



your **money** your **future**

## March 2015

In this edition of our client newsletter we've gathered some key insights and commentary to help inform your financial and investment decisions.

This year is shaping up to be another challenging year in the world's markets. This means it continues to be important that you have clear goals in place which you are working towards with a strategy that's going to work over time.

Achieving your lifestyle goals now and in the future is important to us, so we'll continue to keep you informed with the latest thinking and ideas on key topics of interest throughout 2015.

To discuss any of the ideas raised in this newsletter, please don't hesitate to contact us. We hope you enjoy reading this edition.

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# Top apps for the over 50s

With almost 80% of 55-64 year olds and 46% of 64+ year olds on-line in Australia<sup>i</sup>, there is no denying that the SilverSurfer generation are embracing the World Wide Web – and not just from a computer – phones and tablets are fast becoming the most popular way to discover all the net has to offer. According to the Australian Bureau of Statistics<sup>ii</sup>, the four most popular types of online activities within this group are; paying bills or online banking, accessing government services, voice or video calls over the internet and social networking.

Here's a list of apps you should know about, and they're all free to download, unless otherwise stated.

## 1. Banking & paying bills

Most financial institutions have a mobile banking app for free download. Some are better than others – with the Commonwealth Bank's latest app released earlier this year a great example. Both CBA & NAB offer BPay QR Code scanning within their apps. You can upload BPAY payment information quickly and simply by scanning the QR code on your bill from within your mobile banking. Just one or two clicks and it's paid.

## 2. Government services

In the range of apps available from the Department of Human Services is Express Plus Seniors. Compatible with iPhone, iPad, iPod touch from the iTunes app store & Android from Google play it allows seniors a simple way to do their Centrelink business on the go using their mobile device.

## 3. Voice calls

With friends and family more widely spread across the globe than ever, phone bills can be costly – but they don't need to be. As long as the person you are calling has the same app on their mobile phone – you can speak to each other for free. One of the most popular is Viber, available on iPhone

and Android. The best thing is, once you're set up, it automatically accesses your address book and will show you everyone in there who already has the app too!

## 4. Video calls

FaceTime is an app that automatically comes loaded on your iPhone, iPad, iPod Touch<sup>iii</sup> or Mac. Wifi is a must for FaceTime, otherwise you'll struggle to make it work – or you'll face hefty data bills! If not with Apple then Skype will be your best video-calling friend. It's a little more involved - setting up an account and then finding your family and friends, but it's a small effort in order to see your loved ones on the other side of the world.

## 5. Making communication easier

If you find the keyboard too small on a smartphone try the Dragon Dictation app. This helps users send emails, texts and surf the web through accurate voice dictation and a user-friendly interface – it's available for iPhone, iPad and Android.

## 6. Social Media

There are many out there – Twitter, Instagram and Facebook! It's a great way for users to stay connected to friends and family. You can also interact with brands or products that you like – for example AusGrid post updates on Facebook when services

is down, Brands announce flash sales and special offers too. Be sure to read the privacy settings so only people you have accepted as friends can see your photos and information.

## 7. Health

If you're actively managing an illness, taking regular medication and remembering doctor's appointments this is the app for you. Med Helper – Pill Reminder and Medication Tracker, available for iPhone, iPad and Android. It helps you keep track of prescriptions, alarms remind you to take medication, and tells you when Doctors appointments are scheduled and when medications are running low or about to expire. Multiple profiles let you manage others in your care too.

## 8. The everything app

Silverline is a suite of apps created to serve seniors. Available on Apple and Google App stores, the Care Pack has been designed to make interactions intuitive and the adaption of the technology as user-friendly as possible. The Care Pack includes special Camera, Medication, Contacts, Well-being, Location and Emergency features – perfect for the less tech-savvy or older person wanting technology but not knowing where to start.

i <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/8146.0Chapter32012-13>

ii <http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/B10BDF0266D26389CA257C89000E3FD8?opendocument>

iii \*FaceTime video calling requires an iPhone 4 or later, iPad 2 or later, iPod touch (4th generation or later) or FaceTime-enabled Mac with a Wi-Fi connection. Availability over a cellular network depends on carrier policies.





# House price growth predicted to fade in 2015 after a solid spring

Domain Group Senior Economist Dr Andrew Wilson says capital city house prices are set to grow by an average of 5% over the 2014/15 financial year, with Sydney and Brisbane leading the way.

Australia's capital city housing markets have performed solidly through the winter of 2014 with the prospect of a generally robust spring selling season ahead.

House price growth will, however, be mixed over the remainder of 2014 and into 2015 as the waning effect of historically-low interest rates and underperforming local economies impact home buyer activity.

## Housing revival in 2013-14

Low interest rates have been a key catalyst in the revival of housing markets over the 2013-14 financial year with the sharp improvement in affordability releasing pent-up demand and pushing up house prices in all major cities.

Over the past year, prices growth has however varied significantly between capitals with Sydney the clear leader, recording boom-time, decade-high results. Melbourne produced relatively strong house price growth while Brisbane, Adelaide, Perth, Hobart and Darwin all saw moderate outcomes. Canberra has been the clear national underperformer with flat prices growth recorded over the year.

Price growth has softened from the peak December quarter results and annual capital city performances for 2014 are set to converge to relatively similar levels.

## 2014-15 property outlook

Sydney and Melbourne will record significantly lower levels of house price growth over the 2014-15 financial year compared to the strong results of the previous year. As a consequence of underlying flat income growth, rising affordability barriers will act to generally constrain price growth capacity.

Meanwhile, Adelaide, Brisbane, Hobart and Darwin are set to record moderate house price over the 2014-15 financial year, producing similar results to the previous year.

## Factors influencing the housing market

The performance of the national economy remains problematic with stubbornly high unemployment and low income and profit growth.

The likelihood of an improving international economy will bolster Australia's economic prospects, however, the disparity between local multi-speed economies will continue to hamper housing markets exposed to higher levels of unemployment and lower growth.

The short-term outlook for interest rates is most likely to remain at current levels, however, the continued underperformance of the national economy will facilitate an outside chance of another rate cut by year's end, particularly if unemployment keeps rising. Currently, there is no compelling macro case for a rise in official interest rates over the foreseeable future.

Regardless of lower interest rates, either through official cuts or intensifying competition amongst banks, the offsetting forces of declining economic activity and rising affordability barriers will act to generally moderate house prices growth.

For the 2014-15 financial year, capital city house price growth will peak over the spring period with buyer activity set to fade overall into 2015. Local prices are set to broadly increase between 3 and 6 per cent over the 2014-15 financial year.

Accordingly, the national house price will increase by 5 per cent over the 2014-15 financial year compared to the 10.3 per cent recorded over 2013-14.

# The search for alpha

## Investment experts often talk about alpha and beta, but what do these terms mean?

While it may sound like Greek to you, and it is, it's not as complicated as you might think. Beta is simply what any particular market or index does – it's the benchmark. And alpha is the measure of how a managed fund can outperform the index.

In essence, if you are seeking alpha, then your aim is to get better returns than the market average. The way to achieve this is by choosing an actively managed fund over a passive (index) fund.

The management fees are lower for index funds than for active funds as they merely match a particular benchmark. That means they buy and sell less frequently, which reduces transaction costs. But there are still fees, so you will never fully receive 100 per cent of the returns from the market.

Those who support index funds over active funds argue that the market is efficient and therefore, over time, an active fund is unlikely to beat the benchmark.

## Top funds outperform

If your actively managed fund performs in the top third of all funds, then the chances are it is beating the benchmark and more than compensating for higher fees.

The SPIVA Australia Scorecard, conducted by S&P on the performance of actively managed Australian mutual funds versus

their benchmarks, found that in a one year period 68 per cent of active funds outperformed the ASX200 index. While, this figure reduced to 37 per cent over a three-year period and 30 per cent over a five-year period, it still means that if your fund performs at the top end then you are ahead<sup>i</sup>.

Much of the performance of a fund comes down to the skills of the fund manager. With close to 400 managed funds investing in general Australian equities alone<sup>ii</sup>, local investors are spoiled for choice.

## (In)efficient markets

Another important factor in the active versus index debate is the efficiency of the respective markets. The theory goes that the less efficient the market, the greater the potential for a skilled investor to make a profit.

If you are looking at smaller listed companies, for instance, the market for these stocks is significantly less efficient than the ASX200 which is made up of the top 200 stocks. That's because fewer analysts research small companies and therefore investors are less informed. And that provides an opportunity for specialist fund managers who are prepared to do the research.

According to the SPIVA figures, the majority of active Australian small cap funds outperformed the ASX Small Ordinaries index consistently. In 2013, only 5.4 per cent of active managers failed to meet the benchmark<sup>iii</sup>.

## Growth vs value

Investors need to be aware that not all active funds are the same. Some active fund managers favour growth stocks while others favour value stocks.

Growth fund managers believe in the future potential of stocks to grow their earnings and hence their share price. So they would tend to choose companies in growth or developing industries.

Value fund managers, meanwhile, focus on out-of-favour stocks that appear to be under-priced by the market.

Given that the greater your diversification the wider you spread your risk, it can be argued that you should have exposure not only to both growth and value managers but maybe also to index funds.

Working out what is the best investment mix for you takes knowledge and experience. Make a time to speak with your financial adviser in regards to what works best for your individual risk profile.

i. <http://us.spindices.com/search/?query=asx&Search=GO&Search=GO> Click on SPIVA Australia Year End 2013 and go to page 6 for table.

ii. <http://us.spindices.com/search/?query=asx&Search=GO&Search=GO> Click on SPIVA Australia Year End 2013 and go to page 6 for table.

iii. <http://us.spindices.com/search/?query=asx&Search=GO&Search=GO> Click on SPIVA Australia Year End 2013 and go to summary.

