



# Money Matters

Spring 2015

**Welcome** to this Spring 2015 edition of the personal finance newsletter from Richard Shermon at Reserve Financial Consulting. With Spring in the air this is a good time to be reviewing your financial plans and make sure you remain on track.

## Keep focused on the long term

The equity markets, both in Australia and Overseas, have been very volatile over the last few months. Share prices have been reacting to the daily news of a slowdown in China, lower commodity prices, a possible increase in interest rates in the US and the refugee crisis in Europe. I sometimes have to remind my clients to stay focused on the long term and not to react to what is happening to daily share price movements. Only last week I jokingly “told-off” some clients at a meeting who were discussing at what level CBA shares closed at the night before.

When investing in growth assets like shares or property it is important to remember that these decisions should be seen as 10-20 year investments and not 10-20 days. It is prudent to try and ignore all the noise that surrounds us that might provoke us into making the wrong short term decision which is inconsistent with our longer term strategy.

Vanguard have recently published their 2015 Index Chart which highlights the importance of sticking to a long term strategy and details the investment returns achieved by various asset classes over the last 30 years. You can view a copy by clicking on this link [Time is on your side](#).

This Vanguard Chart includes a table which shows the financial year total returns for the major asset classes for each of the last 30 years (1986-2015). It is a good reminder of how growth type investments like shares and property have produced higher returns than more defensive assets like fixed interest and cash. It also reminds us of the importance of diversification as no asset class is consistently the best or worse performer each year. The table below summarises the average annual investment return achieved by different asset classes between 1st July 1986 and 30th June 2015 (i.e. a 30 year period).

Australian Shares	11.8%	International Listed Property	10.8%
International Shares	10.2%	Australian Bonds	9.5%
US Shares	12.0%	International Bonds (Hedged)	10.4%
Australian Listed Property	10.9%	Cash	7.6%

Remember that past performance is not an indicator of future performance.

Visit [www.reservefc.com.au](http://www.reservefc.com.au) for more details

## How much income do you need in retirement?

One important question that I ask my clients is how much income do they think they will need in their retirement? This is a difficult question to answer as it depends on a range of factors including where they live, their age, their hobbies and pastimes and whether they still support children or other family members.

The latest figures released from the ASFA Retirement Standard show that a couple looking to achieve a comfortable lifestyle now need to spend \$58,784 a year, while those seeking only a modest lifestyle need to spend \$34,051 a year. You can read more about this at [ASFA Retirement Standard](#).

The level of income you draw down from your superannuation has a significant impact on the length of time your funds can last in retirement. The following table shows that only a modest increase in your income can significantly reduce the amount of time your funds may last in retirement. The projection assumes an accumulated superannuation balance of \$1m at retirement at age 60, price inflation of 2.5% p.a. and an investment return of 5% p.a. net of fees and tax.

Income need in retirement	Length of time funds last in retirement
\$60,000 p.a.	20 years
\$80,000 p.a.	14 years
\$100,000 p.a.	10 years

There are a number of ways to improve the length of time your superannuation can last in retirement which include reducing the fees you pay on your investments, deferring your retirement and reducing your income requirements by careful management of your spending.

## 2015 AFR Smart Investor Blue Ribbon Awards announced



The 2015 AFR Smart Investor Blue Ribbon Awards were recently announced. These Financial Services Awards are in their 10th year and the banking products were judged by Infochoice a finance comparison website service. The Banking product awards cover transactional accounts, savings, home loans and credit cards and Infochoice analysed 1000's of products from 100's of companies. NAB was awarded best Bank, Bank of Melbourne the best Regional Bank and RaboDirect the best Direct Institution of the year. Westpac won the best fully featured credit card award for their Altitude Black card.

The investment management awards were judged by Morningstar and it was pleasing to see Vanguard win the best fund manager award with Investors Mutual and BlackRock as finalists. Vanguard also won the multi-sector conservative and multi-sector growth categories. Many of my clients invest with Vanguard via their Diversified Index Funds so it is reassuring to see Vanguard's capabilities independently recognised with these awards.

## Going back to England for Christmas and the New Year

With Christmas just around the corner I thought I would let you know that the Shermon family are all off to England for Christmas this year and therefore the office will be closed from the 18th of December through to the 11th of January.

We are planning to spend Christmas in the West Country and then travel to London for the New Year. This will be the first time we have all been back in the UK for Christmas since 2002 and we are very much looking forward to the break and catching up with all our family and friends.



## Reserve Financial Consulting celebrates its' sixth birthday!



The business officially launched in October 2009 and I would like to take this opportunity to thank all my clients for their ongoing support and encouragement over the last six years.

As the business continues to grow I thought I would share with you some further real life examples where quality financial advice has really helped my clients. I look forward to continuing to meet the financial planning needs of all my clients in the months and years ahead.

- ◆ The restructuring of financial affairs, including insurance, following the breakdown of a marriage.
- ◆ Commencement of a transition to retirement strategy to reduce the tax paid on retirement savings and maximising contributions to superannuation under the bring forward rules.
- ◆ Following the passing of a client's husband I helped the family review and agree a financial strategy for both the investments of the Estate and their existing SMSF.
- ◆ A young couple expecting their first child wanted to ensure they had sufficient life insurance as well as a plan to accelerate the repayment of their mortgage to enable a future move in 2-3 years time.
- ◆ A couple approaching retirement consolidated all their superannuation into one cost effective solution which significantly reduced their ongoing fees as well as provided an income stream to enable them to reduce the number of hours they worked each week.
- ◆ I advised a client in receipt of a disability support pension how best to structure their affairs following an inheritance to retain a part pension and the concession card.
- ◆ A retired couple were guided on how to structure their affairs to receive a part age pension from Centrelink along with the pensioners concession card.

## How can you obtain quality financial advice?

By contacting Reserve Financial Consulting which is a financial planning business based in the Bayside area. I specialise in providing advice in the area of Investments, Insurance, Superannuation and Pensions.

I am the Managing Director of the business and I have over 25 years experience in the financial services industry in the UK, Singapore and Australia.

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I provide advice to my clients on a fee for service basis and no commission is received on any of the products I may recommend. A typical financial plan costs approximately \$2,000 (plus GST) to research, prepare and implement.

Please give me a call to set up an initial appointment to discuss any personal finance issues or concerns that you may have. I am sure I will be able to help.



## There is no charge for the first meeting

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