

Our latest update



February 2023

February marks the end of summer holidays for many of us and getting down to business for 2023. It can be a good time to reflect on plans and goals for the months ahead.

China's plans to kickstart its economy after the pandemic shutdown have been dominating the news this month and will have worldwide implications, not the least for Australia. As our largest trading partner, an increase in demand is likely to bring improvements in our commodity prices, exports and share prices (particularly of companies exposed to China).

Australian shares were up nearly 8% in January while US stocks climbed by about 5% but the markets are nervously waiting for expected increases in interest rates by major central banks this month to help curb inflation.

Australia's inflation rate jumped by 1.9% in the December quarter to 7.8% for the year. It was the biggest increase since 1990 and more than twice the rate of wage growth, despite the Reserve Bank's moves to increase the cash rate during 2022.

The ANZ-Roy Morgan consumer confidence index increased slightly in January to finish at 86.8 points but it's still 15 points behind the same time last year. The NAB business conditions survey recorded a third successive fall in December although business confidence improved slightly and remains well above average.

The Aussie dollar fell slightly from near eight-month highs, easing towards US70c ahead of the expected rate rises by major central banks overseas.

Endure Wealth Pty Ltd

ABN 87 632 221 713

AFSL 516435

E info@endurewealth.com.au

Raising resilient kids



We all want the very best for our kids and as much as we would like to shield them from the difficult aspects of life, sadly we can't keep them from facing challenges along the way – both big and small.

The term 'helicopter' parenting has been bandied around a bit in recent years and refers to parents hovering over their children, with this well-meaning hyper vigilance aimed to keep them out of harm's way. The problem with this style of parenting is that it can lead to children being so shielded from life's mishaps that they don't develop coping mechanisms.

It's important for kids to learn how to cope when things don't go well and deal with the big emotions that accompany life's problems. After all, life only tends to get more challenging as we move from childhood into adulthood, and with the ability to bounce back more important than ever, by actively helping your kids develop resilience, you'll be setting them up with important skills for life.

What is resilience?

Although the term 'resilience' is talked about a lot, it's not always well understood. Resilience is not about putting on a brave face in an unfortunate situation or developing such a thick skin that we learn not to care about what happens to us. Resilience is the ability to acknowledge a challenging situation or negative event, employ coping strategies, and rebound to feel okay again. That does not mean that you

don't react or feel strong emotions, just that you are able to recover and continue on with your life.

This can be a lot easier said than done for us grown-ups with all our life experiences and coping skills that we can draw upon, but it can be particularly challenging for little ones, teens and even young adults.

How do we help our kids foster resilience?

The good news is that resilience is a skill that can be learned and built upon and when we help our kids, we as grown-ups can become more resilient too!

Each day, our kids are internalising messages about the world and their place in it and that inevitably includes exposure to stressors. However, that's not all bad. Gradual exposure to stress, at manageable levels, actually helps children become more resilient. Their brains are encoding each experience, whether it's minor like handing in homework late or more significant like being bullied.

Each experience they have creates new neural pathways to help them in future situations and assist them to develop their own coping mechanisms they can call upon in future.

A helping hand

There is one key thing that can help build resilience and that's the role of supportive adults in children's lives. To help kids navigate problems and bounce back from setbacks it helps to consider the following framework.

The "Three C's":

Connection: Children who feel a sense of connection with others are more equipped to handle problems. We connect with our kids when we spend time with them - giving them our full and present attention, listening to their hopes and fears and feeling their joy, and their sadness.

Consistency: Children need a foundation of consistency to be in the best possible place to cope with change. This can take many forms and could include consistency of routine, location or relationships. Establishing, and committing to threads of consistency in your child's life anchors them as other pieces shift and move and provides a sense of stability in an uncertain world.

Comfort: A big dose of comfort when needed can help a child to be more courageous. Knowing that someone has their back and is there to comfort them when they fall can empower a child to take risks.

We can't always wrap our children in cotton wool and prevent them from experiencing unpleasant situations – but we can do our best to equip them to deal with difficulties and be there to help when they need a guiding hand.

STEPPED VS LEVEL

PREMIUMS:

WHICH IS BEST?



These days, most people hold some form of life insurance in their super account. While this is a welcome safety net, the level of cover held this way is often inadequate.

A Rice Warner study back in 2020 found that life cover within superannuation only met about 65-70 per cent of actual need.ⁱ

With the impact of Covid since that time, that figure is growing.ⁱⁱ

Holding the appropriate level of life insurance, whether inside or outside super, and reviewing it regularly as your circumstances change has never been more important. After all, how would your family cope if the unexpected happened? How would the mortgage be paid? What about the school fees?

While life insurance should be considered a non-negotiable part of your financial plan, there is flexibility and potential cost savings in the way you pay for it.

Stepped vs level premiums

The regular and ongoing payments you make for life insurance cover are known as premiums.

You can choose either a stepped premium, or a level premium, or a combination of the two.

A stepped premium is where the amount you pay each year increases while a level premium generally stays the same each year.

While stepped premiums are always cheaper at the outset, over time the total cost of the stepped premium will outstrip that of the

level premium. Ironically, the time when you consider cancelling the policy because it is becoming too expensive is likely to be just when you need life insurance cover the most. That is, when the demands on your income from your mortgage, childcare and private school fees are at their highest and the loss of your income would hurt the most.

Level premiums meanwhile start at a higher level but are less likely to change over time. That does not mean they won't increase but this would only be in circumstances where the policy is indexed to inflation or if you decide to increase your cover.

The earlier, the better

The younger you are when you take out a life insurance policy, the lower the premiums. This is the case whether you opt for stepped or level payments.

Say you are a male non-smoker seeking \$1 million of life insurance cover. When comparing stepped and level premiums, it is estimated that if you are aged 30 when you start the policy, a level premium is about 60 per cent more expensive than a stepped policy at the outset. This jumps to 120 per cent more if you are aged 40 when starting the policy and 170 per cent higher if you are 50.ⁱⁱⁱ

But at some stage there will be a breakeven point where you start to make substantial savings with a level premium.

This is particularly the case if you hold on to the policy till aged 65.

If you take out a policy at aged 30, then you will break even after 23 years. If you hold on to the policy for another 12 years until you are 65 then your savings over that 35-year period would be \$58,700. This drops to a \$46,000 saving if you take the policy out age 40 and a much smaller \$10,000 if you wait until you are 50. Nevertheless \$10,000 is a decent sum of money to save.ⁱⁱⁱ

It's a personal decision

There are many reasons why you might choose a level premium, not least because it allows you to have certainty when it comes to budgeting.

But for many, the lure of cheaper premiums at the beginning can steer you to favour stepped premiums. Also, if you do not plan on holding life insurance for an extended period, but perhaps just until your children become independent or the mortgage is paid, then stepped premiums might work out best.

Some insurers can offer you a combination of stepped and level premiums which might help with your cash flow.

If you would like to know more, or would like to discuss your life insurance needs, give us a call.

ⁱ <https://www.insurancenews.com.au/life-insurance/super-reforms-reveal-scale-of-underinsurance>

ⁱⁱ <https://www.choosi.com.au/life-insurance/articles/do-australians-have-enough-insurance>

ⁱⁱⁱ <https://www.insurancewatch.com.au/stepped-vs-level-premiums.html>



8 retirement mistakes and how to avoid them

Retirement is a phase of life most of us look forward to. It's a chance to pursue other interests, travel and maybe do some part-time work or volunteering.

Thanks to more than 30 years of compulsory superannuation, we are retiring with more savings than previous generations but that also brings its challenges.

According to the government's Retirement Income Review, the average age of retirement in Australia is around the ages of 62 to 65.ⁱ On average men and women can expect to live to 85 and 88 respectively.

To make the most of your retirement your savings need to last. The best way to achieve that is to have a plan that will help you avoid some common and preventable retirement mistakes.

Mistakes people make

While it's impossible to predict what financial challenges lie ahead, these eight common retirement mistakes remain the same:

1. Not knowing your living costs –

When you earn a regular income, you may be less focussed on keeping a track of your living costs. When the regular income stops at retirement, you can be unaware of whether your investment income and/or pension payments will support your lifestyle costs. Know what your living costs are before you retire to help manage expectations.

2. Not looking at your super until just before retiring – Investing too conservatively when you're working

could mean you don't have enough super to fund your retirement. Review your super account regularly to ensure it is appropriate for each stage of your life.

3. Underestimating the impact of inflation – Australia's rate of inflation hovered below 3 per cent per year between June 2012 and early 2020. Since the onset of the global pandemic in March 2020, inflation has jumped to more than 7 per cent.ⁱⁱ The cost of living may require you to reassess your retirement planning.

4. Not understanding your government entitlements –

If you're age 66 or older, you may be eligible for a full- or part-Age Pension. However, if you are not eligible for the Age Pension, you may still be eligible for other entitlements including the Seniors Card, Pensioner Concession Card, income tax offsets or pensioner stamp duty exemption/concession.

5. Letting the noise affect your investment decisions – Negative news headlines can create uncertainty during market volatility. History has shown, over the long run the market trends upwards. All this noise can make it difficult to stick your long-term strategy.

6. Trying to time the financial markets – "We haven't the faintest idea what the stock market is gonna do when it opens on Monday — we never have," said legendary share investor Warren Buffett. Say you invested \$10,000 in the ASX 200 index by trying to time the market and missed the 40 best days between October 2003 to October 2022, your investment would

be worth \$9,064, whereas if you remained fully invested it would be worth \$46,099.ⁱⁱⁱ Trying to time the markets is never a good idea.

7. Being asset rich and cash poor –

You may have built up a strong balance sheet of assets, but in retirement you need income. For many Australians, their family home could be their biggest asset. You may have other assets but are they generating enough income? This could include rent from an investment property, share dividends or managed fund distributions. If the income is insufficient, downsizing into a smaller home could free up enough money to live on.

8. Not consulting professionals –

Financial advisers, accountants and other financial professionals can help set you on the right path by navigating the complexities of superannuation, investments, constant rule changes and other factors that affect your retirement. A good retirement plan, implemented correctly, can set you up for life.

Start Planning

Whether it's due to lack of time or awareness, too many people tend to make these same mistakes when entering retirement which can lead to unwanted financial surprises.

A phase of life you have looked forward to for so long deserves careful planning. So please get in touch if you would like to review your retirement income needs.

ⁱ Retirement Income Review Final Report, July 2020 page 63 Retirement Income Review Final Report (treasury.gov.au)

ⁱⁱ <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>

ⁱⁱⁱ From 31 Oct 2003 to 04 Oct 2022, Fidelity Australia Timing the market | Fidelity Australia