Ivy WEALTH

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It's November and, as always, the month gets underway with the race that stops the nation. The Melbourne Cup is also the signal that summer, Christmas and the holiday season are just down the track.

October was an anxious month for investors as global share markets followed Wall Street's wobble before steadying in the final days. The S&P 500 Index fell 7 per cent in October while the ASX 200 fell more than 5 per cent. There was no major reason for the falls. The US economy grew at an annual rate of 3.5 per cent in the third quarter and corporate earnings are strong. But there are ongoing concerns about the US-China trade war and rising US interest rates.

The Australian dollar finished the month 1.6 per cent lower at around US71c. This is good for trade, as is the 10 per cent rise in the iron ore price in October to US$76.50 a tonne. Local unemployment fell to a six-year low of 5 per cent in September, while inflation fell below 2 per cent. The September quarter Consumer Price Index rose just 0.4 per cent for an annual rate of 1.9 cent, down from 2.1 per cent in June. Prices of accommodation, tobacco, property rates and petrol bucked the downward trend. The national average price of unleaded fuel recently hit 160.6c a litre, the highest in a decade. But relief for motorists could be in sight as the price of Brent Crude oil fell 11 per cent in October to US$75.57 a barrel. Consumer sentiment fluctuated, with the ANZ-Roy Morgan consumer confidence rating dipping 6 per cent mid-month before rebounding to 114.6, above the long-term average.

growing together.

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Is food delivery eating into your budget?

The Australian food delivery industry is booming, with the ABS reporting an 18% increase in take-away spending over just three years, and delivery apps such as Uber Eats and Deliveroo turning over sales of around $2.6 billion annually.[i]

App culture has played a big part in this. Ordering food is simpler than ever before, and the quality and variety of what's on offer continues to rise. It's not just pizzas and fried rice anymore; these days you can practically order any cuisine imaginable if you live in a major city. But, while having these options at our fingertips is both exciting and convenient, it comes at a cost.

The cost of ordering in

We all know that ordering in costs more than cooking from scratch but the numbers may still surprise you. Once you've added delivery fees, on average it is five times more expensive to order food from a restaurant than it is to cook at home.[ii] And if you're amongst the many Australians who are now doing it multiple times a week, those costs really start to add up.

It's easy to understand the appeal. We've all been in that position where after a long day of work the last thing you feel like doing is cooking. Or worse, having to leave the house again to do a last-minute supermarket run.

Our busy lives often mean we choose convenience over what's best for our wallet. And like any budgeting measure, reducing how much you order in is going to take some planning. While this may sound challenging, the benefits are worth it.

Thinking ahead

We all have different reasons for ordering in, but one way to reduce its impact on your budget is to try to see it as a special treat rather than part of your daily routine. Getting into some good habits now regarding food planning could save you a bucket in the long run.

Here are some tips to get you started

- Prepare a plan so that all your decisions regarding food for the week are made in advance—Sunday is ideal!—and not night by night.
- Master some simple recipes you love.
- Start shopping seasonally and at markets for some great bargains.
- Make cooking a shared task. It's more fun with family or friends.
- Cook in bulk, and refrigerate or freeze your leftovers.

Track your spending

The first step to any budget is creating a clear picture of your current expenses. It might then be worth taking the time to review how much food is costing you and your family on a weekly basis. This includes all the times you've ordered in, all the cafés you've dropped into for a coffee and a cake, even the servos you've picked up some snacks from on the way home. There are many apps available to help make this task easy. As you get better at planning and cooking at home, continue to review your food spending, updating as necessary to reach your savings goals.

Waste and our waist-lines

There are also ethical considerations when it comes to ordering in. The environmental impact of all that packaging cannot be denied – a single burger is often wrapped, bagged and then rebagged, just to keep the heat in before being driven to your door.

Some also fear that the expansion of food delivery might be contributing to the obesity epidemic. Certainly, this cult of ordering in is but another symptom of our sedentary lives. And it's not always simple to find out what ingredients have been used in the food you order. Shopping and cooking for yourself is healthier on two fronts: you control the quality of the produce and get a little exercise as a bonus.

We all need treats from time to time. And we are blessed in our booming multicultural cities to have such an array of culinary excellence just a click away. But watch those clicks as the growing trend towards ordering in is increasingly eating into our budgets.

i https://www.finder.com.au/australians-spend-1590-each-year-on-delivered-food

ii https://www.forbes.com/sites/priceonomics/2018/07/10/heres-how-much-money-do-you-save-by-cooking-at-home/#565669b335e5

Fostering financially Savvy young adults

From student debt to new technology and landing that first job, today's young Australians are transitioning into adulthood in a world very different from the one their parents entered. While economies and societies might change, the principles of managing one's personal finances stay the same.

Most parents try to instil good money habits in their children from an early age. Eventually they outgrow piggy banks and pocket money but the opportunities to help them navigate the world of personal finance don't end with childhood.

Here are five lessons parents might consider passing on to their offspring as they make the transition to independent, financially savvy adults.

Lesson 1:
Becoming independent requires work

Even if you can afford to fully support your young adult children while they are still students, encouraging them to take on a part-time job can teach them valuable financial and life lessons. Not only will the income allow them to save for goals such as gap-year travels, but they will also learn how to make a job application and the soft skills required in the workplace.

If they are eligible for employer-paid superannuation, you could show them how to check their account, consolidate accounts if they have had more than one job, and discuss the magic of compound interest.

Lesson 2:
There are no free lunches

Today's young adults have near-instant access to credit through high-tech offerings such as payday lender apps and buy now-pay later services such as Afterpay.

The self-discipline required to manage these new forms of instant credit is a big ask, especially when many of us still have problems with old-fashioned credit. A recent ASIC report found that Australians collectively had 14 million credit cards with an outstanding balance of $45 billion. Around half a million Australians were in arrears and almost a million were dealing with persistent debt.[i]

If you can't convince your children to avoid the temptation posed by 'frictionless' credit, at least explain that easy money commonly involves high interest rates and charges. If your child is determined to take out a personal loan, help them review terms and conditions and encourage them to shop around.

Lesson 3:
Good, tolerable and bad debt

Once your child is old enough to be targeted by credit providers, it's time to have the conversation about different types of debt. Talk them through how good debt is used to purchase appreciating assets such as real estate. Acceptable debt covers things such as taking out a car loan, so you have the means to get to work or study and don't need to rely on parents to chauffer you around. Bad debt is using other people's money to splurge on travel, clothes or the latest gadget.

Lesson 4:
Investing doesn't need to be time-consuming and boring

The same technology that has made it so easy to get into debt has also made it easier to start the investing habit.

In recent years, micro-investing platforms such as Raiz and Spaceship have made it simple and attractive for tech-savvy Millennials to start investing in equities. These platforms make delaying consumption near painless by, for instance, rounding up purchases to the nearest dollar then directing the 'spare change' into investments.

If your progeny is working and receiving super, you might also want to suggest they download their super fund's app, so they can monitor their financial progress on the go.

Lesson 5:
Setting goals to make dreams come true

When your young adult starts working after years of student thrift, the temptation to spend is understandable. While it's important to have fun, you can point out that setting goals and sticking to a budget in the short to medium term means they can put themselves in a position to travel the world, buy a property and maybe even retire early.

Money isn't everything but teaching your young adults how to manage it well increases the odds that they will lead the life they dream of. Even better, you won't need to erode your retirement savings bailing them out of financial trouble.

i https://asic.gov.au/about-asic/news-centre/find-a-media-release/2018-releases/18-201mr-asic-s-review-of-credit-cards-reveals-more-than-one-in-six-consumers-struggling-with-credit-card-debt/

Benefits of a SUPER long engagement

Superannuation is a long-term financial relationship. It begins with our first job, grows during our working life and hopefully supports us through our old age.

Throughout your super journey you will experience the ups and downs of bull and bear markets so it's important to keep your eye on the long term.

The earlier you get to know your super and nurture it with additional contributions along the way, the more secure your later years will be.

Like all relationships, the more effort you put into understanding what makes super tick, the more you will get out of it.

Check your account

The first step is to check how much money you have in super and whether you have accounts you've forgotten about.

You can search for lost super and consolidate all your money into one fund if you have multiple accounts by registering with the ATO's online services.[i] Having a single fund will avoid paying multiple sets of fees and insurance premiums.

The next step is to check what return you are earning on your money, how it is invested and how much you are paying in fees.

The difference between the best and worst performing funds could fund several overseas trips when you retire, so it's worth checking how your fund's returns and fees compare with others. You can switch funds if you are not happy, but it's never wise to do so based on one year's disappointing return.

State your preferences

Default options are designed for the average member, but you are not necessarily average. Younger people can generally afford to take a little more risk than people who are close to retirement because they have time to recover from market downturns. So think about your tolerance for risk, taking into account your age, and see what investment options your super fund offers.

As you grow in confidence and have more money to invest you may want the control and flexibility that come with running your own self-managed super fund.

Also check whether you have insurance in your super. A recent report by the Australian Securities and Investments Commission (ASIC) found that almost one quarter of fund members don't know they have insurance cover, potentially missing out on payouts they are entitled to.[ii]

Insurances may include Total and Permanent Disability (TPD) and Income Protection which you can access if you are unable to work due to illness or injury, and Death cover which goes to your beneficiaries if you die.

Building your nest egg

Once you understand how super works you can take your relationship to the next level by adding more of your own money. Small amounts added now can make a big difference when you retire.

You can build your super in several ways:

- Pre-tax contributions of up to $25,000 a year (including SG amounts), either from a salary sacrifice arrangement with your employer or as a personal tax-deductible contribution. This is likely to be of benefit if your marginal tax rate is higher than the super tax rate of 15 per cent.
- After-tax contributions from your take-home pay. If you are a low-income earner the government may match 50c in every dollar you add to super up to a maximum of $500 a year.
- If you are 65 and considering downsizing your home, you may be able to contribute up to $300,000 of the proceeds into your super.

You could also share the love by adding to your partner's super. This is a good way to reduce the long-term financial impact of one partner taking time out of the workforce to care for children. You can split up to 85 per cent of your pre-tax contributions with your partner. Or you can make an after-tax contribution and, if your partner earns less than $40,000, you may be eligible for a tax offset on the first $3,000 you put in their super.

Before you make additional contributions, adjust your insurance, or alter your investment strategy, it's important to assess your overall financial situation, objectives and needs. Better still, make an appointment to discuss how you can build a positive long-term relationship with your super.

i https://www.ato.gov.au/individuals/super/keeping-track-of-your-super/#Checkyoursuper

ii https://download.asic.gov.au/media/4861682/rep591-published-7-september-2018.pdf