Your PERSONAL WEALTH

Autumn 2024

Welcome

We hope you had the opportunity to spend some time with your loved ones over the festive season, and are enjoying 2024 so far.

On the economic front, while there is still some talk about the possibility of a global recession, the International Monetary Fund (IMF) has stated that risks to global growth are broadly balanced. Australia's position has been strengthened by record population growth through overseas migration in 2023.

This edition we explore some tips to enjoy your days in retirement, and visit house-sitting as an opportunity to see the world, and save!

We wish you and your loved ones a relaxing and refreshing Easter break.

Happy reading!

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Balancing growth & cautious markets

What's the outlook for global growth in 2024?
Global Gross Domestic Product (GDP) is projected to grow at 3.1% in 2024 and 3.2% in 2025. This is 0.2% higher than the October 2023 International Monetary Fund (IMF) forecast. The slightly improved outlook is due to unexpected strength in the United States and several emerging/developing economies. The forecast is below the historical (2000–19) average annual growth of 3.8%, largely due to elevated interest rates.

How likely is a global recession?
As the IMF stated in January, 'with disinflation and steady growth, the likelihood of a hard landing has receded, and risks to global growth are broadly balanced.'

Source: IMF and VisualCapitalist

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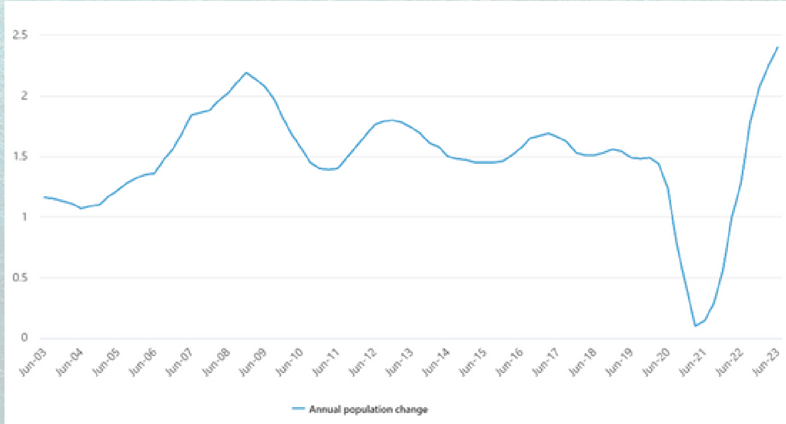
The probability of a global recession in the coming months has fallen. However, it will be largely dependent on activity in the US, as several European and Asian nations are experiencing recessions or significant slowdowns. Slowing global manufacturing has impacted exports, and it is becoming increasingly likely that we will see a series of rate cuts that will bolster growth. In the December quarter, the UK slid into a technical recession, with the Bank of England likely to cut rates this year, lagging behind the US Federal Bank and the European Central Bank (ECB) rate cuts.

Australian annual population growth rate (percentage)



Source: ABS

Could surprising US inflation data delay US interest rate cuts?

We ended 2023 without the US recession that had been widely predicted. The US economy grew by around 3.3% last year, but is expected to slow to around 1.6% in 2024. Most market watchers now think the most likely outcome is a soft landing. However, a soft landing would be a rare outcome as most Federal Bank tightening cycles result in hard landings.

Recessions are very hard to predict. One contributor to the US avoiding a recession is the volume of ongoing government stimulus. Another is the COVID-19 accumulated savings buffers, which have now largely depleted.

The US Federal Reserve is projecting 3-4 rate cuts this year, in line with market predictions of around a 0.88 percentage point drop, with a 90% chance of a US rate cut in June. Only a few months ago, several more rate cuts were expected in 2024. Markets are anticipating the Eurozone to ease in June, the Bank of England in August, and the Reserve Bank of Australia (RBA) in September.

China is a mixed bag

China is still feeling the effects of COVID-19 lockdowns. The Chinese property market is struggling, and China's aging population has impacted productivity levels. Chinese equity markets are feeling the strain, down 40% since the highs of 2021.

The magic 2% ...sticky inflation and interest rates

Most of the conversation and debate has centred around inflation, globally and closer to home, and the likely impact this will have on interest rate cuts. All eyes are on that magic 2% inflation rate central banks aim to achieve. This target may be tricky in Australia as we have fairly sticky (persistent) service-based inflation. We are seeing some upward pressure on wages across much of the developed world.

In Australia, there are several factors contributing to our sticky inflation. First and foremost is our immigration surge, stimulating the economy in 2023. In addition, there is also significant stickiness in terms of utility prices and wage inflation in Australia.

The RBA is likely to be one of the more timid of the central banks, as it started tightening later and didn't raise rates as high, with expectations of rate cuts scaled back from nearly 3 to less than 2 in 2024. It is likely that the RBA will wait until the US and other major central banks have actually started cutting rates.

What does this mean for markets?

We continue to view markets cautiously.

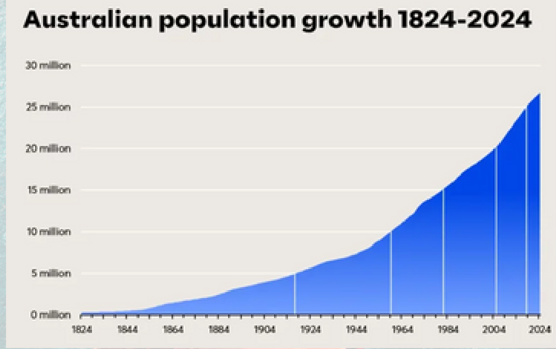
2023 was a bit of a rollercoaster as markets attempted to predict interest rate peaks and the timing of rate cuts. Lower bond yields and expected rate cuts resulted in strong rallies for most equity markets. The S&P 500 returned 25.5% in 2023, while Europe returned 15%. Australia lagged with a return of 12.4%. Most of the rally in stocks during 2023 was due to Price to Earnings (PE) ratings rather than from higher earnings.

In the US, earnings are estimated to have increased around 4% in the 2023 calendar year, while in Australia, they are expected to be down around 5% in the 23-24 Financial Year. Artificial intelligence (AI) was the big theme of the year, with the hope it will boost productivity for a whole range of companies.

The rally has resulted in equity valuations looking a bit expensive. The Australian equity market (ASX 200) was trading on a PE ratio of 16.4 times at 31 December 2023. This was 12% above the 20-year average of 14.6 times (JP Morgan). An illustration of this is the big rally in bank stocks, with CBA trading at just under 20 times this year's earnings estimate. US equities are currently trading on a forward PE of 21.0x (S&P 500 at 5,087, Refinitiv, 16 Feb 2024). Given the recent rally, we are fairly cautious about adding to growth assets right now. We may look at possibly reducing our allocation to long term fixed interest rate bonds if bond yields fall, and instead allocate the funds to high quality floating rate corporate bonds, as this may present a better risk/reward tradeoff.

Record population growth, 27 million and counting

With record growth through overseas migration, Australia has seen the largest annual increase in population in the nation's history. Australia's population has increased by 624,100 in the 12 months to June 2023, equivalent to adding the population of the entire state of Tasmania (572,800) in just one year, or one new Aussie every 50 seconds. This annual growth is 41% higher than the previous annual record when the population increased by 442,500 in 2009[1]. This is a really significant number in the context of a relatively small population, and our immigration surge stimulated our economy in 2023.



Based on the latest annual growth rate of 2.4%, Australia's population will reach 41 million by 2042, 16 million more than the forecast estimates made in Treasury's Intergenerational Report 2002. If the current growth persists, the next million could take less than two years, projected to be achieved on the 25th of August 2025.

[1] https://mccrindle.com.au/article/australias-population-reaches-27-million/

Essential tips to enjoy your days in retirement

You've been working hard all your life and look forward to retirement. Finally, you can enjoy the freedom and the luxury of doing all the things you've always wanted to. But then reality hits, and you wonder, exactly how will I spend my retirement days?

Switching from busy working days to more free hours can be liberating. But after some time, you feel the need for more structure. Creating structure in your days is essential to living a more fulfilling retired life.

Whilst it's easy to fill up your time with passive activities like watching TV, surfing the internet, and refreshing your Facebook page. You will likely want to spend your days doing more fulfilling activities. And a structured day can help you with that. It doesn't mean that you need to continue the same structure as your working days. You can enjoy your well-deserved downtime in retirement and combine this with a structured day that fits your needs perfectly.

When you retire, you don't get 20 years of free time, instead, you get back some extra hours in a day that you don't have to work anymore. And that's why it's important to fill these hours with new and fun activities that make you feel fulfilled at the end of your retirement day. That's why you worked hard all those years to do what you love. Here is an example of what a typical retirement day could look like:

Here are some ideas on structuring your day in retirement so you can make the most of it:

- Discover or rediscover your passion[1]
- Set goals for retirement
- Create new routines
- Wake up at the same time
- Exercise regularly
- Eat a healthy diet
- Keep social in retirement
- Manage your finances
- Stay mentally active
- Take breaks
- Take time for self-care
- Get a retirement hobby[2]
- Plan ahead
- Make a to-do list
- Break your day into chunks
- Limit your screen time.

Balancing an overscheduled agenda and not getting bored is the trick to a happy retirement. You can enjoy your freedom, relax, and be spontaneous while having things to look forward to that make your life fun and interesting.

[1]https://retirementtipsandtricks.com/how-to-find-your-passion-in-retirement/
[2]https://retirementtipsandtricks.com/best-hobbies-in-retirement/

Sample Daily Schedule

7 am Wake up, drink water, stretch, or light exercise
8 am Eat a healthy breakfast
9 am Plan the day, set goals, and prioritize tasks
10 am Attend a fitness class or go for a walk
Noon Have lunch and take a break
1 pm Work on personal projects or hobbies
3 pm Run errands or attend appointments
5 pm Relax, read a book, or watch TV
6 pm Prepare and have dinner
7 pm Spend time with family or friends
9 pm Wind down, practice mindfulness, and sleep.

House-sitting: See the world and save!

Saving for a house? You know how it goes; cut back on dinners out and weekends away, and as for that overseas holiday – forget it! Getting a deposit together while paying rent feels like putting your life on hold. But does it have to?

Imagine travelling the world without accommodation costs. Now, imagine living in Amsterdam! Outback Queensland! Upstate New York!

Welcome to the world of house-sitting. In recent years, house-sitting has emerged as a cost-effective, and adventurous way of seeing the world while saving.

It works like this:

1. **Join a reputable online platform** such as TrustedHousesitters[1] or MindMyHouse[2].
2. **Complete the profile questionnaire** about:
   a. who you are,
   b. your occupation,
   c. experience caring for animals,
   d. hobbies,
   e. references.
3. **Search the platform's listings** for opportunities where and when you want to travel. Having identified a suitable match, you and the homeowner communicate and agree on the terms.
4. **Make your way to the property** and complete the house-sit. Homeowners provide a handbook of emergency contacts, local shops, restaurants, activities, and much more. Some even include the use of a car. In exchange, you mind the property and care for pets. You might also be asked to perform other tasks like watering gardens, collecting mail, etc.

Pros of house-sitting

Besides living free of rent and utilities costs, house-sitting offers benefits like:

- living in residential neighbourhoods and enjoying life as a local.
- pet companionship.
- flexibility of travel destinations and dates.
- experiencing different cultures and lifestyles.

Think it sounds like a win-win? Read on...

Cons of house-sitting

When considering house-sitting, be aware of the downsides, such as:

- **Commitment**: house-sitting is not a carefree holiday. You're responsible for someone else's property and pets. You'll be expected to manage any problems that arise, including pet health issues.
- **Duration**: assignments may range from a few days to a couple of months. If you can't commit to the entire stay, you must be upfront with the homeowner before accepting the assignment.
- **Calendar**: assignments generally don't connect seamlessly; ensure you have alternative accommodation between house-sits.
- **Have a Plan B**: assignments cancelled or changed at short notice can disrupt your travel plans. Flexibility, including alternative accommodation, is essential.
- **Competition**: popular locations can attract interest from numerous house-sitters. Homeowners will select the house-sitter they feel is most suitable for their assignment.

House-sitting, as a ticket to experiencing an inexpensive and varied life, speaks for itself.
If you can work from home, love interacting with animals and are keen to travel, how much could you save towards your own home if you didn't have rent or utilities bills?

What if you chose a house-sit close to home? Think: no travel costs, continue working as normal, staying close to friends and family. How quickly would your savings grow, then?

House-sitting may well be the financial opportunity you're seeking!

[1] www.trustedhousesitters.com [2] www.mindmyhouse.com

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