Tailor-Made Autumn Newsletter

We hope you had a nice Easter and you are enjoying the cooler Autumn weather.

Estate planning is often a topic put away for another day but it is a very important item that needs careful planning. For that reason we hope you get the time to read the article on "A Will to give".

Our new highly qualified and experienced Senior Financial Adviser, Peter Manevski, is settling in well with the Team and spearheading our new office in the Crown Street Mall in Wollongong. You can read more about Peter here: https://tmfs.com.au/peter-manevski/.

In other office news Ben has moved back from Canberra to Milton and is enjoying being closer to the ocean.

"Sustainable investing on the rise" is an article that may be of interest but "greenwashing" is also on the rise whereby funds market themselves as ethical or sustainable when in fact the truth suggests otherwise. We are always available to answer any questions in this regard.

With the Federal Budget not too far away and the uncertain outlook please feel free to reach out with any questions.

In the meantime, we hope you enjoy the read.

Regards

Tailor-Made Team

Tailor-Made Financial Services

W www.tmfs.com.au

E info@tmfs.com.au

P 02 4455 7800

Postal Address (for all mail)

PO Box 272

MILTON NSW 2538

OFFICE LOCATIONS:

Milton Office

10/65 Princes Highway,

MILTON NSW 2538

Wollongong Office

(by Appointment)

3/104 Crown St

WOLLONGONG NSW 2500

Batemans Bay Office

(by Appointment)

27 Fenning Arcade, 12-18 Orient St

Batemans Bay NSW 2536

A Will to give

As baby boomers shift into retirement, Australia is on the brink of the nation's biggest ever intergenerational wealth transfer. Yet estate or inheritance planning is rarely discussed by families.

Talking openly about how you want your assets to be passed on can help avoid family disputes that take a toll both financially and emotionally. It provides a certain peace of mind for you – that your intentions will be met – and for your family and friends.

Certainly, the stakes have never been higher, with growing house prices and healthy superannuation balances contributing to a considerable increase in the wealth of many older Australians in the past two decades.

Around $1.5 trillion was transferred in gifts or inheritances between 2002 and 2018. In 2018 alone, some $107 billion dollars was inherited while $14 billion was handed out in gifts.[1]

The importance of planning

With so much at stake, having an estate plan in place helps to protect the interests of those you care about and to fulfil your wishes. It takes careful thought and professional advice, but that is no excuse for putting the task aside for later. If something happens to you in the meantime, your assets may not be distributed as you would like and there could be tax implications for your beneficiaries.

An estate plan includes a Will and, in some cases, funeral arrangements and instructions for the care of children and animals. Without a Will, your assets will be distributed according to state inheritance laws which may not be what you intended.

A plan may also include instructions for a testamentary trust to hold assets that are then distributed in a tax-effective way to your beneficiaries. And don't forget your 'digital will', a list of any online accounts and passwords that may be important.

Meanwhile, to protect your interests in case you are incapacitated in some way, an enduring power of attorney and a medical power of attorney nominate the people you would like to handle your affairs until you are better.

Complex families

Estate planning is even more important in the case of blended families or for those with complex family relationships, especially where the emotional issue of the family home is concerned.

Disputes often centre around who gets the house when there are children from a previous marriage, but your new spouse is living in the family home. You could allocate other assets to the children and leave the home to your spouse or require that the house be sold and the proceeds distributed to all. Alternatively, your Will could grant lifetime tenure in the home for your spouse with it passing to your children after your spouse dies. Having conversations early about your intentions, can help alleviate possible conflict.

If you are concerned about protecting the interests of a family member with mental health or addiction issues, a testamentary trust can help to look after your assets and distribute funds in a controlled way. A testamentary trust is also often used to provide for young children, holding the assets until they reach adulthood.

Dividing it up

When it comes to deciding how best to allocate assets among children, some prefer to hand out equal shares no matter their individual financial circumstances, while others prefer to give extra to one who may be struggling. Given that Wills are frequently challenged by family members or others who believe they are owed a share or an even bigger share, it's wise to make your intentions clear in your Will including reasons and documentation.

While people who receive inheritances are usually well into middle age - on average 50-years-old[2] - and perhaps comfortably well-off, you could choose to bypass the next generation. Instead, you might consider leaving your estate to grandchildren, to help set them up with a deposit for a home or covering school fees.

Another option is to begin distributing your estate while you are alive and can share the enjoyment of the benefits the extra financial help might bring.

What's not covered?

It is important to note that some assets are not covered by your Will. These include assets jointly held with someone else (such as a bank account or a house), super benefits and life insurance.

In the case of jointly held assets, ownership generally passes to the surviving partner and life insurance is paid to the beneficiary named in the policy. For super, it's vital to complete a binding death benefit nomination to ensure the funds are paid to the person you choose.

With so much to consider, expert advice is critical when preparing an estate plan, so call us to begin the discussion.

Current as at Mar 2024

1 https://www.pc.gov.au/research/completed/wealth-transfers

2 Wealth Transfers and their Economic Effects - Commission Research Paper - Productivity Commission (pc.gov.au)

Sustainable investing on the rise

Sustainable investing isn't new and is becoming more mainstream. From climate change to gender diversity, more people are aligning their money with their values.

In 2022, Australia's sustainable investment market was valued at $1.3 trillion. The Responsible Investment Association Australasia (RIAA) 2023 benchmark report found sustainable investments represents 36 per cent of total professionally-managed funds.[1]

In addition to traditional shares and fixed interest sustainable investments offer a wide range of assets, including property, alternatives such as forestry, infrastructure, private equity and cash.

Most big super funds offer a sustainable investment option and some offer this as their default option. You can also buy sustainable managed funds, including a growing list of exchange-traded funds (ETFs).

What are sustainable investments?

Focus on people and planet

Sustainable investing is also known as ethical, responsible and ESG (environmental, social, governance) investing, with the focus on people, society and/or the environment.

Sustainable investments are selected using a variety of screening methods, including:

- Positive screening selects the best investments in their class
- Negative screening excludes harmful sectors, companies or activities such as arms, gambling, animal testing, tobacco and fossil fuels
- Norms-based investing screens for minimum standards of relevant business practices
- Impact investing has the explicit intention of generating positive social or environment impacts.[1]

The term ESG investing is used when a fund or company commits to sustainable investing in these three areas:

- Environmental - air and water pollution, biodiversity and climate change
- Social - child labour and labour standards, ethical product sourcing, gambling and human rights
- Governance - board diversity, corruption, business ethics, corporate culture and whistle-blower schemes.

The report found gender diversity and women's empowerment are also gaining popularity.

Sustainable investing is not all warm and fuzzy. Performance still matters.

Performance gains

Initially, sustainable investing often came at the expense of returns but that is no longer necessarily the case.

The report compared the performance of what it terms responsible investment funds and mainstream investments funds (on average and net of fees) over the past 10 years to December 2022.

Responsible multi-sector growth funds typically outperformed with mainstream funds and their benchmark over 1, 3, 5 and 10 years. Responsible Australian share funds generally outperformed or were on par with mainstream funds. Responsible international share funds also outperformed or were on par with mainstream funds across all timeframes.[2]

Watch out for greenwashing

Increased demand for sustainable investments has led to a rapid increase in the number of products available. The rush to cash in on the trend has sometimes led to what is known as "greenwashing".

The Australian Securities and Investments Commission (ASIC) describes greenwashing as the practice of misrepresenting the extent to which a financial product or investment strategy is environmentally friendly, sustainable or ethical.

ASIC warns investors to review the product terms. For example, a fund might describe itself as ‘’no gambling” but may invest in companies that earn less than 30 per cent of revenue from gambling. Look for a clear explanation of how the product will achieve its aims and don’t rely on vague language like “considers", “integrates” or “takes into account”.

Australian companies lifting their game

It’s not just super funds and managed funds taking sustainable investing more seriously, Australian listed companies are also adapting to changing investor preferences and regulatory environment. A recent analysis of ESG reporting by Australia’s top 200 listed companies, PwC found a 13 per cent increase in companies declaring a commitment to net zero emissions. However, only 55 per cent of those disclosed a transition plan or activities that will enable them to reach net zero.[3] There was also a 10 per cent increase in companies disclosing climate risks and opportunities, and a 30 per cent increase in companies disclosing a gender diversity policy.

For investors seeking sustainability along with financial returns from their investments, momentum and choice is growing. So please get in touch if you would like to discuss your investment options.

Current as at Mar 2024

1 https://responsibleinvestment.org/resources/benchmark-report/

2 https://responsibleinvestment.org/resources/benchmark-report/

3 https://www.pwc.com.au/assurance/environmental-social-and-governance-reporting.html

The 1% rule – tiny changes add up to a BIG difference

The New Year brings many things and goal setting is usually high on the agenda, now is the time to evaluate, reassess and hit the restart button.

Personal transformation can be challenging. We all have habits we'd like to break and behaviours we'd like to do more of. But when we do some self-examination and think about what is involved in navigating change, it can seem overwhelming to get to where we need to be, whether that is personally or professionally.

That's where small incremental change can be a powerful tool.

The power of one per cent

Just a tiny shift of something like one per cent, does add up. A powerful example of the power of one per cent incremental change is the story about Sir David Brailsford and the British Cycling Team. The team hadn't produced a rider able to win the Tour De France in its entire history. Brailsford felt that by improving in achievable one per cent increments in a lot of areas, the team could produce a cyclist who could win the Tour de France in five years.

They made one per cent improvements in obvious areas such as nutrition, bike aerodynamics, weight, and seat comfort as well as in areas others didn't think about. They located a pillow that provided slightly better sleep and travelled with it and another gain was made through adjustments to sleeping posture. Then, someone found a massage gel that worked marginally more effectively, and so on. These minuscule one per cent gains added up to a win in two and a half years instead of the predicted five years, and the team went on to win six races since 2012.

Why incremental change works

While you may not be gearing up to win the Tour De France, you can apply this powerful method of incremental improvement to your own life, to improve your health, relationships, finances, career, or business.

Too often we convince ourselves that impressive results demand massive action and fail miserably as we have bitten off a lot more than we can chew. However, making tiny adjustments to your life are much easier to manage and much more likely to be sustained than a huge shift.

It's also common to think of a big win or achievement as a single event but the reality is that it's generally the result of a series of tiny moments that each propel us one step further toward our goal.

The one per cent rule is so effective, as it can be scaled. The method works because you are making many small tweaks and building on those tweaks as they become habits.

Applying incremental change to transform your life

The starting point is to think of an area of your life you want to improve. Then think of small ways you can tweak your life to achieve that objective. The tweaks obviously don't have to literally be as tiny as one per cent, but the objective is a series of minor changes, which built upon on a regular basis, really add up.

For example, if you are wanting to improve your health you don't have to overhaul your lifestyle to reach your health goals, go for small, achievable changes. Try drinking an additional glass of water when you wake up, take some fruit to work to snack on, take the stairs instead of the lift at work, or get off the train one stop early to walk a little further home.

Or if you are wanting to further your career, try spending 10 minutes per day on expanding your network, incorporate some small productivity tweaks into your daily routine like not checking your emails constantly, and commit to self-growth by asking a single question every day to improve your knowledge. Building upon little, easy tasks like these can help you on your path to success.

Reaping the benefits

It is important to build though. One small tweak alone will not make an enormous difference. The challenge is to continue to make one per cent changes, without dropping the changes you've already made.

The key to this method, is to be consistent; it takes around 60 days to establish a habit so make sure you hang in there. You might have to even put a pause on adding any more changes to your routine as you adjust at various points along the way but just make sure you persevere to establish the changes you've already made.

There is no better time than the beginning of the year to get started, so make the first micro change to your life today and watch each one per cent improvement add up to success.

Current as at Jan 2024