



Spring 2023

September is upon us, and spring is in the air. It's time to shake off the winter cobwebs, get out into the garden or the great outdoors. Meanwhile, AFL and NRL fans will be hoping the sun shines on their team this finals season.

After endless gloomy forecasts, there was a glimmer of hope last month that the cost of living might be easing. Inflation fell in July to 4.9% from 5.4% in June, despite predictions by economists of a rise.

While housing prices are still rising, up by 7.3 per cent for the 12 months, and total dwelling approvals recorded a sharp decline in July, the next Reserve Bank Governor Michele Bullock believes prices in some areas will fall by five per cent or more by 2050 because of climate change.

Consumer confidence is continuing to slowly improve. The ANZ-Roy Morgan Consumer Confidence has now increased for a record 26 weeks in a row. Unemployment was up slightly by 0.2% to 3.7%, meaning an extra 36,000 people are now looking for jobs.

China looms large as a threat to Australia's economy. As our largest two-way trading partner, China's worsening economic conditions are concerning for Australian investors although stronger demand from steel producers led to a small increase in iron ore prices. The ASX200 ended the month down, gains in financial stocks were offset by losses in mining and energy shares because of their dependency on China. The Australian dollar rebounded slightly based on improved confidence in the US.

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Should I buy **INSURANCE** through my super?



While we all hope for good health, the reality is that some of us may struggle at times with sickness or injury. And that may affect your family's financial wellbeing.

Different types of life insurance or personal insurance can provide an income when you're unable to earn, or a lump sum to protect your loved ones if the worst happens.

Insurance products such as life insurance and total and permanent disability (TPD) cover are available through your superannuation fund or directly through an insurance company. There are also other products not usually offered by super funds such as accidental death and injury insurance, and critical illness or trauma cover.

Almost 10 million Australians have at least one type of insurance (life, TPD or income protection) provided through superannuation.ⁱ

Check what your fund offers

Super funds usually provide three types of personal insurance. These include:

- **Life insurance or death cover** provides a lump sum payment to your beneficiaries in the event of your death.
- **Total and Permanent Disability (TPD)** pays a lump sum if you become totally and permanently disabled because of illness or injury and it prevents you from working.
- **Income Protection** pays a regular income for an agreed period if you are unable to work because of illness or injury.

While these insurance products can provide valuable protection, it's essential to be aware of circumstances where coverage might not apply. For example, super funds will cancel insurance on inactive super accounts that haven't received contributions for at least 16 months.ⁱⁱ Some funds may also cancel insurance if your balance is too low, usually under \$6000. Automatic insurance coverage will not be provided if you're a new super fund member aged under 25.

Should you insure through super?

Using your super fund to buy personal insurance has advantages and disadvantages so it's a good idea to review how they might affect you.

On the plus side

- **Cost-effective:** Insurance through super can be more cost-effective because the premiums are deducted from your super balance, reducing the impact on your day-to-day cash flow.
- **Automatic inclusion:** Many super funds automatically provide insurance cover without requiring medical checks or extensive paperwork.
- **Tax benefits:** Some contributions made to your super for insurance purposes may be tax-deductible, providing potential tax benefits.

Think about possible downsides

- **Limited flexibility:** Super funds can only offer a standard set of insurance options, which may not fully align with your needs.

- **Reduced retirement savings:** Paying insurance premiums from your super balance means less money invested for your retirement, potentially impacting your final payout.
- **Coverage gaps:** Depending solely on your super fund's insurance might leave you with coverage gaps, as the default options may not cover all your unique circumstances.
- **Possible tax issues:** Be aware that some lump sum payments may be taxed at the highest marginal rate if the beneficiary isn't your dependent.

Don't forget the life admin

Whether you decide to buy insurance through your super fund or not, it is important to regularly review your insurance coverage to make sure they reflect your current life stage and to make sure you are not paying unnecessary premiums if you have more than one super fund.

Insurance within super can be a valuable safety net, providing crucial financial support to you and your loved ones. Understanding the types of coverage offered, the pros and cons of insuring inside super and the need for regular reviews are essential steps to make the most of this benefit. If you would like to discuss your insurance options, give us a call.

ⁱ The future of insurance through superannuation, Deloitte and ASFA, 2022 1051554 Insurance through superannuation.indd

ⁱⁱ Treasury Laws Amendment (Protecting Your Superannuation Package) Act 2019, No. 16, 2019 Treasury Laws Amendment (Protecting Your Superannuation Package) Act 2019 (legislation.gov.au)

How the Aussie dollar *moves your investments*



It has been a wild ride for the Australian dollar since the Covid-19 pandemic struck and that could mean good news, or bad news for your investment portfolio.

In March 2020 the Aussie dipped below US58 cents for the first time in a decade. Since then, a high of just over US77 cents in 2021 has been followed by a rollercoaster ride, mostly downhill.

In October 2022 the dollar plummeted to US61.9 cents, bounced its way back up to US71.3 cents in February this year but by mid-August it had slipped to a nine-month low at under US64 cents.ⁱ

Many analysts agree that further falls are on the cards with some even predicting the dollar could fall to as low as US40 cents within five years.ⁱⁱ

What's driving the dollar?

Given any currency's susceptibility to changing economic conditions both at home and overseas, the Aussie has had quite a bit to deal with lately.

Rising interest rates can boost the Australian dollar by making us more attractive for foreign investors, providing our rates are rising ahead of the US and others.

If foreign investors buy more Australian assets because they can get a bigger return on their investment, more money flows into Australia which increases demand for Australian dollars. And if investors hold more Australian assets than overseas ones, less money leaves the country, decreasing supply. So, increased demand and decreased supply see the Australian dollar rise.

While the Reserve Bank of Australia (RBA) has increased rates by 4 per cent in Australia since May last year as it battles to get inflation under control, rates have also been rising in the US.

The US Federal Reserve has undertaken its most aggressive rate-rising cycle in 40 years with rates now at a 22-year high and signs of further increases likely. This has put pressure on the Australian dollar, narrowing the difference between the US and Australian rates, meaning foreign investors will look for better returns elsewhere.

Changing economic conditions

The value of the Australian dollar is also affected by changes in economic conditions as well as rises and falls in other financial markets. For example, in August news that the unemployment rate had increased slightly and an easing in wage price growth led to speculation that the RBA would put a hold on rates, putting a dampener on the Aussie.

Also affecting the dollar was a decline in US share markets in August, confirming the typical pattern of the Australian dollar falling when equity markets' prices drop.

Meanwhile, the performance of China's economy plays a significant part in Australian dollar movements. China is currently battling soaring unemployment, particularly among young people, falling land prices and a housing crisis, among other ills.

As Australia's largest trading partner, both in terms of imports and exports, any slowdown in China means lower

sales of our commodities and other goods and services and less investment in property and business.ⁱⁱⁱ

How the dollar affects us

There are advantages and disadvantages of a falling Australian dollar. On the plus side, our exports will be more competitive because our customers will pay less for our goods and services compared with those produced overseas. Conversely, imported goods will be relatively more expensive.

There could also be an increase in tourism – the cost of travel in Australia will be cheaper for those coming from overseas. Unfortunately, those planning an overseas trip will need to find a significantly greater pile of Australian dollars to pay for airfares, accommodation and shopping.

For investors, it is a useful exercise to review the currency's effect on your portfolio.

For example, if you're invested in Australian companies that rely on overseas earnings, look at how they handle their exposure to the currency risk. A lower dollar is good news for those with overseas operations and those that export goods. On the other hand, those that need to buy in components or products from overseas may suffer.

In any case, have a chat to us to look at the best way forward in these uncertain times.

ⁱ <https://tradingeconomics.com/australia/currency>

ⁱⁱ <https://www.news.com.au/finance/markets/australian-dollar/aussie-dollar-in-free-fall-amid-bloodbath/news-story/929165d65db4dc7d8a97bc7b27b5ab0d>

ⁱⁱⁱ https://www.aph.gov.au/about_parliament/parliamentary_departments/parliamentary_library/pubs/briefingbook44p/china

Destinations to fire up your passions



The world is an amazing place, with so much to see and do. In fact, sometimes it can feel as though there is so much to experience it can be quite a challenge selecting a destination, but if you follow your heart and explore your passions when planning a trip you can't go wrong.

Considering the plethora of amazing places and experiences our world has to offer, it's a shame that many people, overwhelmed by choice, stick to going back to places they have visited before. In fact, a poll conducted in the US confirmed that three out of four people always go back to the same places.ⁱ

If you are keen to avoid the 'same old, same old' but short on ideas, it can help to think not of where you want to go, but what you want to do. One travel trend that's not going away any time soon is the desire for genuine experiences. Just look at Airbnb – in addition to being an accommodation platform it now offers a massive range of around 41,000 'experiences' across 93 countries and more than 2000 cities.ⁱⁱ

So, what do you look for when there is a big wide world out there with so much to see and do? Think about what you and your travelling companions love.

If you have a 'need for speed'

The Tour de France is known as the greatest race on Earth. The endurance needed to ride over 100kms a day for three weeks across some of the world's most physically challenging terrain, is incredible. Every year spectators line the routes to be part of the atmosphere and it's even possible to hop on a bike and experience some of the stages for yourself.

If you prefer the roar of engines and the smell of burning rubber and high-octane fuel, maybe the Monaco Grand Prix is for you. With a course that is the most difficult on the F1 circuit winding through the streets of the city, it's certainly a race like no other.

Closer to home, another race like no other is the Alice Springs Camel Cup. The antics of the notoriously unpredictable dromedaries and their riders makes for a hilarious day out.

If you want to marvel at our natural world

The famous Bandhavgarh National Park in central India is a stunning wildlife destination where you have the best chance out of anywhere in the world to spot a wild Bengal Tiger.

And if you want to stay in Australia, head to Ningaloo Reef in WA where you can snorkel with the gentle giants of the shark world – whale sharks, which can measure up to a massive 10 metres.

If you're an adrenaline junkie

Get your pulse racing with white river rafting on the Colorado River, passing through the iconic Grand Canyon or fly down the fastest zip line in the world in Wales at an eye-watering 200 km/h.

Or for an amazing local experience, walk along the harbour bridge in Sydney on one of the world's longest bridge climbs and gaze out on an unparalleled view of the iconic harbour.

If you like to sample fine wine

For the wine buffs – not for nothing is Bordeaux France, considered by many to be the world's foremost region for wine. If you need to narrow the field a little further, the vineyards of Saint Emilion were the first to be listed as a UNESCO World Heritage Site.

And Australia is no slouch in the wine stakes either, with the Baross Valley in SA widely considered Australia's preeminent wine region, famous for its Shiraz.

If you were born to shop

In terms of sheer variety and abundance of styles and shops, New York City is the shopping Mecca that dreams are made of. Or fossick for exotic treasure in Istanbul's Grand Bazaar, the world's oldest and largest undercover market.

On a smaller scale, but closer to home, Salamanca Market in Tasmania is a vibrant streetscape of the state's finest artisan products.

With so many amazing experiences to be had, think about how you like to spend your time to come up with an itinerary that will tick all your boxes whether you want to race, explore, sip, or shop.

ⁱ <https://nypost.com/2022/09/20/americans-say-they-vacation-in-the-same-places-poll/>

ⁱⁱ <https://tourpreneur.com/few-airbnb-experiences-generate-significant-revenue-according-to-the-latest-arrival-research/>