



**HEADING FORWARD**  
FINANCIAL PLANNING



## May 2020

In this edition to keep you informed and inspired...

- Where to seek advice during the COVID-19 crisis
- Five important issues to consider before marriage
- Market Review *April 2020*

We look forward to hearing from you if you have any questions.

### Heading Forward Financial Planning

Shop 5, 45 Sandison Terrace  
Glenelg North SA 5045

**P** 08 8294 3515

**M** 0478 541 254

**E** [admin@headingforward.com.au](mailto:admin@headingforward.com.au)

**W** [www.headingforward.com.au](http://www.headingforward.com.au)

**Facebook** [heading forward financial planning](https://www.facebook.com/heading-forward-financial-planning-pty-ltd)

**LinkedIn** <https://www.linkedin.com/company/heading-forward-financialplanning-pty-ltd>

Heading Forward Financial Planning Pty Ltd is an authorised representative of InvestPlan Pty Ltd ABN 39 635 196 735, AFSL 518743. This information is of general nature only and has been prepared without taking into account your particular financial needs, circumstances and objectives. While every effort has been made to ensure the accuracy of the information, it is not guaranteed. You should obtain professional advice before acting on the information contained in this publication. Disclosure: LaVista Licensee Solutions Pty Ltd ABN 20 630 086 716 General Advice Warning: This information is of a general nature only unless it has been given in conjunction with a Statement of Advice. It does not take into account your particular financial needs, circumstances and objectives. You should obtain professional financial advice if you have not already done so before acting on this information. You should read the Product Disclosure Statement (PDS) before making a decision to buy or sell a financial product. Any case studies, graphs or examples are for illustrative purposes only and are based on specific assumptions and calculations. Past performance is not an indication of future performance. Superannuation, tax, Centrelink and other relevant information is current as at the date of this publication. This information contained does not constitute legal or tax advice.



# Market Review

April 2020

How the different asset classes have fared:  
(As at 30 April 2020)

Asset Class	10 Yr % p.a.	5 Yr % p.a.	3 Yr % p.a.	1 Yr % p.a.	YTD %	6 Mo %	3 Mo %	1 Mo %
Cash <sup>1</sup>	2.76	1.80	1.63	1.12	0.30	0.46	0.22	0.05
Australian Bonds <sup>2</sup>	5.86	4.46	5.46	6.42	2.92	2.06	0.57	-0.07
International Bonds <sup>3</sup>	6.19	4.33	4.62	7.20	2.80	2.30	0.97	1.50
Australian Shares <sup>4</sup>	5.88	3.66	2.12	-9.22	-16.66	-15.73	-20.39	9.54
Int. Shares Unhedged <sup>5</sup>	11.80	9.16	10.09	3.60	-5.68	-2.05	-9.56	3.67
Int. Shares Hedged <sup>6</sup>	9.98	5.68	4.59	-5.75	-13.19	-8.38	-12.82	10.03
Emerging Markets Unhedged <sup>7</sup>	4.75	3.21	4.54	-6.06	-11.61	-6.45	-11.15	1.65
Listed Infrastructure Unhedged <sup>8</sup>	11.97	7.95	7.67	-0.58	-8.72	-8.34	-15.45	1.43
Australian Listed Property <sup>9</sup>	8.18	3.28	-1.42	-20.10	-25.31	-26.86	-29.74	13.69
Int. Listed Pty Unhedged <sup>10</sup>	8.89	3.11	1.30	-13.02	-19.63	-22.50	-24.06	0.50

1 Bloomberg AusBond Bank 0+Y TR AUD, 2 Bloomberg AusBond Composite 0+Y TR AUD, 3 Bloomberg Barclays Global Aggregate TR Hdg AUD, 4 S&P/ASX All Ordinaries TR, 5 Vanguard International Shares Index, 6 Vanguard Intl Shares Index Hdg AUD TR, 7 Vanguard Emerging Markets Shares Index, 8 FTSE Developed Core Infrastructure 50/50 NR AUD, 9 S&P/ASX 300 AREIT TR, 10 FTSE EPRA/NAREIT Global REITs NR AUD

Financial markets partly recovered in April after very steep falls in March. Share markets, both in Australia and internationally, rose and the Australian dollar appreciated as risk sentiment improved. Government bond yields largely moved sideways over the month as liquidity conditions in bond markets improved and global central banks reaffirmed significant policy easing that had been announced in March.

## Cash and Fixed Income

Global government bond yields largely moved sideways in April, at very low levels, after significant volatility in March. Central banks, including the Reserve Bank of Australia, reaffirmed the significant policy easing that they had announced in March.

Corporate credit spreads narrowed over the month after widening very sharply in March, but they remain at historically elevated levels as the perceived riskiness of buying corporate debt remains high due to the coronavirus crisis.

## Australian Shares

After plunging by 21% in March, the Australian share market recovered by 9.5% in April alongside other global share markets. The recovery was fueled by the large monetary and fiscal easing measures that have been announced by both Australian and global authorities, combined with news of flattening coronavirus curves and moves towards relaxing lockdowns in a number of countries. However, further volatility in share markets is likely in the months ahead.

ANZ and NAB both reported their half-year profit results in April. ANZ deferred the decision on its 2020 interim dividend until there is greater clarity regarding the economic impact of the coronavirus and announced a 60% decline in its interim cash profit. ANZ will provide a dividend update in August. NAB announced that it will reduce its interim dividend to 30c per share (from 83c per share last year) and it will raise \$3.5 billion in capital to improve its balance sheet ahead of an expected spike in credit losses due to the coronavirus crisis. The two banks underperformed the broader market in April, to finish the month little changed.

## International Shares

International share markets partly recovered in April, supported by the substantial and coordinated fiscal and monetary response to the coronavirus globally and the prospect for social distancing measures to be eased in a number of countries. The recovery in shares was despite the release of economic data which showed a huge hit to global economic activity, including sharp falls in consumer confidence, surging unemployment claims and a record plunge in US retail sales.

The breadth of the recovery in the US S&P500 has been fairly narrow and has not been led by the traditional cyclical sectors. Rather, healthcare and technology sectors have outperformed based on their perceived defensive characteristics. The top five stocks in the S&P 500 now account for 20% of the overall index and these stocks have been leading the recovery, meaning that the breadth of the recovery has been very low. According to Morgan Stanley, the percentage of S&P500 stocks outperforming the index on a rolling two-month window is at the lowest level since 2008.

Oil prices remained under intense pressure in April, with the US oil benchmark (WTI) briefly plunging into negative territory for the first time in history. Oil prices have fallen due to a sharp decline in demand as a result of global coronavirus shutdowns, travel bans and a disagreement between Saudi Arabia and Russia about cutting oil production. Since the start of the year, oil prices are down by between 60-70%. While this is bad news for producers, low fuel prices are good news for consumers as it frees up spending power which will eventually help consumer spending.

## The Australian Dollar

The Australian dollar rebounded by around 6.5% in April due to positive risk sentiment as global share markets partly retraced their sharp March falls. The Australian dollar was also supported by resilient iron ore prices and a widening in the Australia/US interest rate differential (with the Australian 10-year government bond yield now higher than the US 10-year government bond yield); sharp falls in coal prices had little impact.

# INFORMING YOU

## WHERE TO SEEK ADVICE DURING THE COVID-19 CRISIS

### Money and Life (Financial Planning Association of Australia)

The COVID-19 pandemic is a global crisis and people the world over are experiencing impacts in their lives as a result. To keep your anxieties about money to a minimum, find out where you can turn for help to secure your finances and income.

With the ongoing escalation of the COVID-19 crisis many people are struggling. Huge changes are happening and we're all being affected, socially, emotionally and financially. If your ability to work and earn an income has already been affected, you're likely to be worried about how you're going to cover your bills and mortgage and pay for the essentials your family need.

### Take care of the present first

Depending on your life stage, you may also have slightly longer term – but still important – financial concerns on your mind. If you're close to retirement, you may be anxiously watching how your superannuation balance has been affected by volatile financial markets. If you've saved a deposit and have been house hunting, perhaps you're wondering if now is the right time to buy.

According to CERTIFIED FINANCIAL PLANNER® professional Corey, keeping your head and focussing on what you can do to make a difference to your finances now, is the best way to keep those goals within reach. "Now is a good time to be reprioritising," says Corey. "Your long-term goals and strategies can only be built on strong financial foundations. If you can maintain a strict budget and really rein in your cash flow for the duration of this extraordinary period of uncertainty, then you'll be preserving that stability you need to make methodical



progress towards your goals when we all come out the other side of this crisis."

### Cut back on all spending

While Corey has always encouraged clients to keep a tight grip on their cash flow, this has become even more important for the thousands of people who will be feeling more stressed than ever about money. "It's always been the case that our sense of financial security is correlated to how your cash flow is going and how much cash you're holding," says Corey. "So to feel calmer you need to really go on the offensive with your cash flow. Review your budget and strip out as many non-essentials as you possibly can.

*"While I normally encourage clients to have direct debits set up to pay bills, now is the time to cancel them and speak to every provider about pausing or reducing payments. Look at deferring your mortgage repayments for three months or asking your landlord to take rent payments out of your bond. Talk to your credit card, mobile phone and utilities providers and see what you can negotiate. These steps can help you hold onto any cash you have saved for longer. Not only does this give you a greater sense of security, it can turn those savings into enough to last you for months instead of weeks."*

### Where to get help

Whether you're facing an immediate shortage of money or are worried about covering expenses in the weeks and months to come, your bank or financial institution is just one of the places you can turn for help. Economic

# INFORMING

stimulus packages from federal and state governments have already been announced. The type of help they're providing for people and businesses in financial distress is changing all the time to keep up with the economic situation.

Here are some of the most relevant, reliable sources of information on financial support available during the COVID-19 pandemic:

## **Australian Government Treasury: Economic Response to the Coronavirus**

<https://treasury.gov.au/coronavirus>

(<https://treasury.gov.au/coronavirus>)

– Details of support the Federal Government is providing to households and businesses to address the significant economic consequences of the Coronavirus.

## **Australian Taxation Office COVID-19 Information**

<https://www.ato.gov.au/Individuals/Dealing-with-disasters/In-detail/Specific-disasters/COVID-19/>

(<https://www.ato.gov.au/Individuals/Dealing-with-disasters/In-detail/Specific-disasters/COVID-19/>)

– the ATO has introduced a number of measures to support business owners with managing their tax payments.

## **Australian Government Services COVID-19 Information**

<https://www.servicesaustralia.gov.au/individuals/subjects/affected-coronavirus-covid-19>

(<https://www.servicesaustralia.gov.au/individuals/subjects/affected-coronavirus-covid-19>)

– information from Medicare and Centrelink for people experiencing financial issues.

## **Support available across the states and territories**

<https://www.business.gov.au/Risk-management/Emergency-management/Coronavirus-information-and-support-for-business/Coronavirus-state-and-territory-assistance-and-events>

(<https://www.business.gov.au/Risk-management/Emergency-management/Coronavirus-information-and-support-for-business/Coronavirus-state-and-territory-assistance-and-events>)

– Find the latest coronavirus information, grants and support in your state or territory.

## **Where to turn for advice**

When you're stressed about money, it's natural to want to seek advice. "I've been flat out talking to so many clients who are dealing with a failing business or have

lost their job," says Corey. "They're feeling beyond anxious about their finances. As well as offering them advice on the practical steps they need to take, I've been really drawing on my relationship with them to give their morale a boost and help them see things in a different way. It's key to remind them of those personal qualities that have made them successful in life so far and that they can draw on these to stay strong at this most difficult of times in life."

In seeking advice from others, Corey suggests staying objective and doing your homework before taking action. "Money has traditionally been a taboo topic but under these circumstances people are going to be talking about it more so the ideas and advice will be flowing", he says. "Advice can be helpful but should be taken with a healthy level of caution. People's progress with money is more defined by what they get wrong than what they get right. You might not find out for five or 10 years just how much the wrong advice is going to cost you."

*"There is no other time when professional advice is more valuable than it is now. So if you have a financial planner, talk to them. Ask them whether now is the right time to go ahead with that property you're buying or how to manage your retirement plan if your investments have taken a hit. And if you don't have that professional support, make sure you're doing lots of research and thinking things through."*

## **Take back control where you can**

In this context of short and long-term financial uncertainty, it's now even more important to feel confident in the choices you're making about money. Getting advice and taking action on your finances can help you experience less stress as things keep changing from day to day. When so many other things seem to be spiralling out of control, you can make a difference to your state of mind by being realistic about what you can change, and what you can't.

## **More from Money & Life**

For guidance and insights on all sorts of money matters, including budgeting

(<https://www.moneyandlife.com.au/tag/budgeting/>) and managing your cash flow, Money & Life has a lot to offer.



# INFORMING YOU

## FIVE IMPORTANT ISSUES TO CONSIDER BEFORE MARRIAGE

**Money and Life**  
*(Financial Planning Association of Australia)*

Before your big day, much of the financial talk may have been around budgeting for your wedding (<http://www.moneyandlife.com.au/individuals/family-and-life-events/wedding-planning-budgeting-tips-for-your-big-day/>) and planning your honeymoon. But while not nearly as exciting, there's another vital part of your new partnership that should be considered: your future finances.

Finances can be one of the biggest sources of stress and tension in a marriage. However, open communication and careful planning now can help you avoid many problems down the road.

Here are five important areas to examine before you walk down the aisle:

### 1. Goals

It's important for you and your future spouse to talk about your medium and longer-term goals and priorities now in order to avoid surprises down the road.

This involves examining what's important to both of you and if there are any big differences in what you both want. For example, are you on the same page about if, and when, you want to start a family, whether you will buy a home, what kind and where, what fun things you expect to spend money on, and how you will save for retirement? Do you both intend to work full-time or does one partner hope to be a stay-at-home parent? And, what does "financial success" look like to each of you?



Don't worry if you don't have exactly the same goals. That's not unusual. But having this discussion will help you understand what you can expect from each other, and can also be an opportunity to consider where each of you could make compromises and how you can work together to achieve both your goals simultaneously.

### 2. Budget and savings

Once you have an idea of where you both want to head in the future, it's important to create a budget and a plan to get you there.

This process involves understanding how much combined income you will have to live on, how much you will need each month to pay your bills, where you can cut back on spending and what might be left over to save for the things you want, such as a new car or home, and for retirement.

It's also possible that you could have different spending habits that could cause tensions in the future. So, compromising and coming up with a plan that works for both of you is important.

This is not about finger pointing or looking over each other's shoulders. It's about ensuring you start your future together on the best possible financial footing and can lay the foundations needed to achieve both your goals.

# INFORMING

## 3. Bank accounts and bills

An important decision to make is whether you and your partner will pool all your money, keep separate bank accounts or have a combination of joint and separate accounts.

If you are both working, you may want to keep your own accounts and then create a joint account that you both contribute to for family expenses, such as the mortgage or rent, utilities, bills, groceries and so on. Or you may decide that each of you will pay certain bills from your own account.

There is no right or wrong decision here. It's about what works best for you and your spouse. Some people believe that having separate bank accounts lessens the sense of unity in a marriage or signals a lack trust in one another. Others will tell you that having your own bank or credit card accounts that allow you to spend in the way you want can reduce arguments about money.

## 4. The legalities

Did you know that your Will, if you have one, will become invalid when you marry, unless it specifically states it was made "in contemplation of marriage"?

If you don't update your Will to reflect your new status, and unfortunately pass away, a large part of your estate may be awarded to your spouse. This, of course, may not be a problem, especially if it's your first marriage. It could, however, be an issue if you have children from a previous marriage or if there are other people you want to provide for.

### Disclaimer

The information contained in this material is current as at date of publication unless otherwise specified and is provided by LaVista Licensee Solutions Pty Ltd CAN 630 086 716 (LaVista). Any advice contained in this material is general advice only and has been prepared without taking account of any person's objectives, financial situation or needs. Before acting on any such information, a person should consider its appropriateness, having regard to their objectives, financial situation and needs. In preparing this material, LaVista have relied on publicly available information and sources believed to be reliable. Except as otherwise stated, the information has not been independently verified by LaVista. While due care and attention has been exercised in the preparation of the material, LaVista gives no representation, warranty (express or implied) as to the accuracy, completeness or reliability of the information. This document has been produced for information purposes only and the views contained in it are not to be taken as or relied upon for, advice or a recommendation to buy or sell any investment. The information in this document is also not intended to be a complete statement or summary of the industry, markets, securities or developments referred to in the material. Any opinions expressed in this material, including as to future matters, may be subject to change. Opinions as to future matters are predictive in nature and may be affected by inaccurate assumptions or by known or unknown risks and uncertainties and may differ materially from results ultimately achieved. Past performance is not an indicator of future performance.

Also, if you are coming into the marriage with large financial assets or a property, you may want to consider whether you need a prenuptial agreement (<http://www.findlaw.com.au/articles/4322/prenuptial-agreements-and-australian-law-.aspx>) if things don't turn out as you'd hoped.

## 5. Insurance

In addition to considering whether you need private health insurance as a family, this may also be a good time to discuss life, income protection and other insurance with your future spouse.

You may already have some kind of insurance cover, for example, via your superannuation fund, but if you have a mortgage, debts or other liabilities, will this cover your expenses if one of you is unable to work for any reason, becomes disabled and needs ongoing expensive medical care or passes away?

### Talk about it

Don't let small problems or assumptions grow into larger issues later on in your marriage. Talking about things and having open lines of communications could go a long way in preventing future financial tensions.

It may also pay to talk to a CERTIFIED FINANCIAL PLANNER® professional, who can help you work out your combined financial goals, budget better and develop a plan to help you grow your wealth so that you can achieve your goals. A good planner will also be well placed to help you with your Will, estate planning and insurance requirements.

