



## January 2021

Happy New Year! As 2021 gets underway, we hope you and your families enjoy a safe, happy and prosperous year ahead. While we are not out of the woods yet, there is cause for optimism.

December was a busy month on the economic calendar. Global equity markets surged on optimism about the imminent rollout of several promising coronavirus vaccines and the prospect of another US stimulus package. And in a pre-Christmas miracle, the UK signed a last minute, post-Brexit trade agreement with the European Union.

In Australia, the government's Mid-Year Economic and Fiscal Outlook (MYEFO) projected a \$197.7 billion budget deficit this financial year, down from the \$213.7 billion forecast in the October Budget, as our economy recovers quicker than expected from the COVID-19 recession. Growth rebounded 3% in the September quarter, on continued support from low interest rates and government stimulus. Unemployment fell from 7% in October to 6.8% in November, which no doubt helped push consumer sentiment to a decade high in December.

Consumer confidence was also evident in the market for new detached homes, with sales up 15.2% in November, a decade high. High demand lifted residential property values 3% on average in 2020, with Melbourne the only market with falling prices. Regional prices (up 6.9%) outshone capital cities (up 2%). We also splurged on cars, with new car sales up 12.4% in the year to November and used cars sales up almost 30% in 2020. The Aussie dollar stood at US77c on New Year's Eve, up 10% over the year.

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# Goal setting made *easy* with the **H.A.R.D.** approach

Goal setting is one thing – achieving your goals is something else entirely. So what makes the difference between a goal that is achieved and one that falls by the wayside?

Research has shown that people who achieve their goals are more likely to do so because they create a vision of their future and are emotionally connected to their goals.<sup>i</sup>

## Goal setting for the new year

This time of the year is often when we come up with goals, but despite positive intentions, we can easily lose sight of them.

There are different approaches to goal setting. SMART goals are often recommended as they're more considered and measurable, as you follow specific steps in establishing your goal. However, they're not fail-safe though – a leadership study found that people who set SMART goals are less likely to love their jobs, and only 14% of respondents believed their goals would help them achieve “great things.”<sup>ii</sup> The study found that many of us don't strive for difficult goals, which is where HARD goals can help.

## H.A.R.D. goals

HARD goals connect your vision to your emotions and values, which then really push and challenge you to achieve great things. They comprise of four elements: **Heartfelt**, **Animated**, **Required** and **Difficult**.

### Heartfelt

There's no use setting a goal you have no connection with. For example, climbing the corporate ladder or buying a home, common goals for many of us, don't resonate with everyone – if they don't, you're unlikely to strive to achieve them.

Instead, hone in on what truly matters to you and how you want to feel. If you have visions of a relaxed retirement, financial freedom at the end of your working life will motivate you. Or perhaps that entrepreneurial spirit wants to be set free to start your own venture. Whatever it is, ensure your goals align with your vision and focus on the outcome.

### Animated

Whether you're naturally a visual thinker or not, by animating your goal you are picturing exactly what it will look like. By visualising your goal, you're making it real and building a deeper emotional connection to it.

If you want to grow your business, visualise customers walking in the door or travelling to a new destination to set up a new office. If you want to change careers, see yourself in that field, talking to your new co-workers and learning the skills you will need. This image will provide ongoing motivation and drive to achieve your outcome.

### Required

This element reduces the risk of procrastination, as you'll be clearer around why you need to meet this goal. For instance, you might set a goal

around doing further training, setting specific courses to complete in the year, in order to progress your career.

You can explore what is required to achieve your goal by considering if it would happen should you not meet it. For example, if you plan on running a marathon, clearly a running schedule and fitness regime is necessary in order to meet your ultimate goal.

### Difficult

Just as the name suggests, HARD goals aren't meant to be easy – and you'll get greater satisfaction meeting difficult goals. Identify what it is you want to do but are hesitant about in case you fail, or perhaps even if you succeed!

While you don't want to create goals so difficult they'll be impossible to reach, you want them to be a challenge and of great importance to you. Perhaps it will be learning a new language, when you're not much of a linguist, in order to apply for that job overseas, or to work your way to the top position in your company by taking on more responsibilities.

At the basis of all goals is a desire for change. Picture the future you want and then work steadily towards it.

*As many goals are financial, get in touch if you need support with your finances or for advice on how to make these goals possible.*

i [https://www.researchgate.net/publication/232822271\\_Emotions\\_and\\_goals\\_Assessing\\_relations\\_between\\_values\\_and\\_emotions](https://www.researchgate.net/publication/232822271_Emotions_and_goals_Assessing_relations_between_values_and_emotions)

ii <https://www.leadershipiq.com/blogs/leadershipiq/35353793-are-smart-goals-dumb>



# LESSONS from 2020

## to secure a bright future

It was a year most of us would like to forget. And yet, some of the toughest lessons of 2020 had a silver lining.

We weathered bushfires, floods, a pandemic that's not over yet and a recession that is. Through it all we emerged a stronger community. Many of us also learned some useful financial lessons that we can put to work in 2021 and beyond to help create a more secure future.

So what were the money lessons of 2020?

Along with frequent hand sanitizing and social distancing, one of the big take-homes of 2020 was a renewed appreciation of the benefit of saving for a rainy day.

### Check your safety net

Faced with the shock and uncertainty of the economic shutdown, and the first recession in almost 30 years, we initially snapped shut our wallets. When the government's stimulus payments began landing in bank accounts, followed up with tax cuts, those who could squirreled some away.

In the June quarter 2020, the ratio of household savings to income jumped to 22 per cent, compared with a mere 4 per cent in the same period the year before.<sup>i</sup>

This was highlighted in a recent survey asking people what they intended to do with the personal income tax cuts that were brought forward in last year's Budget. While saving was the most popular goal for 57 per cent of respondents, this rose to 66 per cent for people aged 18-34.<sup>ii</sup>

Not only had younger people never experienced a recession, but they were also more likely to be affected by job losses and insecure work.

As general rule of thumb, it's a good idea to have the equivalent of around three months' income in cash so you can ride out life's curve balls. You could put your savings in a bank savings account or, if you have a mortgage, in a redraw or offset account linked to your loan.

### Diversify and stay the course

While cash in the bank is a relief if you receive an unexpected bill or your income fluctuates from month to month, it won't build long-term financial security.

Once you have a saved enough for short-term emergencies, you need to channel some of your savings into investments to fund your future goals and retirement income needs.

Another positive lesson from 2020 was the power of a diversified investment portfolio to ride out short-term market shocks. Actually, that's two lessons.

While having a mix of investments helps cushion the blow when one asset class or investment goes through a rough patch, it's equally important to stay the course. The performance of diversified superannuation funds last year is a good example of these two principles in action.

For example, Australian and international shares plunged 27 per cent and 20 per cent respectively in the three months to March last year as the economic impact of the pandemic became clear. But losses for members of diversified super funds were limited to 11.7%. By the end of June returns were down just 0.5%

on average and have bounced back strongly since then.<sup>iii</sup> People who sold in March would have missed the recovery that followed.

### Insure against loss

While savings and a diversified investment portfolio provide a degree of financial security, there may be times when more financial support is needed.

One sobering lesson from the pandemic, fires and floods was that life is fragile and material comforts such as your family home can't be taken for granted. That's where insurance comes in.

Sadly, many of those who lost their homes and other belongings during the summer bushfires and floods were not insured, or inadequately insured.

While homes are precious, there is nothing more precious than life itself. Having an appropriate level of life insurance and total and permanent disability (TPD) insurance will provide financial support for you and/or your family to continue your lifestyle if you were to become critically ill, injured or pass away.

*As a new year beckons and you make a list of your goals and wishes, take some time to reflect on the lessons of the past. If you would like to discuss ways to build financial security in 2021, contact us now.*

<sup>i</sup> <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release#key-statistics>

<sup>ii</sup> <https://www3.colonialfirststate.com.au/content/dam/colonial-first-state/docs/about-us/media-releases/20201124-media-release-tax-cuts-final.pdf>

<sup>iii</sup> Returns for median superannuation Growth fund, Chant West.

# 2020 YEAR IN REVIEW

*The year when everything was turned on its head*

Just as we were recovering from the long drought and the worst bushfires on record, the global coronavirus pandemic took hold and changed everything.

Suddenly, simple things we took for granted, like going to the office or celebrating special occasions, were put on hold. While life is still not back to normal, Australia is in better shape financially than many people expected at the height of the economic shutdown.

Take superannuation. Far from being a wipeout, the average superannuation growth fund is on track to finish 2020 with a positive return of 3 per cent.<sup>i</sup> But it's been a wild ride.

## The big picture

Globally, the US presidential election and Joe Biden's victory removed a major element of uncertainty overhanging global markets. As did the UK finally signing a post-Brexit agreement on trade with the European Union. However, trade tensions with China remain an ongoing concern.

The pandemic dragged an already sluggish global economy into recession, and we were not immune. In Australia, drought, bushfires, storms and the health crisis took their toll as we entered recession in for the first time in 28 years.

Final figures for 2020 are not in yet but an annual fall of 2.8 per cent is forecast, putting us in a better position than most developed nations.<sup>ii</sup> This is due in part to Australia's relative success at containing COVID-19, and massive financial support from Federal and State Governments and the Reserve Bank.

## Interest rates lower for longer

After starting the year at 0.75 per cent, the official cash rate finished at an historic

low of 0.1 per cent. The Reserve Bank has indicated it will keep the cash rate and 3-year government bond rate at this level for three years to encourage businesses to invest and individuals to spend.<sup>iii</sup>

While low interest rates make life difficult for retirees and others who depend on income from bank deposits, they gave share and property markets a boost in 2020 as investors looked for higher returns than cash.

## Shares rebound strongly

In February/March when the scale of the health and economic crisis became evident, sharemarkets plunged around 35 per cent. As borders and businesses closed and commodity prices collapsed, investors rushed for safe-haven investments such as bonds and gold.

But it soon became apparent that there were economic winners as well as losers, with global technology and health stocks the main beneficiaries.

By the end of 2020, US shares were up 16 per cent, with the tech-heavy Nasdaq index up 48 per cent.<sup>iv</sup>

Closer to home, the Australian All Ordinaries index was up 0.7 per cent, or 3.6 per cent when dividends are included.

Elsewhere, European markets were mostly lower reflecting their poor handling of the pandemic. While China and Japan performed strongly, up 14 and 16 per cent respectively.

## Commodities boost the Aussie dollar

China's economic rebound was another factor in the Australian market's favour, with iron ore prices jumping 70 per cent.<sup>v</sup> Rising iron ore prices and a weaker US dollar pushed the Aussie dollar up 10 per cent to close the year at US77c.<sup>vi</sup>

At the other end of the scale, oil was one of the biggest losers as economic activity and transport ground to a halt. Oil prices fell more than 20 per cent despite OPEC producers restricting supply.

## Property surprises on the upside

Despite dire predictions of a property market collapse earlier in the year, residential property values rose 3 per cent in 2020 and 6.6 per cent when rental income is included.<sup>vii</sup>

Melbourne was the only city to record a price fall (down 1.3 per cent), with combined capital cities up 2 per cent.

The real action though was in regional areas where average prices lifted 6.9 per cent.

## Looking ahead

As 2021 gets underway, Australia is inching back to a new normal on growing optimism about the global rollout of vaccines.

Our economy is forecast to grow by 5 per cent this year, but there are bound to be bumps along the way.<sup>viii</sup> In the meantime, the government stands ready to continue stimulus measures to support jobs and the economy.

After the year that was, a return to something close to normal can't come quick enough.

i <https://www.chantwest.com.au/resources/november-surge-drives-funds-into-black-for-2020>

ii [https://www.commsec.com.au/content/dam/EN/ResearchNews/2021Reports/January/ECO\\_Insights\\_040121-Year-in-Review-Year-in-Preview.pdf](https://www.commsec.com.au/content/dam/EN/ResearchNews/2021Reports/January/ECO_Insights_040121-Year-in-Review-Year-in-Preview.pdf)

iii <https://www.rba.gov.au/>

iv <https://tradingeconomics.com/stocks>

v <https://tradingeconomics.com/commodities>

vi <https://tradingeconomics.com/currencies>

vii <https://www.corelogic.com.au/sites/default/files/2021-01/CoreLogic%20Home%20Value%20Index%20Jan%202021%20FINAL.pdf>

viii <https://tradingeconomics.com/australia/gdp-growth-annual>