



HEADING FORWARD  
FINANCIAL PLANNING



## December 2023

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

- Monthly Market Update - *November 2023*
- Prepare for Life *Summer 2023*
  - Life insurance through the ages
  - How to plan a gap year for grown ups
  - Keeping yourself accountable

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

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# MONTHLY MARKET UPDATE

November 2023

## How the different asset classes have fared:

(As of 30 November 2023)

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 <sup>1</sup>	1.76	1.35	1.59	3.76	3.51	2.08	1.03	0.35
Australian Bonds <sup>2</sup>	2.42	0.41	-3.64	0.20	2.31	-1.18	-0.47	2.97
International Bonds <sup>3</sup>	2.29	0.18	-3.98	0.89	2.22	-0.02	0.46	3.20
Australian Shares <sup>4</sup>	7.48	8.99	6.93	1.68	5.15	2.42	-1.71	5.19
Int. Shares Unhedged <sup>5</sup>	12.07	12.27	10.99	14.44	21.08	6.23	-0.73	4.45
Int. Shares Hedged <sup>6</sup>	9.42	8.95	7.19	11.00	17.10	7.76	1.14	8.01
Emerging Markets Unhedged <sup>7</sup>	4.96	3.73	-1.23	4.69	7.50	1.71	-1.41	2.98
Listed Infrastructure Unhedged <sup>8</sup>	9.22	6.32	6.25	-2.52	1.01	-1.82	-0.20	3.84
Australian Listed Property <sup>9</sup>	8.10	4.48	2.35	0.70	4.94	1.31	-4.48	10.93
Int. Listed Property Unhedged <sup>10</sup>	6.71	2.28	4.64	-2.34	2.42	-1.23	-3.92	5.58
Gold Bullion Unhedged <sup>11</sup>	5.05	10.80	4.77	15.81	12.44	4.03	4.82	2.01
Oil Unhedged <sup>12</sup>	-8.13	4.40	30.73	3.65	3.88	20.14	-3.90	-5.22

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, 11 LMBA Gold Price AM USD, 12 Bloomberg Sub WTI Crude Oil TR USD

Source: Centrepoint Research Team, Morningstar Direct

## International Equities

November brought encouraging news in the international equity markets, marking a significant upturn for the first time in several months. Unhedged shares showed a healthy increase of 4.45%, but it was hedged shares that truly stood out, registering an impressive 8.01% growth. This notable performance in hedged shares is largely due to the deceleration of inflation in the United States, prompting a revaluation of the timeline for interest rate cuts by the Federal Reserve. As a result, the US Dollar has become somewhat less appealing when compared to the Australian Dollar.

Most sectors witnessed positive growth during this period. Energy was the sole sector to experience a decline, albeit a modest one at 1.32%. This trend in the Energy sector appears to be a reaction to the subsiding impact of the Israel-Palestine conflict and the market's adjustment to the supply reductions implemented by OPEC. Although Utilities and Consumer Staples were the lower-performing sectors, they still managed to record growths of 3.39% and 3.81% respectively.

The most impressive performances were seen in the Real Estate, Technology, and Finance sectors, with remarkable growth rates of 11.7%, 10.43%, and 9.99%. Overall, international equities had a notably strong performance in November, buoyed by increased investor confidence following indications that the interest rate hikes in the US are effectively moderating inflation.

## Australian Equities

Australian equities also showcased strong performance in November, with the overall market expanding by 5.19%. Among the various sectors, only Energy, Utilities, and Consumer Staples concluded the month with a downturn. Energy and Utilities experienced more pronounced declines, dropping by 7.3% and 6.1% respectively, whereas Consumer Staples saw a marginal retraction of just 0.8%.

In contrast, all other sectors finished positively, with Healthcare (11.9%), Real Estate (10.9%), and Technology (8.2%) leading the forefront. The Healthcare sector's success was driven by robust performances in specific stocks. Meanwhile, both Real Estate and Technology sectors benefited from the optimism that the slowdown in inflation observed internationally would soon reflect in the Australian market.

Overall, November was marked as a buoyant month for the Australian equity market. This upbeat mood was largely influenced by the enthusiasm over the deceleration of inflation in global markets, which had a positive spillover effect, despite Australia's domestic inflation remaining somewhat higher than that observed overseas.

## Domestic and International Fixed Income

In November, Australian bond prices experienced an uptick, rising by 2.97%. This increase came despite an early-month hike in the cash rate by the Reserve Bank of Australia (RBA). Interestingly, bond yields declined in the face of the cash rate increase, a trend attributed to the ongoing slowdown in inflation. This deceleration in inflation has led investors to speculate that we may be nearing the peak of interest rates.

Similarly, international bond prices showed positive movement, with a 3.20% increase in November. This gain is largely due to weakening inflation figures from abroad, especially in the United States, which have uplifted investor sentiment. The prevailing belief among investors is that many countries have reached their peak interest rates, with expectations of a series of rate cuts throughout 2024 as inflation continues its trajectory towards target levels.

## Australian Dollar

Over the course of November, the Australian Dollar (AUD) witnessed a modest appreciation, increasing by 0.35%. During this period, the AUD strengthened against major currencies such as the United States Dollar, the Euro, and the Japanese Yen. However, it experienced a slight depreciation against the Great British Pound. This overall upward trend in the value of the AUD can be linked to the prevailing market perception that interest rates are likely to decrease sooner in overseas economies than in Australia. This anticipation has made the AUD a more attractive option for investors, compared to other currencies.

## Commodities – Gold and Oil

In November, gold prices experienced a 2.01% increase, indicating a continued growth trend, albeit at a slower pace compared to October. This rise in gold value was influenced by two key factors: a depreciation in the US dollar and a decline in the yield of the 10-year US Treasury bond, which fell from a 16-year high of five percent to four percent.

In contrast, oil prices saw a decline of 5.22% over the same period, marking it as the only asset class in our update to conclude the month on a negative note. This decrease in oil prices can be attributed to a combination of weakening demand and uncertainties surrounding production. Despite OPEC's announcement of potential additional supply cuts, the impact on oil prices was minimal, primarily due to scepticism regarding the producers' commitment to reducing output as pledged.

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HEADING FORWARD  
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# Prepare for Life

Summer 2023

## IN THIS ISSUE

- Life insurance through the ages
- How to plan a gap year for grown ups
- Keeping yourself accountable



# Life insurance through the ages

Whoever said, 'the more things change the more they stay the same', was dead wrong when it comes to life insurance. While protection against adversity is always wise, your actual needs change as you move through different ages and stages of life.

From when you take your first job and go out into the world, life insurance in all its many forms has a role to play.

## Life insurance falls into four main categories:

- **Income protection** - Pays a monthly benefit if you are unable to work due to sickness or injury
- **Trauma** - Pays a lump sum for a specific injury or illness
- **Total and permanent disability (TPD)** - Pays a lump sum if you are permanently unable to work
- **Death** - Pays a lump sum if you die or become terminally ill.

## Shifting needs

Life insurance is like a bell curve – you need a low level of cover when you are setting out in life, growing to a high level in your middle years when your responsibilities and debts are at their peak and then possibly dropping back when you retire.

The need for cover is ultimately about ensuring you have sufficient financial back-up should something go wrong. While superannuation offers most Australians some form of life insurance, it is generally a basic level of cover and may need topping up outside super.



Each stage of life has its challenges, whether you are young and single, just married, starting a family, empty nesters or retiring. Whenever a major event occurs in your life, such as marriage or the birth of a child, you need to consider whether you have the right cover for your current needs.

### Young and single



When you are starting out in life you may not need life cover, but what would happen if you were injured in a car crash and couldn't work for six months? What happens when your sick leave runs out? How would you pay your rent, car loan, utility bills and basic living expenses? That's when income protection insurance can be a lifeline.

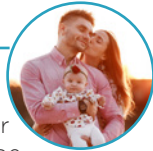
### Just married



Once you are part of a couple you naturally want to protect each other's wellbeing. If something happened to either one of you it could put tremendous strains on the other person. This is even more likely if you have bought a home and are saddled with a mortgage.

Life insurance, income protection and trauma insurance can all help you protect your lifestyle. And both partners should seek cover because both are contributing.

### Starting a family



Once children come on the scene, the need for life insurance is even greater. If something were to happen to you or your partner, then the financial burden could be significant. Who would look after the children? Could they stay at the same schools? Could your partner pay the mortgage on one salary?

Income protection, life insurance, trauma insurance and total and permanent disability should all be considered. Once again, it's important to make sure both partners are covered - even if one isn't working, the costs associated with childcare and household tasks can be considerable.

### Empty nesters



Just because the children have left home doesn't mean you don't still need access to money should something occur. Sure, you are probably at the peak of your earnings, but many empty nesters still have a mortgage. Even if you don't, why put at risk all the wealth you and your partner have worked hard to build up for your retirement? Life insurance can help you protect these assets.

### Retirement



Once you are retired, your need for life insurance may diminish. At this stage of life, you will probably have paid off your mortgage and your children are likely to be independent. As a result, insurance cover might just be a means to leave an inheritance for your children. Or you might want to have a policy to provide for your funeral.

Life is forever changing, as are your insurance needs. It is not a one-size-fits-all.

*Call us if you want to discuss how to shape your insurance to meet your current needs.*

# How to plan a gap year for grown ups

It's not just school leavers who dream of a gap year. Those of us who've been working for a decade or two (or more) may also long for a real break from career and commitments.

It does not even need to be a year - just enough of an extended break to reset and to take stock of what's important to you. There's the opportunity to learn new skills or another language, explore different cultures or do a road trip around Australia.


By planning ahead and making sure your break is not going to derail future financial goals, taking an extended period off work can be achievable.

### Dare to dream

Start by finding an idea that might work for you. There are a host of websites that can help you to plan your adult gap year. They will provide tips and tricks for travel and where to find work (paid or volunteer).

You might consider:

- **Setting off around Australia.** Taking off on an extended trip you can take the time along the way to really get to know parts of the country you've never seen. You could camp, caravan or stay in quirky country motels along the way.
- **Chasing the sun.** Research affordable countries in warmer climates and set up in a beach shack. You will need to check rules on tourist visas.
- **Becoming a backpacker.** There are plenty of cheap but comfortable accommodation options around the world to allow you to prolong your time away.
- **Taking a long walk.** You can find much-loved and ancient tracks in Australia and around the world to expand your horizons. From the Great Himalayan Trail in Nepal - to Spain's Camino De Santiago, or one of Australia's iconic walks such as the Heysen Trail in South Australia.



## The importance of planning

Once you have established what your break will involve, work out a budget that takes account of the costs you will continue to incur (such as mortgage or loan repayments, insurance, utilities, car registration and rates) as well as your best estimates for accommodation, food, travel and spending money for your destination(s).

Don't be daunted by an amount that may appear unachievable at first glance.

Work out how to save on costs when travelling. Some ideas include:

- **Living like a local.** Try swapping your house with someone in another part of the world. House swap websites match up homeowners looking to live in different places for varying periods of time. Alternatively, you could rent out your home while you are away and/or sign up to a housesitting website.
- **Working differently.** Your gap year might be more about doing something different than taking it easy. Find organisations and websites – such as <http://workaway.info/> and <http://wwof.com.au/> – that cater for working travellers. You could choose to work on farms around the world in return for food and board for example.
- **Becoming a digital nomad.** If manual labour isn't your thing, you could pack your computer and hook up to one of the many digital work websites – such as <http://digitalnomads.world/>, <http://upwork.com/> or <http://fiverr.com/>. Many countries now encourage this trend by offering digital nomad visas.

Then, with your costs under control, and a clear goal in mind, it's time for a savings plan.

You will want to reduce your current living expenses as much as possible to maximise savings and think about setting up a direct debit to a high interest savings account. Check the <https://moneysmart.gov.au/saving/savings-goals-calculator> to see how much you will need to save every month.

If you have more than a few years to plan your gap year, you could look into some longer term savings and investment options such as shares, exchange-traded funds (ETFs), or term deposits.

While a gap year is exciting, planning ahead financially is essential to ensure you don't fall into debt.

You also need to carefully consider how this could affect your long-term financial goals. You probably won't be making super contributions, so this may impact your super balance and retirement plans.

*If you'd like to take time off in the future, contact us today to ensure that taking a break from earning an income won't impact your future financial security.*

# Keeping yourself ACCOUNTABLE

*At the end of the day, we are accountable to ourselves - our success is a result of what we do*

- CATHERINE PULSIFER

It can be both empowering and a little uncomfortable to think that we are responsible for our successes – and failures. Being willing to accept the consequences of our actions, choices or behaviours is not always easy.

We've all at some time or another played the 'blame game'. It's so easy to look outward and blame others for our problems, hardships or the obstacles that are getting in the way of us achieving our goals and dreams. For example, it's the company's fault that I keep getting passed over for that promotion, my team at work is holding me back, my partner is not being supportive enough of me.

The reality is there are always external forces at play that impact our lives and focussing on these external forces takes away our personal accountability.

## What does it mean to be accountable?

Being personally accountable means taking responsibility for one's own actions (or in some cases – lack of action!). It's maintaining an ongoing commitment to yourself and what is important to you.

Here are a few ways you can become more accountable.

### 1. Remove the roadblocks

It all starts with your mindset. Choose to consciously embrace an accountable approach and recognise that you are the architect of your destiny.

That means letting go of the excuses and recognising them for what they are - roadblocks that are holding you back from taking responsibility for your own actions.

### 2. Set goals

It helps to know what you are trying to achieve – whether that be in your career, relationships or personal life. Take the time to set concrete goals, jot them down, and have a plan of how you will achieve them and in what timeframe.

Start by setting yourself smaller goals as they will be easier to achieve in the beginning. Setting goals (even if they are small ones) and achieving them allows you to prove to yourself and others that you can and will hold yourself accountable.

### 3. Create your own opportunities

Accountability empowers you to be in control of your actions in your personal life and career. You can create your own opportunities rather than passively allowing life to happen to you.

Being accountable is about fulfilling your obligations to yourself as well as to others, so when you achieve what you've been aiming for, take time to recognise these milestones and celebrate them.

### 4. Take responsibility for your decisions

Embrace the 'good, the bad - and the ugly' and accept the consequences of your actions, choices and behaviours, be they positive or negative.

Revel in the positives, but don't be afraid to admit and own up to your mistakes. One of the most powerful ways we learn is through making mistakes and taking responsibility for them.

That means acknowledging that there is a problem, identifying your role in it and proposing a solution to minimise or eliminate the chances of it happening again.

### 5. Learn from your mistakes

To reach your potential it's necessary keep extending what you are capable of and taking risks and that means making mistakes. Don't beat yourself up but think of what you would have done differently and what you've learned from the experience.

### 6. Ask for help

The road to success does not have to be a lonely one. An accountability partner can be someone who shares your goals and supports you to keep your commitments or maintain progress on a desired goal.

Having an accountability partner has been proven to increase your chances of success to an astonishing 95% if you have a specific accountability appointment with a person you've committed to.<sup>1</sup>

*So, if you are wanting to be more accountable to your own success this year don't go it alone - make a time for a chat with us and we can work with you to help you achieve your goals and dreams.*

<sup>1</sup> <https://www.afcpe.org/news-and-publications/the-standard/2018-3/the-power-of-accountability/>

We hope you enjoyed our latest edition of Prepare for Life.

Please contact our office if you would like to discuss anything in this edition.

The team at Heading Forward Financial Planning



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