PFG Connect

Welcome to Peninsula Financial Group's new look newsletter! Christmas is around the corner and overseas travel is back on the agenda, which is a welcome sign that Australia is getting back to business.

All eyes were on the September quarter inflation figures in October, as speculation mounted that the Reserve Bank may be forced to raise interest rates sooner than planned. The Consumer Price Index (CPI) rose 0.8% in the September quarter while the annual rate eased from 3.8% to 3%, although this was distorted by the end of free childcare in the September quarter last year. A more accurate measure is underlying inflation, which rose to a 6-year high of 2.1% in the year to September.

Rising fuel and construction costs were the main culprits, as global supply chain disruptions pushed import prices up 6.4% over the year to September. Australia's national average petrol price hit a record 169.5c a litre in October, as rising demand and supply constraints pushed the price of Brent Crude to a three year high. Inflation fears lifted the Australian dollar to US75.2c, up 4% over the month, while the interest rate on 3-year Australian government bonds lifted 82 basis points over the month to 1.14%.

Inflation fears also dented consumer confidence in the final week of October, but the ANZ-Roy Morgan rating still ended the month higher at 106.8. Rising business optimism saw the NAB business confidence index lift from -5.5 to +13 points in September.

We are unlikely to get a clear picture on inflation until supply pressures ease. The Reserve Bank has stated it won't lift rates until inflation is ''sustainably" within its 2-3% target band and wages growth is above 3%.

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Cyber security

– protecting yourself at home

Greater flexibility in working arrangements has been a by-product of the pandemic, as working from home has become more widespread. In fact, *The Families in Australia Survey: Towards COVID Normal* reported in November 2020 that two thirds of Aussies were working from home.[i]

While this flexibility has many benefits, it does also bring downsides, such as the increase in cyber security risks. With working from home to continue to be a reality for many, as workplaces move to more flexible working arrangements, here's what we can do to stay safe.

Why cyber security is of greater risk at home

According to the *ACSC Annual Cyber Threat Report 2020-21*, there was an increase in the average severity and impact of reported cyber security incidents, with nearly half categorised as substantial.[ii] And there were over 67,500 cybercrime reports, an increase of nearly 13% from the previous financial year.

Not only are cyber security attacks impactful to the individual, but they also take a toll on businesses. The Australian Cyber Security Centre (ACSC) found that the total estimated cost of cyber security incidents to Australian businesses is $29 billion per year.[iii]

With so many Australians working from home, it's no coincidence that the rates of cyber security attacks are on the rise. When we work from home, we are no longer protected by a closed office network, so we are at greater risk of cyber security threats.

Given we tend to be working alone at home, this also makes us more vulnerable to scams and phishing attempts. Click on a suspect email in the office, and it's either caught before it gets to you or you can ask a co-worker if they have received the same. With fewer opportunities for water cooler chat, you are more likely to be out of the loop.

How to stay safe

There are various ways you can protect yourself from cyber-attacks, and you don't need to be an IT whiz to do so.

Install antivirus and security software

Your first layer of protection should be the use of antivirus and security software, such as Norton or Bitdefender. If you already have this software installed, ensure that it is up to date.

Update software, including all security updates

You also want to stay up to date with your software, so don't skip those security updates that appear on your computer and phone. You can turn on automatic updates, so you don't have to worry about missing these.

Secure your home Wi-Fi

As well as having a secure password for your home Wi-Fi, you should also use a strong encryption protocol for your router (currently WPA2 is the most secure type of encryption) – you can check this through your device settings.

Review and update your passwords

If you have had the same password for years and don't have variations for different purposes, it's worth updating your passwords. It sounds obvious, but don't choose a password that will be easy to guess, such as something relating to your street name or workplace.

Opt for multi-factor authentication

Multi-factor authentication provides an extra layer of security when it comes to accessing your devices, making them harder to hack into. An example of multi-factor authentication is the combined use of a secure password, an item such as a security key or token, and a validation such as a SMS or email.

Be aware of scams

Scamwatch.gov.au is regularly updated with the latest scams. Run by the ACCC, this website contains comprehensive and current information on scam attempts such as phishing and extortion. Share this info with family and friends so they also know what to be on the alert for.

Consult with your IT Department

If your workplace has an IT Department, contact them to ask for any additional tips on how you can stay secure working from home.

i https://aifs.gov.au/media-releases/two-thirds-australians-are-working-home

ii https://www.cyber.gov.au/acsc/view-all-content/reports-and-statistics/acsc-annual-cyber-threat-report-2020-21

iii https://www.cyber.gov.au/acsc/view-all-content/news/announcing-acsc-small-business-survey-report

Responsible INVESTING on the rise

For many people, there's much more to choosing investments than focusing exclusively on financial returns. Returns are important, but a growing number of people also want their investments align with their values.

Everyone's values are different but given the choice most people would wish to make a positive difference to their community and/or the planet. Or at least to do no harm.

Indeed, four out of five Australians believe environmental issues are important when it comes to their investment decisions.[i]

As a result, there has been a surge in what is called responsible investing. Also known as ethical or sustainable investing, responsible investing includes investments that support and benefit the environment and society, rather than those whose products or way of conducting business have a negative impact on the world.

Millennials driving growth in sustainability

The trend toward responsible investment is growing rapidly. According to the Responsible Investment Association of Australasia (RIAA), Australians invested $1.2 trillion in responsible assets in 2020.[ii] While money flowing into Australian sustainable investment funds was up an estimated 66 per cent in the year to June 2021.[iii]

Responsible investing is particularly popular among millennials, now in their late 20s and 30s and beginning to get serious about building wealth. Many in this group are getting a foot on the investment ladder via exchange-traded funds (ETFs). A recent survey of the Australian ETF market found 28 per cent of younger investors had requested more ethical investments.[iv]

More sustainable investment options

As awareness of responsible investing grows, so does the availability of sustainable investment options, beginning with your super fund.

Most large super funds these days offer a sustainable option on their investment menu. While relatively rare even 10 years ago, the availability and performance of sustainable options has grown strongly over the past three to five years.

According to independent research group, SuperRatings, the top performing sustainable options now surpass their typical balanced style counterparts in some cases.[v]

If you run your own self-managed super fund or wish to invest outside super, there is a growing number of managed funds that actively select sustainable investments, or ETFs that passively track an index or sector.

There were 135 sustainable funds in Australia and New Zealand in 2021, so there is plenty of choice.[iii]

How to screen

So how do you find the ethical investments that best suit your values?

There are several methods used with the most common being negative screening. This is where you exclude investments in companies engaged in unwelcomed activities such as gambling, tobacco, firearms, animal cruelty, human rights abuses or fossil fuels.

Positive screening is the opposite, where you actively seek out investments in companies making a positive contribution. Some examples might be companies involved in renewable energy, health care or education.

Another criterion is to look at companies that monitor their environmental, social and governance risks. This cuts across all industries and is more about the way the company conducts its business.

Environmentally they may monitor their carbon emissions or pursue clean technology, socially they may be active in ensuring a safe workplace and on the governance front they may pursue board diversity or anti-corruption policies.

Greenwashing on the rise

As the popularity of responsible investing grows, so do concerns about the practice of so-called greenwashing. This is where a company or fund overrepresents the extent to which its practices live up to their promises. ASIC recently announced a review into the use of greenwashing in Australia, prompted in part by the demand for such funds.[iii]

Another trend is impact investing in companies or organisations helping to finance solutions to some of society's biggest challenges. This might include investments in areas such as affordable housing or sustainable agriculture.

Solid returns

While some investors are driven by their values alone, many more want value for their money. The good news is that it's possible to have it both ways.

The RIAA survey found super funds that engage in responsible investments outperformed their peers over one, three and five years.

Clearly responsible investing is a trend that is gaining momentum, with the financial performance of sustainable investments attracting a wider following.

If you would like to discuss your investment options and how they might fit within your overall portfolio, don't hesitate to get in touch.

i https://www.canstar.com.au/investor-hub/ethical-investing/
ii https://responsibleinvestment.org/resources/benchmark-report/
iii https://www.morningstar.com.au/funds/article/australias-sustainable-funds-market-is-growin/214505
iv https://www.betashares.com.au/insights/millennials-on-top-betashares-investment-trends-etf-report-2020/
v https://www.lonsec.com.au/2021/07/21/media-release-stellar-fy21-returns-as-super-funds-deliver-for-their-members/

Investing lessons FROM THE pandemic

When the coronavirus pandemic hit financial markets in March 2020, almost 40 per cent was wiped off the value of shares in less than a month.[i] Understandably, many investors hit the panic button and switched to cash or withdrew savings from superannuation.

With the benefit of hindsight, some people may be regretting acting in haste.

As it happened, shares rebounded faster than anyone dared predict. Australian shares rose 28 per cent in the year to June 2021 while global shares rose 37 per cent. Balanced growth super funds returned 18 per cent for the year, their best performance in 24 years.[ii]

While every financial crisis is different, some investment rules are timeless. So, what are the lessons of the last 18 months?

Lesson #1 Ignore the noise

When markets suffer a major fall as they did last year, the sound can be deafening. From headlines screaming bloodbath, to friends comparing the fall in their super account balance and their dashed retirement hopes.

Yet as we have seen, markets and market sentiment can swing quickly. That's because on any given day markets don't just reflect economic fundamentals but the collective mood swings of all the buyers and sellers. In the long run though, the underlying value of investments generally outweighs short-term price fluctuations.

One of the key lessons of the past 18 months is that ignoring the noisy doomsayers and focussing on long-term investing is better for your wealth.

Lesson #2 Stay diversified

Another lesson is the importance of diversification. By spreading your money across and within asset classes you can minimise the risk of one bad investment or short-term fall in one asset class wiping out your savings.

Diversification also helps smooth out your returns in the long run. For example, in the year to June 2020, Australian shares and listed property fell sharply, but positive returns from bonds and cash acted as a buffer reducing the overall loss of balanced growth super funds to 0.5%.

The following 12 months to June 2021 shares and property bounced back strongly, taking returns of balanced growth super funds to 18 per cent. But investors who switched to cash at the depths of the market despair in March last year would have gone backwards after fees and tax.

More importantly, over the past 10 years balanced growth funds have returned 8.6 per cent per year on average after tax and investment fees.[ii]

The mix of investments you choose will depend on your age and tolerance for risk. The younger you are, the more you can afford to have in more aggressive assets that carry a higher level of risk, such as shares and property to grow your wealth over the long term. But even retirees can benefit from having some of their savings in growth assets to help replenish their nest egg even as they withdraw income.

Lesson #3 Stay the course

The Holy Grail of investing is to buy at the bottom of the market and sell when it peaks. If only it were that easy. Even the most experienced fund managers acknowledge that investors with a balanced portfolio should expect a negative return one year in every five or so.

Even if you had seen the writing on the wall in February 2020 and switched to cash, it's unlikely you would have switched back into shares in time to catch the full benefit of the upswing that followed.

Timing the market on the way in and the way out is extremely difficult, if not impossible.

Looking ahead

Every new generation of investors has a pivotal experience where lessons are learned. For older investors, it may have been the crash of '87, the tech wreck of the early 2000s or the global financial crisis. For younger investors and some older ones too, the coronavirus pandemic will be a defining moment in their investing journey.

By choosing an asset allocation that aligns with your age and risk tolerance then staying the course, you can sail through the market highs and lows with your sights firmly set on your investment horizon. Of course, that doesn't mean you shouldn't make adjustments or take advantage of opportunities along the way.

We're here to guide you through the highs and lows of investing, so give us a call if you would like to discuss your investment strategy.

i https://www.forbes.com/sites/lizfrazierpeck/2021/02/11/the-coronavirus-crash-of-2020-and-the-investing-lesson-it-taught-us/?sh=241a03a46cfc

ii https://www.chantwest.com.au/resources/super-funds-post-a-stunning-gain

Not feeling yourself? You could be languishing

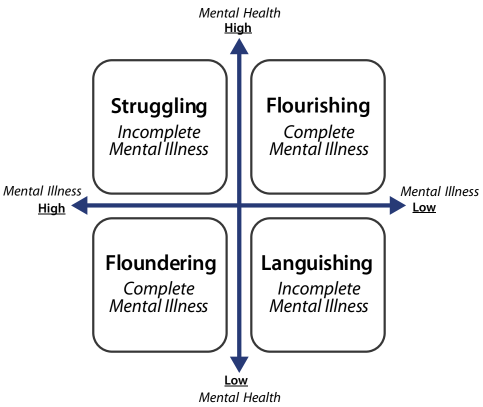
Feeling a bit lacklustre as the days roll by? Hitting the snooze button more than usual? It's a feeling that can be difficult to put your finger on, but it has a name, languishing.

Whether it's feeling exhausted and unmotivated, or restless and eager to do more, we can be off kilter from time to time. It's no surprise that many are feeling this way, as we continue to deal with ongoing uncertainty and snap lockdowns due to the pandemic. Knowing this is normal is important, particularly in the current circumstances, but we can also make changes to improve our overall wellbeing.

Flourishing vs languishing

Often, we think of good mental health as the absence of mental health issues present, but as the diagram below shows, there is a spectrum between high mental health and low mental health.

While flourishing sits at the top, languishing is at the bottom.



Source: Dual continua model (Keyes & Lopez , 2002)

You're kicking goals at work, your relationships with family and friends are harmonious, you're growing as a person – these are examples of flourishing. On the flipside, languishing can see you struggling to get out of bed in the morning, disengaged from your work, feeling negative about your relationships, or frustrated at not getting to where you want to be.

Called "the dominant emotion of 2021", languishing has been described as if "you're muddling through your days, looking at your life through a foggy windshield." [i]

Moving towards flourishing

The pandemic has reminded us of how little control we have over external circumstances. While lockdowns are likely to remain in our near future and the way we work and socialise are impacted as a result, there are ways we can improve our outlook.

Take time out

Working from home and remote schooling has become a reality for many of us, meaning we are busier than ever. Scheduling in some time-out is crucial to being able to switch off and feel more refreshed. Even if it's just a day spent not checking your email and doing something restorative, you're prioritising self-care.

Start small

When you're languishing, it can be difficult to get motivated, it's not likely to be the time you embark on a new fitness regime, study or career move. However, starting small can make changes in your life while building motivation for you to make further changes.

Whether it is going for a morning walk each day, reading a book the whole way through or getting to one of those tasks on your to-do list, you're taking a step towards flourishing.

Cut out the noise

Back-to-back Zoom calls, the 24/7 news cycle, pings of social media, the distraction of everyone being at home together – no wonder it's hard to focus.

Tap into your 'zone' or flow, by switching off from external noise where possible to concentrate on one task at a time. When you're in the state of flow, time flies by as you're engrossed in an activity that takes your full attention.

Reach out for help

It's also worth acknowledging when you need a helping hand. It may be delegating at work so you're not feeling overloaded or having someone to talk to if you're struggling through the day.

Mental health issues are on the rise due to the pandemic and there is no shame in asking for help – more than ever, Australians are reaching out for mental health support in these turbulent times to help stay on track.[ii]

i https://www.nytimes.com/2021/04/19/well/mind/covid-mental-health-languishing.html

ii https://www.lifeline.org.au/resources/news-and-media-releases/media-releases/

DECISION MAKING
YOUR WAY TO THE BEST OUTCOME

Throughout our lives, making a decision is something we do thousands of times a day. Our first thought occurs as soon as we wake, and our final thought when we drift off to sleep. Researchers have found on average, that most people will have approximately 6,200 thoughts per day.[i]

Having so many thoughts requires us to make thousands of decisions. Whilst majority of these decisions are simple and will have no significant consequence, there are times when more difficult and complex decisions will need to be made and require creative thinking techniques and a deeper thought process to ensure a more successful outcome.

Deep thinking vs shallow thinking

Two types of methods can be used when it comes to decision-making and while neither is right nor wrong, it's important to understand the difference between the two and choose the method that works best for you and the situation. After all, if we all thought the same way, life would be pretty boring right?

Deep thinking requires effort and mindfulness and someone who is considered a deep thinker will usually look at the whole chain of events throughout this thought process. They will explore different pathways to reach different outcomes and have a greater understanding of the consequences based on that specific decision.

Contrary to deep thinking is shallow thinking, and these decisions are instinct-driven – they are made immediately. This type of thinker is decisive and won't necessarily spend time exploring different pathways to reach an outcome or consider the consequences of their decisions as much as a deep thinker would.

Can you learn to become a deep thinker?

Some may say, with so much technology and information on hand, shallow thinking is now far outweighing the deep thought process and we are losing the ability use these creative thinking skills to make certain choices. Our attention span is limited; we are distracted easily therefore, our thought process is constantly being interrupted, meaning we spend less time thinking about the outcomes of the choices we are making.

There are several steps you can implement to learn how to become a deep thinker. Firstly, you must fully understand the situation in detail – what is being asked and what impact it will have – only then, can you spend time creating a constructive environment to make decisions. In creating a constructive environment, you will need to determine whether other people should be included in this process.

By including others, you have the opportunity to take into account other people's ideas. This is a fantastic way to explore ideas that you may not have previously considered and give the process the time and attention it deserves. Once you have reviewed all options, you can determine the risks and impacts of each, then decide what the best outcome is likely to be.

Alternate ways to make decisions

Some decisions won't be as complex or require the same level of creative thinking to make the right choice. Some alternate options could be as simple as – sleep on it. While this may seem like a 'no brainer', this can be one of the most effective ways to make a decision. While you are sleeping, your subconscious is still hard at work.

Talk to friends, relatives, or colleagues whose opinion you value - they can offer a different perspective if you are unsure about your decision.

Schedule a specific time in the day to help you focus – do you do your best thinking in the morning, afternoon, or evening. Remember, to focus completely, you need to remove all distractions during this time - turn off your email notifications and put your phone on silent.

If the decision is work-related, try delegating tasks as this could help reduce stress if work is piling up.

Change your environment – going for a walk or meditating can help you relax which then allows you to free space in your mind and shed new light on the way you think.

No right or wrong

Remember, there is no right or wrong when it comes to making decisions. Whether they are personal or business-focused, by applying some of these methods, you may alleviate stress and reach a better outcome when you next make a decision.

i https://www.newshub.co.nz/home/lifestyle/2020/07/new-study-reveals-just-how-many-thoughts-we-have-each-day.html