



HEADING FORWARD
FINANCIAL PLANNING



February 2021

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

- Market Review *January 2021*
- Is your Christmas debt still hanging around?
How to clear a debt hangover.
- What's the difference between a financial planner and an accountant?

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

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January 2021

How the different asset classes have fared:
(As at 31 January 2021)

Asset Class	10 Yr % p.a.	5 Yr % p.a.	3 Yr % p.a.	1 Yr % p.a.	YTD %	6 Mth %	3 Mth %	1 Mth %
Cash ¹	2.40	1.48	1.21	0.29	0.00	0.04	0.01	0.00
Australian Bonds ²	5.45	4.22	5.36	1.68	-0.42	0.12	-0.80	-0.42
International Bonds ³	5.78	4.09	4.66	2.63	-0.57	-0.14	0.21	-0.57
Australian Shares ⁴	7.92	10.55	7.67	-0.71	0.30	14.95	12.43	0.30
Int. Shares Unhedged ⁵	12.67	11.68	10.45	0.98	-0.41	8.54	6.48	-0.41
Int. Shares Hedged ⁶	11.62	12.53	7.48	10.17	-0.79	14.10	14.47	-0.79
Emerging Markets Unhedged ⁷	6.60	12.58	5.77	10.62	3.54	15.48	10.27	3.54
Listed Infrastructure Unhedged ⁸	10.80	6.19	5.77	-20.25	-1.81	-1.40	-2.68	-1.81
Australian Listed Property ⁹	10.53	6.30	5.55	-13.33	-4.07	15.92	8.93	-4.07
Int. Listed Pty Unhedged ¹⁰	8.36	1.86	3.09	-23.48	0.28	3.95	7.09	0.28

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

The year began rather dramatically. In the US President Donald Trump called out to his supporters to help him contest the November US election results, which saw thousands of pro-Trump supporters descend onto the White House. The mob shattered windows, ransacked offices and pounded on barricaded doors. Throughout the chaos, the US stock market continued to rally due to the anticipation of more stimulus for the economy once President Biden enters office.

A disappointing final week of the month led to the S&P/ASX 200 climbing just 0.3% in January. The lackluster performance was linked to poor Wall Street performance after investors became spooked by extraordinary volatility in stocks with significant short selling exposure.

A group of two million members of a Reddit subgroup called r/WallStreetBets (now 10 million members) turned the finance industry upside down late in the month. A short squeeze of the stock of the American video game retailer GameStop and other securities took place, causing major financial consequences for certain hedge funds and large losses for short sellers.

Despite the last week of the month's negative returns, January still managed to be a positive month. Most companies saw activity and profits rebound, and with few foreign travel options Australians are spending more at home.

The Australian dollar reached a high of 78 US cents for the month. This has been attributed to rising iron ore prices, brought about by news of record-high steel output in China. The strength of the Australian dollar has caused some concern for the RBA because of its impact on growth and inflation.

House prices hit record highs in January, surpassing pre-COVID levels. Every capital city saw an increase in values. This growth can be attributed to various government policies and stimulus measures that helped keep the economy afloat during the pandemic. This included \$507 billion in stimulus policies and up to \$200 billion by the RBA in near free (0.1 per cent interest) funding for the banks.

Bitcoin experienced a tremendous surge in value. Much of this rise has been linked to the flow of institutional money. The current bull run has seen it surpass its previous all-time high of December 2017.

News of several potentially highly effective vaccines against COVID-19 has significantly reduced uncertainty over the global outlook for 2021 and beyond, which is positive for all markets, including Australia. However, there remains the possibility that the existing vaccines may not be effective against all the new mutated COVID-19 variants.

INFORMING YOU

IS YOUR CHRISTMAS DEBT STILL HANGING AROUND? HOW TO CLEAR A DEBT HANGOVER

Money and Life
(Financial Planning Association of Australia)

After an incredibly difficult 2020, many of us used the Christmas period as an opportunity to splash out and make up for what we missed out on during the year. But if the urge to say good riddance to 2020 put your finances on shaky ground, here's how to reset for the year ahead.

After being separated from family and friends for much of the year, many people felt the urge to turn up the dial on their Christmas and holiday celebrations to say goodbye to 2020.

For some, it was finally taking a holiday after a year in various stages of lockdown, for others we chose to shower our friends and family with gifts to show our affection, and with many borders still closed or uncertain, we were forced to send those gifts instead of delivering them in person.

For others we simply felt that after a year of stress and uncertainty, we were entitled to take advantage of the retail sales that abounded and treat ourselves!

Unfortunately, many of us weathered tough financial times over the past year as a result of the pandemic.

A whopping 40 per cent of people surveyed by the Financial Planning Association (FPA) of Australia say they've lost some or all of their income due to COVID-19. Of those, 11 per cent are struggling to get by, while 31 per cent have been forced to dip into their savings.



And yet, the urge to reward ourselves for surviving such a difficult year can override our financial common sense. If you over-spent during the holiday period, you might have started 2021 feeling quite stressed.

Certified Financial Planner (CFP(R) Christine Lusher says while everyone has been affected differently by COVID-19, overspending at Christmas can compound pressures many of us have been under.

"No one likes a hangover and starting 2021 with a debt from last year's overspending won't feel great," she says.

"Poorly managed personal debt can lead to increased levels of stress, which can lead to sleep problems, mental health concerns and a decline in overall physical health. Having your debts under control will provide you confidence and the peace of mind that part of your financial life is in order."

[Read more: Don't let overspending be your undoing](#)

If you did overspend, it's ok – there are steps you can take to get yourself back on track and put some measures in place to help your finances thrive in 2021.

Health check your finances

Start by taking a financial health-check to get a clear view of where your finances are at.



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Take into account existing debts and be sure to include any expenses that haven't cleared yet, such as deferred payments or Buy Now Pay Later arrangements.

Include any expenses and outgoings you have coming up over the next few months (such as big bills). This will help you set a realistic budget that won't cause you any extra stress.

[Read more: How fit are your finances?](#)

Don't overcommit to paying down debt

When we have large debts hanging over us, we might feel motivated to develop a ruthless repayment plan, assigning ourselves a strict budget in order to clear the debt as soon as possible.

However, this approach can actually set you up to fall short. If you try to cut your expenses to the bare bone and slip up because you haven't left yourself any wiggle room, you may feel like you have failed and become discouraged.

A better approach can be to be a bit more conservative in your plans to repay any debt – while still aiming to meet or exceed the minimum repayment requirements, and always by the deadline to avoid additional charges.

If you come in below budget at the end of the month, you will feel a sense of accomplishment and be able to siphon additional payments to service your debt, which can give you more motivation to continue.

Prevention is better than cure

Once your debt is paid off and the financial hangover has cleared, consider planning for the year ahead.

Use your 2020 holiday spending as a guide to what your expenditure might be in 2021.

"This way you can work towards saving extra during 2021, so you are cashed-up and ready to go next Christmas. Include your Christmas savings needs as a line in your budget", says Christine.

If you don't have a budget, now is the perfect time to create one!

[Read more: Creating a flexi-budget for 2021](#)

Avoid using credit

Whatever you do, try to avoid spending money you don't actually have. That goes for spending on credit cards, as well as store credit and buy now, pay later services.

"Buy now – pay later services such as Afterpay and Zip are becoming increasingly popular, but, like credit cards, they just defer the debt," Christine says.

Instead, be savvy with your spending and look for ways to enjoy the day without the price tag.

[Read more: Be a smart gift-giver this holiday season](#)

Get financial advice

If you've taken a hit this year and Christmas spending got out of hand, or you just want to put yourself on track to financial freedom in the new year, consider getting professional financial advice.

Job insecurity, depleted savings and loss of super were the three most common financial worries for Australians in 2020. Yet FPA research shows that people who were already working with a financial planner were less affected by the economic downturn, and wouldn't have done anything differently.

[Read more: Here's how financial planning works](#)



INFORMING YOU

WHAT'S THE DIFFERENCE BETWEEN A FINANCIAL PLANNER AND AN ACCOUNTANT?

Money and Life
(Financial Planning Association of Australia)

When it comes to getting professional advice on money matters, should you be looking for an accountant or financial planner? Find out how they're different and what services each one offers to help you manage your finances.

When you're looking for help on anything to do with money, finding the right person to turn to for advice can be a challenge. According to a recent report from CPA Australia, changes to regulations in financial services are making it even harder for Australians to know who can offer them quality professional advice on their finances.

Without a clear idea of where to get advice on goals such as saving for a home or planning for retirement, Australians are left to rely on their own networks and ideas. In surveying more than 1000 consumers and small businesses for their report, CPA found that when advice needs aren't met by a qualified professional, many people are making choices based on their own research or insights from family and friends.

While plenty of options for life insurance may be just a Google search away, making the best choice for your situation can be a challenge. And while friends and family may have the best intentions, what has worked for their finances may not be right for you and your life goals. This ad hoc approach to sorting out your finances can actually do more harm than good and end up being a waste of your time and money.



To give you a clear idea of where to get the best advice to put you firmly in control of your finances, here's a summary of what services and outcomes you can expect from a financial planner and an accountant.

What an Accountant can do:

Whether it's for your personal finances or your business, an accountant can give you advice on your tax obligations and help you keep your documents and records in order. They can lodge tax returns and business accounts and financial reports on your behalf. The more complex your finances and tax affairs, the more you're likely to enjoy the following benefits from seeing an accountant:

1. Drawing on their extensive knowledge of tax and accounting, an accountant can optimise your tax affairs so you don't pay any more income tax than you need to. If you own an investment property for example, it can be helpful to know which expenses you can claim as a deduction against rental income.
2. If you're a small businesses owner, have a self-managed super fund or receive an income above \$200k per year, your tax affairs are likely to be fairly complex. Having an accountant oversee paperwork and reporting on your behalf can save you time and give you peace of mind that you're meeting all



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obligations to the Australian Taxation Office (ATO) and other regulatory bodies.

An accountant will review your income, assets and expenses over the course of a financial year. They will help you fulfil legal obligations and keep your records and payments with the ATO up-to-date.

What a Financial Planner can do:

A financial planner can provide advice on a whole range of financial matters you could be dealing with at different life stages. They can help you manage your debts, plan for retirement, save for your kids' education and invest in assets, including property. Whether you're buying your first home, starting a family, changing careers or planning for life after your kids leave the nest, financial planning can offer you all sorts of benefits:

1. Offering advice on the whole spectrum of money issues, a financial planner can bring a holistic approach to your life and finances. They'll consider your current situation, income and expenses as well as future goals and financial needs. This means they're able to provide advice on many different dimensions of your finances, from protecting your lifestyle with personal insurance to managing day-to-day cash flow.

2. A financial planner will take time to get up to speed on your unique situation and what's most important to you. This enables your financial planner to tailor a strategy that's specific to your needs. They can help you grow and protect your wealth in a number of ways, from tax planning to saving and investing.

While a financial planner does take stock of your current position for income, assets and liabilities, they can also help you focus your mind, habits and money on what you want for your future. They'll help you create a long-term plan to keep you on track towards goals as they change during the course of your life.

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