are you financially ready for it?

Before you have children, it's important to get your finances in order. Decide how long you'll need off work and what government support you're entitled to. Be sure to make a savings plan, get the right insurance and find ways to boost your superannuation.

Before you start choosing names and browsing for strollers, here are several steps to prepare you for the financial commitment of having a baby.

Calculate your time off work

To start, decide how long you and your partner want to take off work to care for your little one.

Consider whether you're planning to drop down to part-time hours during your baby's first years.

Know your entitlements

Look at what kinds of financial support you're eligible for. If you are the child's primary carer and you fit other criteria, you could be entitled to up to 18 weeks' paid parental leave from the federal government – even if you're a seasonal employee, a contractor or self-employed¹. Other income support schemes for families include the Parenting Payment and Family Tax Benefits. Find out what you're entitled to, based on your financial circumstances.

Make a budget

Once you've decided how much leave you and your partner will take and the extra income support you can expect, make a household budget. Work out your current expenses and add in the additional costs of raising a child. Then, compare it with how much money you'll have coming in. If there's a difference, you'll need to start putting away some extra money now.

Start saving

It's never too early to start saving for your child's future. You're bound to have some extra expenses in the short term, so it could be worth opening a higher interest savings account or term deposit to help save for those. You might also want to speak to a financial adviser about longer-term saving and investment strategies – especially for big-ticket costs down the track like your child's education. Options

may include investing in shares or managed funds, or paying more off your mortgage now to free up your money later.

Sort out your health insurance

Next to education, healthcare could be one of your biggest expenses, so make sure you and your partner have the right level of health insurance. Some couples realise too late that their policy doesn't cover pregnancy-related expenses, and then have to face a 12-month waiting period before they can make any claims.

Don't forget personal insurances

To protect your family financially, consider taking out income protection insurance. That way, if you get sick or injured and need to take time off work, you could still receive an income while you get back on your feet. Life insurance is also important as it could pay your family a lump sum if you pass away or become terminally ill. If you're worried about the added expense of insurance premiums, don't despair. You can take out both life and income protection insurance through your super, so you don't need to cover the costs from your household income.

Boost your superannuation

That brings us to a very important consideration – how to keep building your super if you're taking time off work. One option is to salary sacrifice part of your income into super now. And if you or your partner is planning to take time off while the other keeps working, splitting your super contributions between you can offer potential tax advantages.



Seeking professional advice can help take the worry out of starting a family. Speak to your financial planner today.

Source: Colonial First State 1 Department of Human Services (2015), Employee eligibility for Parental Leave Pay

Estate planning triggers.

You may have a well-constructed estate plan delivering the outcomes that you want regarding your wealth after death. When established, your estate plan may pass the fundamental test which is: "Will this plan ensure that the right amount will be paid to the right person at the right time?"

Can you now relax in the comfort that everything is under control? Certainly not. Remember, life is dynamic, and you will encounter major milestones in your journey through life. These milestones can be positive and life affirming. For example, you meet and marry the partner of your dreams or you bring children into the world and face the exciting prospect of watching them flourish and develop. The milestones can also be profoundly sad and traumatic, such as the death of a beloved family member. Sadly these events are part of our existence as human beings.

However, in the joy and sadness accompanying these trigger events, we need to take time out to assess the impact of these events on our future wealth and risk profile.

In the case of a forthcoming marriage, you need to spend some time thinking about the distribution of your property in the event of untimely death or disability after marriage. Marriage, for example generally revokes prior Wills.

Everyone contemplating marriage should consider how their property should be distributed after marriage, and also discuss with their financial advisers whether or not a new Will is necessary.

If the marriage is a second marriage, the position is even more complex. In this situation, you need to think of a distribution of property which is fair to the children of the first marriage, and possibly your former spouse.

Many individuals fail to appreciate the limitations

of a Will. A Will only operates on death of the testator. It does not operate where a testator survives a traumatic event, such as an accident or stroke, but loses mental capacity. It is preferable for individuals to execute an enduring power of attorney to cater for this contingency. In this document, you can appoint a trustworthy person of your choice to handle your affairs during your period of incapacity. This provides certainty, and reduces the risk of state government interference and delays should you lose the capacity to manage your affairs.

Other trigger events in your life which should prompt you to think of the future include:

- buying a home
- birth of a child
- divorce
- an accident or traumatic event
- receiving an inheritance or
- retirement or changing jobs.

When trigger events occur, it is time to review your arrangements with your financial adviser in conjunction with your insurance and legal advisers. This will ensure that your estate plan continues to be robust and effective.

Speak to
your financial
planner to discuss
your estate plans.



Learning a language

Physiological studies have found that speaking two or more languages is a great asset to the cognitive process. The brains of bilingual people operate differently than single language speakers, and these differences offer several mental benefits.

Some of the key benefits are:

- You become smarter— Speaking a foreign language improves the functionality of your brain by challenging it to recognise, negotiate meaning, and communicate in different language systems.
- You build multitasking skills—Multilingual people, especially children, are skilled at switching between two systems of speech, writing, and structure. According to a study from the Pennsylvania State University, this “juggling” skill makes them good multitaskers, because they can easily switch between different structures.
- Your memory improves—Educators often liken the brain to a muscle, because it functions better with exercise. Learning a language involves memorising rules and vocabulary, which helps strengthen that mental “muscle.” This exercise improves overall memory, which means that multiple language speakers are better at remembering lists or sequences. Studies show that bilinguals are better at retaining shopping lists, names, and directions.
- You become more perceptive—A study from Spain’s University of Pompeu Fabra revealed that multilingual people are better at observing their surroundings. They are more adept at focusing on relevant information and editing out the irrelevant. They’re also better at spotting misleading information. Is it any surprise that Sherlock Holmes and Hercule Poirot are skilled polyglots?

- Your decision-making skills improve - According to a study from the University of Chicago, bilinguals tend to make more rational decisions. Any language contains nuance and subtle implications in its vocabulary, and these biases can subconsciously influence your judgment. Bilinguals are more confident with their choices after thinking it over in the second language and seeing whether their initial conclusions still stand up.

Today learning a language is easier than ever before thanks to the introduction of applications on phone. Here are the top rated programs for learning a language today.



Duolingo

Just open the app and then choose what language you’d like to learn to immediately begin the course. You don’t even have to create an account to start, but if you do you can save and track your progress.



Memrise

Something unique about Memrise is how it teaches you new words and phrases. Words are put into sentences with similar sounding words from your native language to help build the connection for remembering them.



Busuu

Just choose a supported language you'd like to learn, login, and then decide where in the course you'd like to start - Beginner, Elementary, Intermediate, Upper Intermediate, or Travel. The best feature of busuu is that the words and phrases you'll learn are very helpful for beginners who may already be around foreign speakers and need to learn words in context quickly.