



PROFILE
FINANCIAL SERVICES

PROFILE'S CORNER

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**Asset class returns referred to in this publication are based on the following indices: Australian shares: S&P/ASX 200 Accumulation Index. International shares: MSCI World (AUD) TR Index. Fixed interest: UBS Warburg Composite All Maturities Index. Cash: UBS Warburg bank bill Index. Gold: Spot Gold Bullion (USD).*



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Profile Update

Welcome to Volume 25 of our quarterly client newsletter. In this section, I provide an update on what's happening at Profile.

By Sarah Abood, CEO

New city office

Our new city office premises - at level 12, 44 Market St - are rapidly taking shape, and we're all looking forward very much to the imminent move! Our new office is larger to support our ongoing growth, with more meeting rooms, a bigger boardroom, and more workstations, as well as upgraded technology and facilities. We hope you'll find the new location very convenient for your review meetings - we will be in the heart of the city, close to ferries, bus and train stations (as well as great shopping and event locations).

The move will happen from **10-13 February 2017**. We will send more information to you shortly, including detailed instructions on how to find our new city office.

Our Parramatta office continues to operate as usual, and in fact we will be building additional workstations at Parramatta as well to accommodate our growing numbers.

Estate planning

At Profile's recent client education seminar, we discussed how vital it is for everyone to have an effective Estate Plan. It's clearly an important topic to many clients: we had the highest-ever number of attendees across the two sessions, and have fielded many questions since! If you missed the seminar - or you would like to refresh your memory - please take the time to read the article on this topic by our associate Kristine Pham in this newsletter. We have also recently launched a Profile Blog on our website, with Estate Planning as our first topic. You can find our blog at <http://www.profileservices.com.au/blog/> - sending the link is a great way to share the content with friends and family who might also have an interest in this topic.

Technology update

The pace of change in technology continues to accelerate! We are working on several projects that will ensure we're taking advantage of the latest developments, to make our services faster and more efficient - while never forgetting the importance of people. Two areas we are focusing on right now are streamlining our appointment booking process, and providing secure online access to up-to-date financial information from a single website.

We are looking to involve a small group of clients in the final stages of design, to give us feedback on what we are doing and help ensure the

systems are easy to use - and useful! If you're interested in these areas and you would be willing to get involved, please let your planner know.

New payment method for clients

We will soon be making some changes to our finance systems, to ensure they can cope with increasing client numbers into the future. The first stage of this project involves moving to a new payment system for direct debits. This system will also enable you to pay fees via credit card if you wish. There will be a new form to sign - if you're affected, your planner will be in contact with you shortly to explain further, and we will provide you with the updated pre-completed form to sign and return.

Investment Update

By Jerome Bodisco, Head of Investments

Period returns to 31st December 2016 (%)

Asset class	1 mth	3 mth	1 yr
Australian Shares	+4.4	+5.2	+11.8
International Shares(\$A)	+6.0	+8.4	+9.3
Fixed Interest	-0.2	-2.9	+2.9
Cash	+0.1	+0.4	+2.1
Gold(\$US)	-1.8	-12.4	+8.6

There is a saying that weather forecasters were created to make investment managers' forecasts look good.

2016 was indeed an unusual year on the weather front. It was a tough one to endure and an even tougher one to predict! According to the Bureau of Meteorology, the year was Australia's fourth-warmest ever, and globally, the hottest in living memory. The warm weather contributed to some extreme and unpredictable events including the huge east coast low that hit in June, record rains in inland Australia, flash flooding, lightning storms, cyclones and even snow in Adelaide! The weather certainly tested the forecasters with many caught out in the rain.

Whilst it is tempting to be sceptical of weather predictions, it is hard not to feel a little sympathetic - especially if you work in the investment industry. No one has a crystal ball. The future is always uncertain and inherently unpredictable.

Like the weather over the past 12 months, it was an eventful year from an investor's point of view. Big milestone events such as Brexit and the US

presidential election shocked the pundits and wrong-footed many. What really surprised in particular were not the outcomes themselves, but markets' reactions after the event. The market took Brexit in its stride once the outcome was known. It has taken off like a bullet since Trump's election victory.

The year began with widespread concerns about a slow-down in China, deflation and deteriorating growth prospects. Lower for longer was the prevailing mantra. The consensus predicted a bumpy road and low returns across the board. Starting valuations were high and interest rates were at historical lows. Opportunities were scarce and that meant the focus needed to be on managing risk to limit the impact of any market shocks.

Sure enough, the first of many economic and market surprises came very early in the year. The Dow Jones Industrials Index plunged 6.2% in the first week of 2016 and was down over 10% by mid-February. This was the correction we were expecting. But the correction was short-lived, with the index posting a gain of over 13% for the year. We correctly predicted the rain but we didn't pick the brilliant sunshine that appeared soon after.

The Australian sharemarket also defied prediction. It started poorly, driven by low growth and deflation fears. There was concern about the banks and earnings prospects. Resource stocks were on the nose on the back of falling commodity prices. We limited our exposure to Australian equities as a result. Fast forward 12 months and the ASX300 Accumulation Index returned a respectable 11.8% in the calendar year, with most of the performance coming from resource and bank stocks in the latter half of the year. The ASX200 was up 4.4% in December alone

Other asset classes also performed better than many expected. Listed Australian real estate returned over 8%. This asset class has been heavily supported in the hunt for yield in a low interest rate environment. Demanding valuations and rising yields did little to discourage investors. Despite ongoing fears of a housing bubble and imminent collapse, national house prices rose by the largest margin in years. Even bonds somehow posted a positive return, amidst all the doom and gloom that many predicted for this expensive asset class. It has been a tough market to navigate and incredibly difficult to forecast.

The year 2017 has kicked off with a bang. The ASX hit a 30-month high after surging past 5700. At time of writing, the market had reached 5800. Is this a sign of things to come?

Some of the key things investors need to keep an eye out for this year include:

- ◆ A possible Trump Slump. With Donald Trump taking office recently, it will be interesting to see whether his policies are implemented, and the market reaction to them. Policy back-downs could trigger a loss of confidence. Pro US protectionist policies could be met with similar policy responses from China and other countries leading to a potential trade / currency war.
- ◆ The impact of rising US interest rates. The US lifted rates late in 2016, and more are anticipated. At some point this will hurt a very expensive sharemarket.
- ◆ There are a number of elections happening this year in Europe including in France and Germany. Rising support for populist parties may trigger an exodus from the EU.
- ◆ North Korea / tensions in the South China Sea could escalate.
- ◆ Extended valuations in equities and bond markets.

Current asset class views

Asset Class	Portfolio construction	Notes
Australian equities	Neutral	The market is considered fair value.
Global equities	Neutral	Underweight US. Valuations are demanding. Europe / Japan represent best value opportunities Caution required. Uncertain outlook on the back of US Foreign and Trade policy and tighter liquidity.
Emerging markets	Neutral	
Listed Property	Neutral	Starting to get expensive. Unlisted preferred.
Bonds	Underweight	Remains expensive.
Australian Credit	Neutral	Pockets of opportunity.
AUD / USD	Neutral	Maintain neutral level of hedging.
Alternatives	Overweight	Focus on liquid alternatives.
Cash	Overweight	Term deposits preferred entry point.

Overall we think risky assets like equities will outperform over the medium to longer term - but heightened volatility is likely to be a feature this year. It's going to be partly cloudy with a chance of showers. Expect the unexpected and don't leave home without the broly no matter what Tim Bailey says!

Crucial Conversations: Achieving an Estate Plan that stands the test of time

By Kristine Pham, Associate Financial Planner

If you are a person who has achieved a stage of financial independence, it is vital that you have an effective Estate Plan to protect you and your family.

An Estate Plan is not limited to having a Will. It generally involves more complex decisions around the control of your personal, family and business affairs in the event of death or incapacitation.

If a plan is poorly constructed and communicated, it can lead to damaging disputes. You may have heard about the Rinehart family feud? Or the estate that got whittled away to nothing by legal fees? And the neighbour who passed away without a Will and suddenly a mistress emerged in the aftermath? We've all heard the horror stories – and many of us, sadly, have been involved in them.

Poor planning, lack of open communication, high emotions and high stakes when handling an estate are a combustible mix and can lead to family relationships breaking down. None of us want this in theory - but it happens tragically often. This article focuses on ways to avoid such problems by putting in place an effective Estate Plan – by which we mean one that is complete, valid, and well-communicated.



Having the tough conversations

Having a conversation about your own, or a family member's, mortality isn't easy. It touches on everyone's values as well as the health, wellbeing and relationship dynamics of all the related parties – often difficult issues! And the logistics can be tough too. It's rare for all family members to be in the same place at the same time, and when there is a gathering it's usually for personal or seasonal celebrations – which doesn't naturally lead to discussion of a family member's aging.

But doing this is absolutely essential. Ensuring your wishes are clearly communicated, and giving key people a chance to have their say about roles and responsibilities, can save a world of trouble

down the track. And with the increasing incidence of Alzheimer's, once a person is diagnosed it becomes extremely difficult to obtain legal verification of their wishes. It is often at a crisis point when people become physically and/or mentally incapacitated, that critical financial and care related decisions are made. Having the conversation early and clarifying wishes can help the loved ones left behind to understand decisions, rather than being angry and resentful when it's too late to make any changes.

Preparing for the conversation

It's important to make a specific time and place for the conversation, and ensure it suits all involved. Trying to rush the conversation without adequate preparation, or in the wrong setting, can cause unnecessary upset and not achieve the desired outcome.

A good starting point is to frame the conversation in the context of the person's health. Or you can always make us the bad guys!

Conversation starter tips: "I've been thinking for a while, that we should probably chat about what we all want to happen in the next few years as I/mum/dad/grandma is/are/am getting on. Always better to do this early while there isn't a problem! How about a drink/breakfast/event on [date] at [place]?"

OR

"My financial planner is hassling me to sort out my estate planning – always best to do this before there is a problem! There are a few things we should probably all discuss, so that everyone is comfortable with who would do what and so on. How about a drink/breakfast/event on [date] at [place]?"

Key points to raise

Who should look after my affairs – now, and/or if I become incapacitated?

A **Power of Attorney (PoA)** lets you nominate a person to legally look after your affairs on your behalf. This can be useful if you want to be free of the logistics with record-keeping and financial paperwork, or if you are overseas and cannot be present to deal with these matters. However, this will no longer be valid if/when you lose mental capacity, and this is where an **Enduring Power of Attorney (EPoA)** becomes relevant. This allows the nominated person to make all financial related decisions on your behalf – even if you do lose capacity to engage in the decision-making process yourself.

Who should make what decisions about my health and care if I become incapacitated?

An **Enduring Guardianship** allows the appointed person (known as the Enduring Guardian) to be engaged in making the decisions for your lifestyle, care requirements and medical treatments when you are unable to make these choices yourself. Arranging to have an Enduring Guardianship lets you convey the beliefs and values you have regarding your quality of life, and what types of medical care/assistance you want at a time when you need it most. Having a real conversation and documentation to draw upon can assist the person you nominate as your Enduring Guardian to make the right decisions that best reflect what you want.

What will happen with my assets and with my dependants?

A **Will** is a legal document that confirms the beneficiaries and details of what they are to receive in the estate when the Will maker (testator) dies. It is only the assets that are directly owned by the testator that can be passed on by the Will. Examples include cash, shares, real estate etc. that are directly owned by the testator.

Jointly owned assets do not form part of the estate (the asset reverts to the other owner).

Because **Super** is not part of your estate, you need to nominate beneficiaries directly with your super fund/s.

If you have people dependent on you (such as young children), it is important to define who you would like to look after them, and what assets will support them. Another important role is that of executor – the person or people who will be responsible for carrying out your wishes (collecting & distributing assets, paying tax / debts, obtaining probate and so on). It can even include funeral arrangements.

This document is often the most contentious of all, and the most often challenged. It is important to understand the law surrounding wills, and to clearly communicate your wishes. If those close to you understand the reasons for your decisions and feel included in discussions, there is less likely to be trouble later on.

Roles and responsibilities?

For each of the questions above, it's important to think carefully about and discuss both who you appoint, and what decisions you would like them to make for you. In most cases you can appoint more than one person to a role if you wish. That person / people should be capable of performing the role, willing to do so and trusted by the family.

Taking action from the conversation

Once the conversation has taken place and key decisions have been made, the next step is to legally formalise this with your solicitor. We strongly recommend that you use a lawyer experienced in estate planning matters. Having a competent and trusted professional doesn't necessarily come cheap, but when done correctly in the first place, it can help save on much more costly legal fees down the track!

Once the plan is in place, ensure your loved ones know where the key documents are stored. It can help to include all your other important documents as well such as insurance policies, funeral plans, superannuation accounts, marriage and birth certificates to assist executors, curriculum vitae to assist with eulogies, and so on.

Contested estates

It is not uncommon for estates to be challenged, most commonly disputes about the validity of a particular Will, or challenges to the bequests under the Family Provision Act.

Validity

For a Will to be valid, it needs to comply with formal writing, witnessing and signing requirements (for example, a witness cannot be a beneficiary and the testator must also sign the document itself). Other issues can include unclear wording – which is common in "DIY" Wills.

The validity of a Will can also be disputed on the grounds of the testamentary capacity of the testator. In making or changing a Will, the testator must be of sound mental capacity and be free from any undue influence such as duress, coercion and/or inequality of power between the testator and another related party – such as a carer who is also a family member, solicitor, accountant and so on.

Family provision claims

The Family Provision Act covers the legal obligations of the testator to provide for certain individuals. This includes a married spouse, de-facto and children to former spouse(s), grandchildren, or those with an interdependent relationship with the testator. A claimant must prove that the testator did indeed have a responsibility to make a provision for them. From here, the family provision application generally has two stages:

- ◆ The first stage is to confirm whether the testator has given adequate provision for the education, maintenance, advancement and/or support for the claimant.

- ◆ If the provision is found to be inadequate, the court will determine whether extra provision from the estate is to be made, and if so, to what extent.

The court considers the balance between the deceased's moral obligation to provide adequate care through provisions from the estate to the claimant; the claimant's need for such provision, and finally, why provision wasn't made. At times, court decisions may not seem "fair". For example, an even 50/50 monetary split of the estate to two children may seem 'fair'. However, if one has a severe disability, whereas the other has accumulated a significant amount of wealth, this simple 50/50 distribution might not stand.

Conclusion

Formulating and implementing an effective estate plan can be confronting and time consuming, and many people put it off until it is sometimes too late. However, engaging in open dialogue and legally formalising what it is that you really want does make everything so much easier for you and your loved ones in the long run. A complete, effective and well communicated estate plan is vital to promote family harmony and to leave the right legacy of your life. Remember, your financial planner can help! A large and important part of our role for our clients, is helping them through this process. Involving your planner as an impartial outsider can really help defuse tensions and ensure your wishes are carried out.

Client Profile – Marni Roper

By Aine Love, Marketing Manager

Lend us your ears and we'll read you the world!

I have not yet had the pleasure of meeting Marni in person, but I love her voice... and what she has to say! I could listen to Marni all day, and the great news is we all have the opportunity to hear her, because Marni has chosen a wonderful 'retirement vocation' in being a presenter on a community radio station called 2RPH.



Marni was born in Western Australia and went to Kings College University in London where she became a physio, and met her husband (Jo), who was a dentist. They both travelled back to Australia overland on trucks through Africa, ending up in the Kimberley for six months which,

being British, was a big eye opener for Jo! They took very challenging conditions in the outback in their stride, including a stint at a leprosarium, and tending Aboriginal medical needs.

Marni started working for community radio in 2013, having majored in radio when she did a mass communications degree. She had previously worked for 2SER (the Macquarie University/UTS branch of community radio). Marni became involved with 2RPH when she was introduced through a colleague.

2RPH is a radio station that provides a reading service each day. This can be anything from the daily newspapers to periodicals, to books. Most of us take reading for granted, but for those who are visually impaired or not able to read, this is a valuable service. There are also hundreds more who find this a very useful service, such as students who are learning English, or busy mums who can't sit and read a newspaper. The volunteer presenters read the news but have to restrain from comment or opinion, which is not always an easy task! The programs are scheduled so listeners can tune in to the area of interest to them, eg. you may want to tune into the Sydney Morning Herald but not the Women's Weekly!

Marni is particularly involved in a program called Ablequest, which looks at initiatives to help people with a disability live a more normal life. An example of this is their involvement in the Sydney festival, making people aware of the deaf and blind performances – which in turn creates an awareness for all, of the challenges that are being faced daily. An interesting little fact I learnt from Marni is that the new \$5 note has two raised bumps on it, to help the visually impaired know what currency they are handing over. It's not something most of us have to think about but, it is a very real issue for those who have to trust in the honesty of others. This initiative was introduced by a 13-year-old using www.change.org. This is just a small example of useful information available on the program.

2RPH is mostly supported by volunteers like Marni, and relies on the generosity of donations of money and/or time from those who are able to assist. If you know of people who would appreciate the 2RPH service, let them know to visit www.2RPH.org.au – where you can also volunteer or donate.

Marni and Jo have been clients of Profile for just over two years now, and came to us through a friend's recommendation. It is our pleasure to recommend you listen to 2RPH and let your friends and family know about this valuable service.

Staff Profile – Michael Kidd

Head of Operations



Michael Kidd has been part of the Profile family for nearly two years now.

He originally hails from Brisbane (and still supports many sporting teams from the

Sunshine State – the Reds, the Roar and the Broncos top that list.) He moved to Sydney 15 years ago, after travelling through much of Asia, The Middle East and Europe for four years. A year teaching English in Japan and a couple of years in operational roles in England were included in this life-changing period. Michael also cared for a quadriplegic gentleman for four months in England during this time which he credits for giving him some real clarity for the important things in life.

So far he has visited over forty countries, and shares this travel passion with his partner Keerana – better known to us at Profile by her nickname Ram. Ram is Thai, which means the next trip to Bangkok (and to her small village in Thailand's rural northeast) is always being planned! Ram and Michael married in January 2017 after nearly ten years in partnership.


Michael's career in Financial Services has seen him progress from associate adviser, to paraplanner, financial planner, senior financial planner and finally to operations management within financial planning businesses. He has a Bachelor of Commerce from the University of Queensland, a Graduate Diploma in Financial Planning and holds the Certified Financial Planner® designation


He works with the administration team to constantly improve the processes and systems Profile uses in delivering services (and results!) to clients. He's a big list-ticker as well and a bit of a "neat-freak", but maintains this level of organisation gives him real peace of mind; particularly as he's involved in many projects and is the go-to contact for many of the daily issues that arise within the business!

In his spare time, Michael loves catching up with his mates for a cheeky beer in Kings Cross, where he has lived since arriving in the Harbour City. He loves to fish, play golf, camp, read, watch movies and (occasionally) cook. He's a sports tragic, with a real soft spot for test cricket, rugby, rugby league and football.




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