

# INTEGRA INSIGHTS

*Great Advice Greater Life*

Winter 2019



INTEGRA  
FINANCIAL SERVICES







## WELCOME to our Winter Newsletter

Winter has arrived! We are all now finally reaching for our coats and scarves to protect us from the winter chill, after an unseasonably warm autumn. Which is the exact time for us to all be sure we are doing what we can to look after our health and protect us from the dreadful coughs, colds and flu that seem to be everywhere.

Health and well-being has been front and centre for me (and the Integra team) over recent months you will understand why when you get to my personal note towards the back of this newsletter. To help you survive the winter nasties, we've included some "Winter Wellness Tips" from Lara this month.

As many of you would be aware, Integra celebrated its 20th Birthday a few years ago and over that time we've had people come to us as a result of decisions they have made about their money that have definitely raised our eyebrows. Anthony came across a great article "Why Smart People Make Dumb Mistakes With Their Money" which explains some of the human behaviour when making investment decisions. It's an interesting read!

One of the biggest conversations I have with clients as they prepare to transition to retirement is understand how much they will need as a nest egg to live the life they want to live. As their financial adviser it is then up to me to sit with them and ensure that they are able to enjoy life today but also to build and grow their nest egg to have the financial security and freedom they deserve in retirement. "Don't just plan for retirement; Plan for life" should give you some insight to some common issues in this area.

We've asked Justin McDonald – Financial Specialist from Nectar Mortgages to share with us what's happening in the property market and what to expect whether you're a first home buyer, purchaser or investor in the coming months. No the election is out of the way and with the recent interest rates cut will we see some normality returning to the lending market!

Overall the last quarter has been a complex and turbulent time for financial advisers as the effect of the Royal Commission plays out and the new education and professional standards requirements coming into effect. Many advisers are choosing to in due course leave the industry and others now required to complete additional education or bridging courses. All financial advisers are required to complete an exam to establish their education standard, which includes Anthony and myself. As an industry we are on the pathway to being recognised as a profession which is something that we value highly here at Integra Financial Services.

If you have any questions for myself or the Integra team please don't hesitate to contact us.

Deborah Kent CFP®Dip FP MAICD FChFP  
Financial Adviser | Director

### CONTENTS

Welcome - Page 2

Why smart people make dumb mistakes with their money - Page 3

Don't just plan for your retirement; plan for your life- Page 4

Some normality returning to the lending market - Page 5

Natural winter wellness with essential oils - Page 5

A personal note of thanks - Page 6

Bulletin Board - Page 7

# Why Smart People Make Dumb Mistakes With Their Money



Buy low, sell high. Were it so easy! When it comes to investments, many of us are swayed more by feelings and intuition than by sound judgment. The Minute Therapist does not offer stock tips, but it draws attention to the risks posed by implicit cognitive biases on an investor's bottom line. Here are some examples:

## 1. Masters of the Universe Fallacy

What it is: Thinking we know more than we really do.

Comment: We overestimate our ability to pick winners and shed losers. We think we see patterns in stock-market movements where there are none.

## 2. Self-Serving Bias

What it is: The tendency to take credit for our successes and explain away our failures.

Comment: There's an old market saying, "Don't confuse brains with a bull market."

## 3. Inertia Bias

What it is: Operating on the belief that things will stay as they are.

Comment: Believing that what goes up, stays up, or what goes down, stays down. However, the fact is that things stay the same until they don't.

## 4. Fixedness Bias

What it is: The tendency to continue to do the same thing, despite evidence that it is no longer working. (Otherwise known as Einstein's definition of insanity)

Comment: You continue to buy stocks that were the darlings a few years back, but whose growth has come and gone.

## 5. The Personalization Fallacy

What it is: When the price of a stock plummets, we believe the fall is directed at us personally.

Comment: Investors may personalize their investments, believing they are being punished when a stock slides. When we personalize events that have nothing to do with us, we base our judgments on whether we feel deserving of praise or punishment, not on the evidence at hand.

## 6. Regret Theory

What it is: Investors resist taking a loss because it stands as proof that their first judgment was wrong.

Comment: People hold losing investments long beyond there is any sound reason to continue to hold them. Contrary to the dictates of rationality, investors are prone to let their losses ride (sometimes all the way to the ground).

## 7. Pain Outweighs Gain

What it is: Placing different emotional weights on gains and losses. Individuals experience much greater distress after losses than happiness after equivalent gains.

Comment: The emotional arithmetic here is that money lost is twice as important as money gained. Behavioral economists believe that investors typically consider the loss of \$1 dollar to be twice as painful as the pleasure received from a \$1 gain. Investors have an aversion to taking losses when stocks decline. Consequently, they hold losers far too long and sell winners far too quickly in order to minimize the pain of a realized loss.

## 8. Availability Heuristic

What it is: Basing investment decisions on the availability of information that comes readily to mind.

Comment: Buying the stock of a company that is currently in the news may lead to investment decisions based on momentary fluctuations rather than underlying fundamentals. Moreover, publicly reported news is most likely already baked into the stock's current price.

## 9. Hindsight Fallacy

What it is: The tendency to look back on something that's already happened as though it had been inevitable and therefore predictable.

Comment: The hindsight fallacy leads to exaggerated confidence in one's ability to forecast future events. People say to themselves after a market correction, "Now I know better. Now I know the signs when to get out." Really?

## 10. Identification Bias

What it is: The tendency to personally identify with stocks you own.

Comment: Investors will sometimes use the collective "we" to refer to stock movements, as in "We had a good day" or "We can do better next quarter." Another well-known market saying bears repeating, "The stock doesn't know you own it."

Source: *Psychology Today* – Jeffrey S. Nevid Ph.D., ABPP – *The Minute Therapist*

# Don't just plan for retirement; Plan for your life

In the financial services industry, advising people to spend money is like being a doctor encouraging ice-cream consumption. There is a good reason why investment firms recommend setting aside as much as possible for retirement: many people in or approaching retirement fall short of what they need to be comfortable, according to the Association of Superannuation Funds of Australia standard for a comfortable retirement, so the adequacy question is real enough.

But it is a discussion with two sides, and increasingly data and research is pointing towards an unexpected issue which is that people in retirement appear to be being unnecessarily frugal.

While it is generally not smart (or sustainable for most people) to go out and spend at will (or to eat nothing but ice cream), a good way to view the spend / save relationship is through an "everything in balance" approach.

A comfortable retirement is a long-term goal, and you need a plan to achieve it. Consistent contributions via a diversified, low-cost portfolio are a good place to start. Ideally start young so that compound interest can help you across the finish line. Avoid unnecessary debt. Do all these things, but if you also love model railroads, crave a baking career, or just want to visit Coober Pedy before you die, isn't that part of the reason you are saving today?

Ideas for matching your financial planning to your personality abound. You are no longer locked into logging every dollar you spend into a spreadsheet, unless you like doing it that way. There are lots of neat new online tools to help with budgeting, saving and keeping track of spending that can work for you.

One of the strengths of the Australian super system is its mandatory contribution regime but when it comes to drawing down those hard-earned savings in retirement the system is still immature, so it is not surprising that people are conservative about drawing down from super when they (a) don't know how long they will live for (b) what investment performance they can expect or (c) what provision they need to make for health and aged care costs as they grow older.

Government regulations dictate that we have to withdraw minimum amounts from our super pensions each year – for those aged under 65 that starts at 4% a year, rising to 5% for those between 65 and 74 and so on until it reaches a maximum withdrawal amount of 14% for those over 95.

The government rules are designed to ensure that savings that benefited from super's tax concessions eventually come out of the system. So these rules are driven by tax policy and were never intended to be the recommended way for retirees to spend their super.

But in the absence of any other guidance, it is hardly surprising that many people treat these as recommendations and only withdraw the minimums, just as many people only save the mandatory 9.5% in the savings phase.



So while there is understandably a lot of focus on saving enough in super to pay for retirement, perhaps the next focus needs to be helping people develop lifestyle spending plans.

Remember too, that many of the personal finance numbers you see are averages and may not be relevant to your situation. Some of you may inherit a portion of the estimated \$2.4 trillion in wealth expected to be transferred from Baby Boomers to the next generation. Longer lifespans also may mean you can work and earn for more years than previous generations did.

Now, sit down, scoop yourself a healthy-sized portion of ice-cream, and start planning.

*Source: Smart Investing, Vanguard Australia - Robin Bowerman, Head of Corporate Affairs at Vanguard Australia*



# Some normality returning to the lending market

For some time now Australians have been finding it hard to get credit. The genesis of this goes back to the government's desire to slow the housing markets in Sydney and Melbourne at a time when they were at record highs and seen as over-inflated. As opposed to the way the government has dealt with this in the past (simply raising interest rates), this time around it took a number of alternate steps to curtail bank lending.

This can best be thought of as turning a number of dials to limit access to credit, consequently slowing demand, and subsequently house prices. As a policy step it was incredibly successful, but with house prices now under control it is time to turn back some of those dials so the economy isn't overly slowed.

Key moves taken by APRA from late 2016 included:

- 10% limit on investment lending
- Maximum 30% of loans being interest only
- Pressure on calculation of living expenses
- Pressure on how external debts are factored in

A number of those constraints have already been removed, and now APRA have flagged that they may allow the banks to set their own assessment rates. At the moment most banks assess loans at 7.25%, despite clients being able to access rates well under 4%. It is projected that an assessment rate of 6.25% could see peoples borrowing power increase by as much as \$60,000, thus getting them into a property that was previously out of reach.

This is great news for first home buyers and investors alike (whether you're already in the market or are looking to enter). First home buyers will also receive the benefits of the government's new proposal that will see certain groups be able to purchase a property with as little as 5% deposit, and without the need to pay mortgage insurance.

Investors will be aided by the increased affordability as well, and their situation will be improved with the banks now able to offer interest only terms more easily (one of those other dials APRA has moved back to more normal levels).

Of course, the risk with any of these things is that the extra demand in the market will see prices push up again, but the small size of the first home buyer scheme means that is unlikely. It should help slow the fall in prices though, which will be good for current property owners. Analysts that were predicting a bottoming of the market in mid-2020 are now pulling that time-frame forwards.

So, in summary, whether you're a first home buyer, purchaser, or investor the changes around affordability assessment rates are a good thing, and with the election out of the way there is now some certainty as to the policies we'll be working with. A likely interest rate cut will do even more to improve affordability and reduce repayments for those with debt. All in all, plenty to be happy about.

*Author: Justine McDonald - Finance Specialist, Dip FMBM, CA ANZ Nectar Mortgages.*

# Natural Winter Wellness with Essential Oils

My Family and I have tackled these cold and gloomy days naturally with doTERRA Essential Oils. Being a busy Mum with a hectic family schedule to deal with, I've found using essential oils can help in many ways.

We only use the purest essential oils to support our family and knowing how well they support my 3 children empowers me to make the best choices.

Here are our top essential oils tips for winter

- On Guard is the Protective Blend and is great to use daily to boost your immune system and keep the bugs at bay. Apply diluted On Guard to the soles of your feet, chest and spine.
- Diffuse On Guard and Easy Air each day.
- Peppermint oil can help reduce a fever naturally by diluting and rubbing on the soles of the feet and back of the neck. Peppermint can also help with congestion & sinus. Place 1 drop in your palm, rub hands and inhale deeply.
- Dilute Frankincense and apply to the soles of your feet for healthy cellular function and powerful relaxation. Frankincense is not only known for its powerful healing properties but also helps with any anxious or sad feelings.
- Easy Air oil blend is wonderful to support children and ourselves, through colds and flu. It's the NATURAL version of other products that you may have rubbed on your children's chest OR had rubbed on you when you were little.
- Dilute the Easy Air oil with fractionated coconut oil and apply to chest, or place a drop on your pillow or in your diffuser.
- Diffuse 2 drops Lavender Peace, 2 drops Cedarwood & 2 drops Cassia at night for beautiful warming winter nights and a restful sleep.

Happy Winter!

Love Lara  
The Essential Oil Emporium



# A Personal Note of Thanks!

I wanted to take this opportunity to share something personal that I have been experiencing over recent months that some of you would be unaware of.

Last December I was diagnosed with a low-grade breast cancer; for the past 12 years I have been with a wonderful doctor at the SAN hospital in Sydney having regular checks due to an extensive family history with cancer. The aim was always to achieve early detection; which I am glad to say we did. Given the risks because of my history, I opted to have a bilateral mastectomy and a reconstruction done; following in the footsteps of Angelina Jolie!!

After an 8 week recovery, I am happy to say that I am now well enough to return to work, comfortable knowing my long-term health is secure. I'm fortunate to not require Chemotherapy or Radiotherapy and I feel blessed to have had this outcome.

I share this with you as I want to take this opportunity to thank the extraordinary team at Integra for their hard work and support through this time. A special mention to Anthony Pears who has shouldered all the load in my absence and has done an exceptional job looking after clients and managing the team. Thank you also to Payal and Liam for your great work.



Whilst my intention is to not make this about financial advice, consider Trauma Insurance to assist with the financial load. These procedures are expensive and if you want your own doctor and hospital even with private health insurance you will be out of pocket considerably. Of course if you opt for the public system you won't have some these out of pocket costs, in my case if I had been in the public system, I would not have been able to get the surgery and choices that I opted for.

I want to thank my Doctors, Professor Michael Hughes and Dr Charles Cope, all the staff and breast care nurses at the SAN Hospital Wahroonga for the amazing care that I received. Thank you also to those clients who sent cards and their well wishes.

I look forward to being back doing the work I love and seeing everyone at our next appointment.

Deborah Kent



Have I learnt anything from this experience?

For women it is ensuring you check your breasts regularly and please have your check-ups. Sadly, 1 in 8 women will be diagnosed with breast cancer however the survival rate is now about 91%. Early detection is the key if you don't feel confident doing this have your GP do it for you, I especially shout out to young women, this disease has no age limit and unfortunately it is affecting more younger women every day.



## Special Announcement

Congratulations to Cliff Austen on receiving his Order of Australia recently for services to the sport of Shooting.

Cliff Austen was a bit wary of an email telling him that he was an Australia Day honour winner. "It looked like a scam to me," he said. However, his wife Sue suggested he should reply and say he would accept the award.

Mr Austen then received official notification a month ago and received an Order of Australia medal for service to the sport of shooting. He is slowly getting used to the idea that he would be given such an award. "I felt a bit embarrassed," Cliff said. He said getting the award was an honour, but added many other people around the country also deserved to be acknowledged.

His association with the Nowra Rifle Club covers many decades and he has been president since 1994. When Cliff first got involved the club's membership was around 12-14 people and it now stands at 450. Mr Austen said people had the wrong idea about what rifle club members do.

"People say to me 'what do you shoot? They are surprised when I say paper," he said. "We are not about killing." Cliff said the sport gave people the chance to socialise in a safe and friendly atmosphere. "People get the chance to get out in the fresh air and make friends," he said

Cliff is a proud Australian and proud to celebrate Australia Day. "Australia is a great country and offers people many great opportunities," he said.

His achievements include:

- President, New South Wales Shooting Association, since 2008.
- President, New South Wales Match Rifle and Long Range F Class Association, since 2015.
- Former Secretary and Public Officer, Illawarra and Districts Rifle Clubs Association, 2000-2018.
- Former Councillor, Council of the New South Wales Rifle Association.
- Former Shoalhaven Branch Official, Sporting Shooters Association of NSW.
- Former Committee Member, Shoalhaven City Council Nowra Rifle Club.



## Notice board

We would like to wish Payal all the best for the impending birth of her first child. Payal will be going on maternity leave from the 14th June. We will miss her however we know she will be back joining the team when she is ready.



We will be welcoming a new team member to Integra soon, watch this space for an announcement.



Anthony was delighted to receive some well earned treats for all the hard work during Deborah's leave.

## Oreana Update

We have now settled in with our new Licensee Oreana, as part of our compliance with ASIC at your next review we will be updating your personal details with us including assets, income etc. We will then be writing a foundation Statement of advice based on your current situation. This may mean our appointments will go just a little longer than normal.



Integra Financial Services  
Suite 4, Level 6, 91 Phillip Street  
Parramatta NSW 2150

info@integranet.com.au  
(02) 9891 2855



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