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 300 Accumulation Index. International shares: MSCI World (AUD) TR Index. Fixed interest: Bloomberg Composite All Maturities Index. Cash: Bloomberg Ausbond bank bill Index. Gold: Spot Gold Bullion (USD).

Profile CEO Update

By Lena Ridley, CEO

Welcome to Volume 47 of our Autumn newsletter. In this section, I provide an update on what's happening at Profile.

Hello,

Every now and again, we choose to update our individual look. It might be a new jacket, a different haircut, or a fresh way of wearing new clothes. Profile have been doing a lot of work behind the scenes this year getting ready for an updated look including a brand refresh and a website renovation. You should start to see some of those changes in the next few weeks. In doing this piece of work, we have again reviewed what value Profile can be to existing and new clients in assisting you with your financial affairs. If our goal is to help you live the life you want, with confidence, how can we collectively share that with others who will also benefit from professional advice and what does this mean when conditions are volatile as they are now?

Two recent client examples come to mind. One client had personal cash flow concerns in the face of a health issue impacting their income earning capacity and approached their Adviser with their concerns. Their Profile Adviser helped the client understand that their health condition was a claimable event under their policy, and we are now able to help facilitate a far more positive cash flow outcome for our client in a difficult health situation. It is when things are down, that we have the greatest chance to show you the value of advice.

The other client is a long-term client of Profile who has retired comfortably with little change to circumstance in several years. An open conversation with their Adviser about anything that sits on our client's mind, has begun a quarterly series of family meetings with all adult children to bring peace of mind that the next generation will carry on the family legacy with the knowledge and sound financial management the parents have that professional advice has bought. It is the long-term financial and non-financial value of advice that we need to shout from the rooftops as long and as often as the non-advised public might hear us.

I am surrounded by a team of professionals who get up every day thinking and talking about how to serve you better.

The external environment does continue to bring turbulence though and we remain keenly aware of the impacts that the economic and regulatory environment will have on us all in 2023 and beyond.

We read last week's Federal Budget 2023 with interest and hope you enjoyed our analysis of it. Your Adviser will talk about any personal impacts for you at your review.

We will also host a Federal Budget update for you in Sydney on Tuesday, 23rd May and encourage you to come along and bring a family member, colleague and/or friend.

Our perpetual goal is to help people live the life they want, with confidence. Profile remains here for you and your family. We look forward to continuing to serve you throughout 2023.

Lena Ridley.

Economic Update

By Rachael Arnold, Senior Financial Adviser

Investors started 2023 with a positive outlook as markets were reflecting the view that inflation had peaked at the end of 2022. However, this was quickly reversed when inflation numbers didn't reduce as much as expected. Then cracks started to show in the US banking system with regional banks showing to have liquidity issues. This moved further abroad to Europe when Credit Suisse was bought by UBS.

In Australia, although inflation has slowly been decreasing since the high of 8.4% in December 2022, now down to 6.3% in March 2023, interest rates have continued to rise as service price inflation remains high and unemployment continues to be low.

In April 2023 we saw the first interest rate hold at 3.60% in Australia since April 2022 when interest rates were only at 0.10%. However, in May 2023 the RBA made the decision to increase interest rates by 0.25% as the labour market remains very tight and inflation still has further to fall before the RBA is comfortable. There has been debate that a longer hold on interest rates is appropriate as the full effects on mortgage holders has not been felt yet because almost 40% of home loans were fixed in early 2022. About 40% of these fixed loans are due to expire by the end of 2023 and a further 20% by the end of 2024.[1]

Over in the US, interest rate increases have less of an impact on mortgage holders as most mortgages are fixed for the life of the mortgage. Instead, the focus is on decreasing inflation by weakening the jobs market and therefore stopping the rise in salaries. However, so far this has been unsuccessful as unemployment has not moved outside of the band of 3.4%-3.7% since April 2022[2] which was the month after the US Federal Reserve first started raising interest rates.

Over in Europe, inflation has been coming down off its high in October 2022. However, if you exclude energy and food the inflation figure has continued to rise.

If interest rates continue to increase to battle inflation, the share market is likely to continue to be volatile as companies experience an increase in borrowing costs. With companies around the world starting to see a reduction to their cash balances, time will tell if the recent announcement in redundancies are a defensive measure or a requirement.

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[1] RBA (2023), Fixed-rate Housing Loans: Monetary Policy Transmission and Financial Stability Risks <https://www.rba.gov.au/publications/bulletin/2023/mar/fixed-rate-housing-loans-monetary-policy-transmission-and-financial-stability-risks.html>

[2] US Bureau of Statistics (2023), Labor Force Statistics from the Current Population Survey < CPS Home : U.S. Bureau of Labor Statistics (bls.gov)>

Client Profile – Mark Pittendrigh

By Kurt Ohlsen, Senior Financial Adviser

Over the years Profile have advised a number of staff from rail component manufacturer ***Pandrol Australia.*** Our client profile this quarter is Mark Pittendrigh, recently retired Marketing Manager for Australia and New Zealand.

I have worked as Mark's Adviser for many years and really respect the way he built a successful career while maintaining balance in his life. Mark's recent "retirement" is off to a great start and we wanted to share part of his story.

Mark started out as an apprentice fitter, machiner and tool maker with whitegoods manufacturer Hoover. After some exposure to the engineering and drafting areas, he moved into the engineering team in product improvement.

In 1978 Mark married Marina and started to look for a job closer to home. This led him to joining the Elastic Rail Spike Company (ERS) as a draftsman in 1979. Shortly after, ERS became Pandrol Australia where Mark continued his career for the next 43 years.

It wasn't long before the Marketing department saw something in Mark and seconded him in as a technical officer. In Mark's words this was a "general dogs body" role. From here Mark was promoted to Marketing engineer where his clients included big steel works and mining companies as well as the sugar industry. While this was a great role, it included a lot of travel around Australia so when kids came along Mark moved into a commercial role, being administration of Contracts and Procurement.

Eventually Mark became the Marketing Manager of Australia and NZ and had the opportunity to work on

some of the biggest heavy haul railways in the world (including projects in the Pilbara, Broken Hill and Mount Isa - all in Australia).

Mark remembers a mentor while working at Hoover saying to him "one day you will find that perfect job" and on reflection Mark found that perfect job at Pandrol.

Preparing for retirement, Mark commented, "In my era, retirement was based on age, so from a young age I just assumed I was retiring at 65. I started working with Profile well before that to make sure I had plan in place to make that happen".

As Mark approached his planned retirement, he worked with his employer to put in place his succession plan. Initially Mark completely stopped working while drawing down on 15 months of accrued leave. This provided time to attack a lot of the "to do list" around the house while also giving him time and space to work out what he wanted retirement to look like in a bit more detail and to start lining things up. Mark knew that his retirement did not just mean he would be stopping – he wanted to be doing some work. He was open to it being on a volunteer or a commercial basis but wanted to make sure that it was something he was going to *really enjoy* and would fit in and around his other retirement activities.

In the end Mark landed a commercial role that is ticking all the boxes – not just an enjoyable and flexible role but one that has allowed Mark to use his years of industry experience, knowledge and contacts.

I have seen many people over the years seek to achieve this type of semi-retirement role however have seen few achieve it with the same level of success.

On reflection there were several key things done to help achieve this:

- Be in a financial position that you do not need to take a particular job.
- Actively maintain your industry network in the run up to and in retirement.
- Give yourself some time to think about what you want and for opportunities to present themselves (even if spare time can be a bit daunting when you are not used to having any). This might mean you don't jump at the first role put to you.

Mark sees this role as a valid stepping stone leading into full time retirement. He is really enjoying some of the projects he is working on whilst also finding it professionally rewarding. As such his next full retirement is not linked to a particular age or number of years but rather when he feels some of the projects have progressed to a point of success and he can make himself redundant.

Outside of work Mark still has plenty on the bucket list. He is heading off to central Australia shortly with friends to have a look at the old Ghan rail alignment. Longer term he has travels plans to return to Canada, Hawaii, New Zealand, Singapore, Thailand and Western Australia. Many of these trips are to visit friends that he made around the world while working.

Mark is a happy man and when questioned on this attributed it to having a great family and friends, being grateful ("a full stomach and not being cold should be appreciated"), having a plan but expecting change and helping others.

How to Ease the Cost of Living Pressure with Rising Inflation

By Angela Reade, Associate Financial Adviser

Inflation, the persistent rise in prices of goods and services over time, can erode the purchasing power of money and negatively impact financial well-being. As inflation figures sit above cash rates, consumers and investors need to be proactive in protecting their finances and find ways to outpace inflation. In this article, we'll explore practical and effective strategies to help you manage your expenses and achieve financial stability.

Portfolio Strategies

Those with investments, seeking to at least maintain their level of wealth, could consider the following:

1. Invest in Tangible Assets: tangible assets, such as real estate, infrastructure and commodities, can be a valuable addition to an inflation-beating strategy. Real estate has historically been a good hedge against inflation as property values tend to rise along with inflation. Infrastructure assets such as toll roads or utilities can have greater pricing power, meaning the company has the ability to pass on rising costs. Commodities such as gold, silver, and other precious metals, tend to rise with inflation providing a natural hedge.

2. Invest in Inflation-Linked Assets: Some infrastructure funds and inflation-indexed bonds, are specifically designed to hedge against inflation. These securities adjust their value based on changes in inflation rates, providing a built-in protection mechanism. For example, the return for a bond may provide a guaranteed return above inflation, ensuring that your investment keeps pace with rising prices. Consider including inflation-protected assets in your investment portfolio to safeguard against inflationary pressures.

3. Focus on High-Quality, Dividend-Paying Stocks: Companies with a history of paying consistent dividends can be a good inflation-fighting investment. Dividends can provide a steady stream of income that can keep up with inflation, as companies tend to increase their dividends over time to offset rising costs. Look for companies with strong fundamentals, a history of dividend growth and stable cash flows to add to your portfolio as a potential hedge against inflation.

4. Diversify your Investments: Diversification is the practice of investing in a range of assets that are not highly correlated with each other. Diversification can help reduce the impact of inflation on your portfolio by spreading risk across different asset classes, A diversified portfolio may include equities, real estate, bonds and other alternative assets that perform in different ways for given economic conditions.

5. Continuously Monitor and Adjust your Portfolio: Inflation rates can change over time, and as a result interest rates can change due to monetary policy decisions. Plus, other factors are likely to alter over time including your financial situation, future needs and risk tolerance. It's important to continuously monitor and review your portfolio and adjust accordingly.

Personal Strategies

Those seeking personal and practical day-to-day tips could consider the following:

1. Increase your Income: Look for ways to boost your earning potential, such as negotiating a raise at work, exploring additional job opportunities, or starting a business. Finding a side hustle can help you cover higher expenses or build your savings. Consider learning new skills or furthering your education to enhance your qualifications and increase your earning potential. A higher income can provide you with more financial flexibility and help you better manage the rising costs of living.

2. Prioritise Expenses: Be mindful of where you are spending and identify areas where you can cut unnecessary expenses to help you stay ahead. Focus on being efficient with essential spending (housing, healthcare and transportation) and cutting back on non-essential spending (such as entertainment, dining out, and subscriptions). Call service providers and seek better rates for internet, phone and utility bills which can help save you money in the long run.

4. Be Smart with your Assets: Housing is often the most significant asset for individuals and families. Consider reducing your housing costs by either downsizing, renting out a spare room, *AirBnb'ing* your home while away on holidays yourself, or moving to a less expensive area. These can all help you reduce your housing costs.

5. Manage Debt Wisely: Inflation erodes the purchasing power of money, but it can also erode the value of debt. If you have fixed-rate debt, such as a mortgage or a loan, the real value of the debt decreases as inflation rises. This can work to your advantage, as you are essentially paying back a loan with dollars that are worth less than when you borrowed them. However, variable-rate debt (such as adjustable-rate mortgages) or high-rate debt (such as credit card debt), can grow at faster rates or be impacted by inflation as the interest rates may rise along (or at a higher rate) than inflation.

6. Enjoy the Free or Minimalist Things in Life: There are many activities that are free or involve minimal cost, for example: museums, nature walks, a family gathering, coffee with a friend, reading a good book, watching a YouTube tutorial, exercising, building or fixing something, drinks by a firepit, gardening… to name a few. These can all provide upside and lifestyle enjoyment and are not impacted by inflation.

7. Seek Financial Assistance and Stay Educated: If you are facing financial challenges, do not hesitate to seek financial assistance and aim to keep yourself informed about economic trends and market conditions. Doing so can help you make informed investment decisions and provide you with valuable insights and guidance tailored to your specific financial situation.

In conclusion, easing the cost of-living pressure requires a combination of smart strategies, discipline, and patience. By investing wisely, diversifying your portfolio and being diligent monitoring investments can improve your financial position. On a personal level, stretching your money further, prioritising expenses, shopping smart, managing your debt and enjoying the free things in life can help improve your financial well-being.

Staff Profile – Nash Hove

By Nash Hove, Associate Adviser

In the early years of the Profile newsletter, we used to introduce a different staff member in each issue as a way of helping our clients know more about Profile's dedicated work-family. We hope you enjoy getting to know us all a little more again.

How long have you worked with Profile?

I have worked with Profile since October 2022.

What are you reading/watching right now?

CDP 4-Investment strategies & The Barefoot Investor

Favourite recipe and where can we find it?

My favourite recipe to make is Sadza and Chicken of Big fried fish, also available in African shops.

Any pets/kids/spouse?

Not yet.

The one movie you just keep going back to…

The Shooter.

Why do you work in financial planning?

The desire to want to make a difference in people's lives blended with my finance background, ability, passion and skills.

What are your top 5 key values?

Love, kindness, meekness, forgiveness and care.

Who has influenced you most in life and how?

My family, friends and workmates. They have given me unconditional love and support.

What makes you smile?

Making someone smile, feel loved & special.

Navigating the current interest rate environment

By Anthony Landahl, Managing Director of Equilibria Finance

The current interest rate environment is challenging. Australia's cash rate has risen 11 times from 0.10% back in April 2022 to 3.85% in May 2023 - an increase of 3.75%. With the RBA remaining steadfast to its inflationary target to ensure inflation does not become entrenched, the likelihood is of more pain before some light on the horizon.

As finance and mortgage brokers we are assisting mortgage holders through this time and wanted to share some guidance and tips for consideration.

The impact on existing mortgage holders

- For those on variable rates the cash rate rises have been passed on directly by providers - which along with other cost of living pressures has made many household budgets very tight.
  For example, for a borrower with a $500,000 home loan with 25-years remaining, paying 2.19% in April 2022, their current rate would now be 5.94%, and they would be paying and additional $1,038 / month.
- For those on fixed rates - a stark increase of 3.75% (at May 2023) is on the horizon when the fixed rate expires - and there are some 880,000 Australians coming off fixed rates in 2023 and 450,000 in 2024.

If you currently are on a variable rate what to be aware of:

- If you have not had your bank or mortgage broker recently review your current rate you may find you are paying more interest than you need to be. We have found some variable mortgage holders are paying 50-100bp more than they need to be. For example, someone whose rate is 1% above market, with a loan of $500,000 would be paying an additional $5,000 / annum in interest.

What you can do:

- Call your bank or request your mortgage broker call your bank and ask for a better rate!
- Review this against other providers in the market - it may be a better rate can be secured.
- We are finding some banks and providers are offering better "new to bank" rates than "retention rates". Some providers are also offering cashbacks to cover the associated costs of changing providers.
- There is also consideration of fixing - noting fixed rates have been well above the variable rates - with some starting to come back now.

If you currently are on a fixed rate be aware of:

- Ensure you understand when your fixed rate expires.
- Understand as best you can what your rate will be when it goes to variable. Noting your rate will go to the banks "revert rate" or "standard variable" rate - some of which will have an even bigger impact than the 3.75% cash rate rises over the past year.

What you can do:

- Build your budget based on the new repayments. If possible, start setting aside funds and create a buffer.

- When or within a few weeks of it rolling off fixed call your bank or request your mortgage broker to call your bank and ask for a better rate!
- Review this rate against other providers in the market - it may be a better rate can be secured.
- We are finding some banks and providers are offering better “new to bank” rates than “retention rates”. Some providers are also offering cashbacks to cover the associated costs of changing providers.

How we can assist:

- We can approach your current provider at no cost to try and secure a better rate.
- We can then review this outcome against the market and if we can secure a better rate elsewhere - and if it makes sense look to undertake a refinance. There are also cashback opportunities available in some cases.

We are available through our professional relationship with Profile Financial Services for a confidential discussion to give guidance and support and work with you and your provider - or in fact look at more suitable options and manage a refinance process for you.

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Equilibria Finance is a mortgage broking practice specialising in delivering residential and commercial mortgage and business and asset finance solutions to the clients of financial advice and accounting practices.

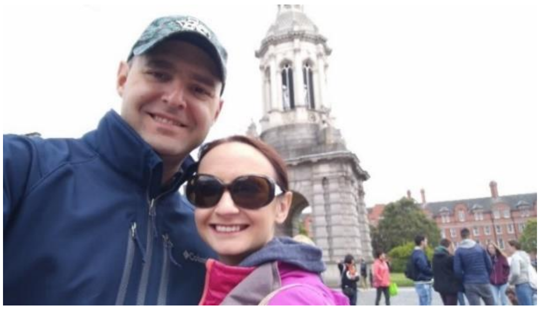
Our Travels to Ireland

By Scott Ungaro, Senior Financial Advisor

My wife and I recently had the pleasure of visiting Ireland (the Republic of Ireland), and we were absolutely blown away by the beauty of this amazing country. We spent two weeks exploring the Emerald Isle, taking in everything from the bustling city streets of Dublin to the rugged coastline of Sligo. In this travel blog, we share our experiences and hopefully inspire others to visit this incredible destination.

Dublin: A Vibrant and Historic City

Our trip began in Dublin, the capital of Ireland and a city that is steeped in history and culture. From the moment we arrived, we were struck by the vibrant energy of the city. The streets were alive with music, laughter, and conversation, there was a sense of excitement in the air that was infectious.



We spent our first day exploring the city centre, taking in the sights and sounds of this beautiful city. We visited Trinity College, the oldest and most prestigious university in Ireland, and were blown away by the stunning architecture and beautiful grounds. We also took a stroll through St. Stephen's Green, a beautiful park in the heart of the city, and enjoyed the colourful flowers and peaceful atmosphere.

One of the highlights of our trip to Dublin was visiting the Guinness Storehouse, a seven-story museum and brewery dedicated to the iconic Irish beer. We learned about the history of Guinness and how it is brewed, and even got to taste some of the famous stout at the rooftop bar, which offers stunning views of the city.

Another must-visit destination in Dublin is the Temple Bar neighbourhood, which is known for its lively pubs and vibrant nightlife.

We spent an evening in one of the many cosy pubs in the area, listening to traditional Irish music and chatting with friendly locals.

Overall, Dublin is a fantastic city that offers something for everyone. Whether you're interested in history, culture, food, or nightlife, you're sure to find plenty to do and see in this beautiful city.

Cork: A Quaint and Charming City

After spending a few days in Dublin, we hopped on a train and headed south to Cork, a charming city that is known for its cosy cafes, colourful houses, and beautiful riverside setting. As soon as we arrived, we were struck by the relaxed and friendly atmosphere of the city, and we quickly fell in love with its laid-back vibe.

One of the highlights of our visit to Cork was exploring the English Market, a historic covered market that has been operating since 1788. The market offers a wide variety of fresh produce, meats, cheeses, and other artisanal products, and we spent a few hours and sampling some of the delicious food.

Another must-visit destination in Cork is the Cork City Gaol, a former prison that has been converted into a museum. We took a guided tour of the prison and learned about the harsh conditions that prisoners endured in the 19th and early 20th centuries. It was a fascinating and sobering experience, and we came away with a deeper appreciation for the struggle for Irish independence.

We also spent some time exploring the beautiful riverside district of Shandon, which is known for its colourful houses and historic buildings. We climbed the steps of the iconic

Shandon Bells tower, which offers stunning views of the city and the surrounding countryside.

Overall, Cork is a beautiful and charming city that is worth a visit. If you're looking for a more relaxed and laid-back experience than Dublin, Cork is the perfect destination.

Sligo: A Wild and Rugged Coastline

Our final destination in Ireland was the rugged and wild coastline of Sligo, which is known for its stunning scenery and beautiful beaches. Nestled along the western coast of Ireland, Sligo is a hidden gem that often gets overlooked by tourists in favour of more popular destinations like Dublin or Galway. But for us, Sligo was the perfect place to experience the authentic charm of Ireland, without the crowds and chaos of the big cities.

Our first stop was the Yeats Building, it houses a museum dedicated to the life and work of the famous Irish poet, W.B. Yeats. As literature enthusiasts, we were excited to learn more about Yeats' life and legacy, and the museum did not disappoint. We were able to see original manuscripts, letters, and other artifacts that gave us a glimpse into Yeats' creative process and the world that inspired his work.

The next day, we set out on a hike to the top of Knocknarea, a nearby mountain that offers sweeping views of the surrounding countryside. The hike was challenging but rewarding, and we were amazed by the stunning scenery along the way. At the top, we found the cairn of Queen Maeve, a legendary figure in Irish folklore, and took a moment to appreciate the history and culture of the region.

In the afternoon, we visited the nearby Carrowmore Megalithic Cemetery, which is one of the largest and oldest collections of megalithic tombs in Europe. The cemetery dates back to 4000 BC and is a testament to the rich history of the area. We were fascinated by the ancient structures and the stories they told about the people who lived here long ago.

This small town had captured our hearts with its beauty, charm, and hospitality, and we knew that we would always treasure the memories we had made here. Sligo may not be as well-known as some of the bigger cities in Ireland, but for us, it will always be a special place that we will look back on with fondness and gratitude.

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