



**Harvest**

Sow, nourish & harvest  
your wealth

# INVESTMENT NEWSLETTER

June 2015



## Inbam Devadason

Inbam has been a Director at Harvest Financial Group for four years, and has been in the financial services industry for twenty four years. He is a qualified Actuary and Financial Planner who specialises in investment and superannuation. During the course of his career, Inbam has advised individual clients, superannuation trustees, corporate executives and company boards.

In his spare time Inbam likes to give back to the community by volunteering his financial expertise to charities and non profit organisations. And he certainly keeps busy with his four children aged eight, six, four and three.

### Are you getting close to retirement age?



If you are within three to five years of retirement it is a good time to review your investment strategy.

When you are working, your investment strategy will focus on accumulating and growing wealth in a tax effective manner, and your investment time horizon is generally quite long. As you enter retirement the focus shifts to living off your investments, and your retirement income needs will become a priority.

### Investing for retirement

Below we have outlined five key investment areas to take into consideration as you approach retirement:

#### 1) Cash Flow matching

Look to generate enough investment income to cash flow match your retirement income needs. So how much super is enough? That magic number really is unique to you, it will depend on what your income needs are. Working out a retirement budget is a good first step to help you plan and feel comfortable with your strategy.

#### 2) Diversification

“Don’t put all your eggs in one basket.” Spread your investments over a broad range of less volatile asset classes and investment products, using a conservative approach. Having multiple sources of retirement income will help you ride out different economic challenges, so you will be prepared no matter what happens. We spend time researching and reviewing new and emerging investment opportunities to make sure you are using the most appropriate strategies.

#### 3) Growth vs Income

Generally there will be a skew to income rather than capital growth from investments. Investing for growth will tend to require a longer time commitment, as assets such as shares or property will be anticipated to increase in capital value over time rather than provide a quick return. As you approach retirement we use high income strategies in blue chip investments that will provide the income that you require.

#### 4) Tax

Tax effective investment strategies become less important in retirement. If you withdraw super benefits on or after the age of 60, your super benefit payment will be free of tax. Also, the benefits of franking credits from Australian share dividends are often more valuable to someone in retirement, as their marginal tax rate is often nil (or at least low).

#### 5) Investment risk

Retirement is not the time for investment risk. The consequence of taking risks that turn out badly is worse for retirees than for most other investors. The time horizon to recover from taking risks is reduced. We tend to focus on blue chip investments that provide a more stable return from year to year.

### S&P / ASX 300 Index

1 year price history to 31 May 2015



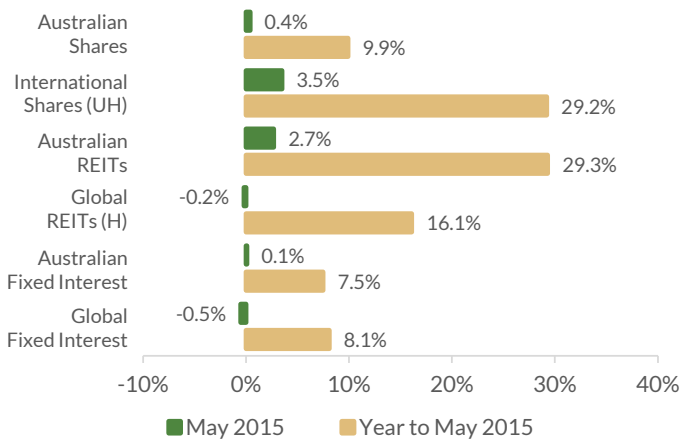
# Key Global Economic Indicators

## Global sharemarkets as at 31 May 2015

Sharemarkets (in local currency)	1 mth (%)	3 mths (%)	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)
<b>Australia</b> (S&P ASX 300)	0.4	-1.3	9.9	17.0	10.1
<b>Germany</b> (DAX)	-0.4	0.1	14.8	22.1	13.9
<b>Emerging Markets</b> (MSCI Acc.)	-1.1	4.2	21.6	14.7	6.0
<b>United Kingdom</b> (FTSE 100)	0.7	1.9	5.7	13.5	10.0
<b>United States</b> (S&P 500)	1.3	0.6	11.8	19.7	16.5

The prospects for global equities recovered in May with developed economies contributing to a fairer outlook. Returns from Australian shares were more subdued with continuing concerns about whether the economy can successfully shift away from being resources-driven. Economic data releases showed reductions in mining related investment and engineering offset by rises in exports, household spending and housing construction - Mercer, Monthly Market Review.

## Selected sector returns to 31 May 2015



## Economic growth (GDP)

GDP (annual rate %)	Data as at	Current (%)	1 year ago (%)
World (IMF/OECD)	31 Dec 2014	3.3	2.9
Australia	31 Mar 2015	2.3	2.9
China	31 Mar 2015	7.0	7.4
European Union	31 Mar 2015	1.0	1.1
United States	31 Mar 2015	2.7	1.9

# The Australian economy

As at 31 May 2015

## Annual inflation rate

1.3% pa

A\$1 =

	\$0.765
	¥4.744
	£0.501
	€0.698
	¥94.98

## Australian cash rate

2.00%

## Indicative 1 yr term deposit rate

2.53% pa\*

\* Source: Average of 4 major banks, May 2015

Our best home loan rates from  
4.13%

## Economic Growth (GDP)

2.3% pa

Average price of all Residential dwellings\*  
\$572,000



\*includes houses, apartments and units.



JOB OFFERS

## Unemployment rate

6.2%

11.7 million  
people employed



Australian population = 23.6 million

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