Lifestyle Financial Advisers
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Welcome to the latest edition of our client newsletter,

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we discuss Oil Prices and the impact for investors and provide you with information on the changing employment market in Australia via the AMP Natsem Income and Wealth Report and for those working in retirement "by choice" or going "freestyle".

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.
In the meantime stay warm and we hope you enjoy the read.

All the best,
Lifestyle Financial Advisers

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Oil prices: what's behind the drop?

There's been a lot of commentary around the recent drop in oil prices, and what it might take for them to recover. Integral to this discussion is the Organisation of Petroleum Exporting Countries (OPEC) and Saudi Arabia, which produce about 33% and 9% of the world's oil respectively. In this article, we examine the factors that have led to the drop in prices and what this all means for investors.

Background

Last year, at a meeting in Vienna on November 27, the OPEC voted to maintain oil production at current levels. As a result, we've seen the price of oil plummet by more than 50%, from a high of over US$100 a barrel for brent crude oil last year to below US$50 a barrel in recent times. The hardest hit have been oil-exporting countries such as Russia, Iran, Nigeria, Venezuela, Norway, Canada and Mexico.

Supply and demand

The sharp drop in prices has been caused by a supply glut. Continued growth in US shale production and an increase in non-US OPEC oil exports have led to excess capacity. This is being exacerbated by slowing demand which is a product of slowing growth in the emerging world. Also, some nations, such as Japan, have substituted oil for natural gas and alternative fuel sources. A stronger US dollar hasn't helped either. This weighs on most commodity prices as they are priced in US dollars.

Conspiracy theories emerge

Some believe that the US and Saudi Arabia have colluded to lower oil prices as a way of punishing Iran and affecting the economies of Russia and Venezuela. There's also been commentary that the Saudis may view long-term low oil prices as a way of combating their geopolitical rivals and hindering Iran's nuclear program. Other conspiracy theories revolve around the fact that if oil prices decrease far enough and remain low for long enough, Saudi Arabia may steal market share from US shale producers and thus gain far more long-term revenue. This may also serve to weaken its major rivals in the Middle East (both in an economic and military sense) and expand its sphere of influence.

Many of the conspiracies have similar structures — suggesting that there are deeply powerful but unseen players working behind the scenes to shape world events. These are certainly much more colourful than a story about supply and demand which may be more technically accurate.

What does this mean for investors?

Share markets have reacted negatively to the fall in oil prices in recent weeks. This is because the negative impact on energy producers is what is most visible and this is being magnified by the steepness of the fall. Interestingly, over a longer period of time, lower oil prices will likely have a positive impact on global growth. In fact, after oil prices plunged in 1986, 1998 and 2008, US shares gained an average 23% over the subsequent 12 months. In effect, any significant downturn in share markets in response to lower oil prices should be seen as a buying opportunity. As benefits from lower oil prices start to flow into the economy, this should help drive share markets higher by year-end.

AMP NATSEM Income & Wealth Report

We can work it out: Australia's changing workforce

In recent years we've experienced a global recession that's changed the global labour force with industries closing down, job lay-offs and increasing unemployment. On top of that, in Australia we've experienced significant structural and technological change that's seen us move from an agricultural based economy to being services based.

The recently released 36th AMP.NATSEM report takes a look at the current state of the Australian labour market – what we do, how much we earn, youth unemployment and how we compare internationally.

Some occupations from the 1990s no longer exist – we've said goodbye to typists and the person running the photocopy room, and hello to project managers and mobile phone salespeople. Add to these changes, the shift in demographics and gender and an ageing population, the Australian workforce is a fascinating reflection of modern society.

This latest report helps us understand the current labour market and shines a light on life in Australia, the way we live and work – ultimately impacting on the financial and personal aspirations of us all. For example, because we're living longer, we're going to have to work longer and save harder to see us through retirement.

The report showed the challenges facing Australia's workforce is two-fold. As people over 65 are projected to make up nearly a quarter of the population in the future, older people leaving the workforce will take with them skills and experience, while many young people are struggling to find work. Consequently, this leads to younger people not getting the experience they need if they are to do these jobs in the future. While some jobs won't exist, not all will be obsolete so working longer – into our older years - and learning how to pass on skills and knowledge to a younger workforce must be in the mix if we're to remain prosperous.

Key findings

- When it comes to low unemployment, Australia is in the top 10 nations globally, at 6%.
- Youth unemployment, those aged 15 to 19 looking for full time work, is 4.5 times more than it is for those aged 20 and over.
- Back in 1911 the only occupation where females were the majority of workers was in "domestic" work. Now, females are the majority in four of eight occupation classifications, including professionals, clerical and administrative workers, community and personal service workers, and sales workers.
- The baby boomer generation is moving into retirement, with the proportion of older people expected to rise to nearly a quarter of the population, from 13.5% to 22.7% in 2050. This will see a significant depth of skills, knowledge and experience move out of the workplace.
- Australia's fertility rate is below replacement level, meaning the proportion of working age people is forecast to drop to 60% by 2050, down from 67.4% in 2010.

What lies ahead?

In terms of financial stability, if we're to achieve this in the future with a growing ageing population, there's a few things we need to be doing now. And the most important is encouraging people to save more during their working lives – and managing for situations when they're away from work for family, study or to care for others.

At work and at home we need to create the right settings that encourage people to save more, work longer, and to put the right measures in place for an affordable income in retirement.

If we get things right in the middle part of our lives, our later years are more likely to be filled with security and enjoyment. This means an ageing population will be less of a financial burden on younger generations, of which there will be fewer in the workforce. And by making these changes, it means Australia can remain prosperous as the workforce composition shifts.

Make working later in life work for you

Tips for taking a freestyle approach to work and retirement

The relationship between work and retirement is changing. Nowadays we expect a lot more from our later years than previous generations—we're no longer satisfied with treading water and we want to go freestyle.

But with the pension qualification age increasing, people living longer and concerns about whether we have enough money in our super, we may have to work longer to generate enough income to maintain our lifestyle and enjoy a comfortable retirement.

For an increasing number of Australians working longer in life doesn't mean continuing on the 9-5 treadmill. They are making an active choice to go freestyle, match their career with their passion and continue playing a meaningful role on their own terms.

So after years putting the family first, now's the time to think about your needs and how best to combine your working income with your retirement savings.

Ways to help you make working longer work for you

- **Change the way you work**—think about going part time, job sharing or consulting.
- Maintain your employability by **marketing your expertise**—network and become your own brand.
- Pass on your knowledge to the next generation by **mentoring young Australians** through a programme like Elderberry.
- Tap into your inner entrepreneur and join Australia's growing band of **seniorpreneurs** by starting your own business.
- Talk to a **retirement coach** about how to move from a full time job to part time work, a small business or retirement.
- Don't **price yourself out of the market**—consider taking a pay cut for the right move.
- Rather than jumping straight from **full-time work into retirement** think through the consequences for your health, social contacts and finances—and how you could make the transition easier, working part time for example.

Government regulations about what you can do and when

- At 50 you can pay more into your super from your **before-tax salary**—up to $35,000 pa.
- At 56, you can start **a transition to retirement strategy** to reduce your working hours and maintain your after-tax income.
- At 60, if you can access **your super, it will be tax-free.**
- And once you're eligible for the age pension, you can access the Work Bonus, which allows you to keep more of your income or work for short periods with little effect on your pension.

Restrictions that can apply

- At 65, you can no longer bring forward two years' worth of **after-tax super payments** to make a total contribution of up to $540,000.
- And you may be unable to access **workers' compensation or insurance cover** following a workplace accident.

Talk to us about how to structure your work, lifestyle and finances so that you can go freestyle.