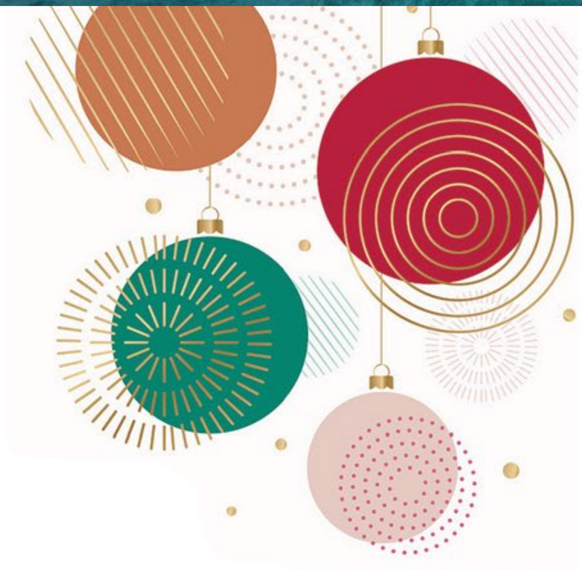

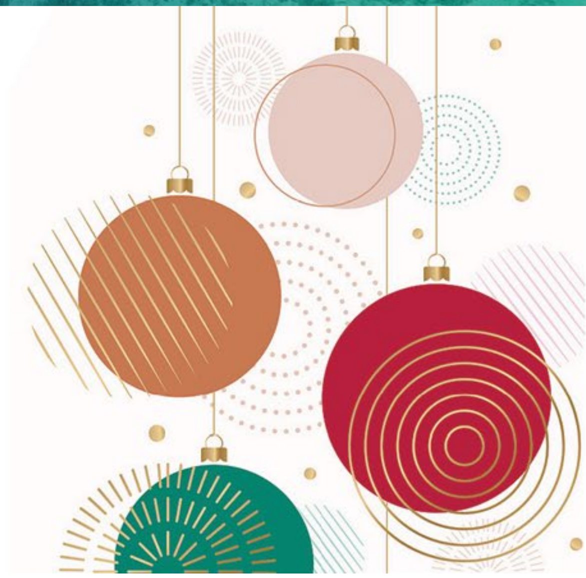

December 2021

December and summer have finally arrived, and you can almost hear the collective sigh of relief as 2021 draws to a close.

As November drew to a close all eyes were on the new strain of the coronavirus, Omicron. Global shares fell sharply on fears that Omicron will spread more easily than other variants and existing vaccines may be less effective against it. Europe is already facing a spike in COVID cases and new lockdowns. Global oil prices fell 10% on Black Friday (November 26) on the threat of renewed border closures and reduced demand for air and road travel. Markets are likely to remain volatile until there is confirmation that a new vaccine can be created quickly, which experts believe is likely.

Elsewhere, the economic smoke signals were mixed. Australian company profits rose 4% in the September quarter, and 5.4% over the year, supported by government subsidies. Not surprisingly, the NAB business confidence index rose 11.2 points in October to 20.8, its second highest result on record. But wages growth is lagging, up 0.6% in the September quarter and 2.2% over the year. Unemployment increased from 4.6% to 5.2% in October while underemployment rose from 9.2% to 9.5%. While retail sales jumped 4.9% in October as lockdowns ended in some states, consumers remain jumpy. The ANZ-Roy Morgan consumer confidence rating fell over 2 points in October to 106.0. Adding to hip pocket nerves, the national average unleaded petrol price hit a record high of 170.4c a litre in November. The Aussie dollar fell 4c in November to US71.2c.

Whatever your plans for the holidays, we wish you and your family a happy festive season.

Coast to Country Financial Planning
157 Maude Street
Shepparton VIC 3630

P 03 5831 7654
E admin@ctcfp.com.au
Facebook c2cfp

– THE GIFT OF –
giving this Christmas

Christmas is a time when we come together to celebrate with our family and friends. And, for those who haven't been able to see friends and family due to border closures, it will be an even more joyous occasion this year.

Gift-giving is typically a big part of celebrating Christmas and provides a great opportunity to reach out to support those who have done it tough this year.

Charity is not just about money

There are so many ways you can give back to the community. It's not always about making a monetary contribution – giving your time is just as valuable. Volunteering at the local soup kitchen on Christmas Day or helping at your local Foodbank or food rescue service like OzHarvest can be just as valuable. Donating clothes, blankets or any other household items that will help those less fortunate or vulnerable is always welcome, especially at shelters for both men and women.

In recent years, gift bags or hampers are becoming increasingly popular too. It's as simple as buying non-perishable food items or toiletries from the supermarket and creating a food hamper or gift bag.

Every Christmas, Kmart has the Wishing Tree Appeal whereby you can purchase a gift for a child and leave it under the tree in the store.

If you're unable to donate cash or volunteer your time, a blood donation at the Australian Red Cross is another option. They are always in desperate need of donors.

And when you donate, you'll not only get to enjoy a little snack afterward, but you'll receive a text message a few days later telling you exactly where your donation went.

Donating regularly

During the pandemic, there was a significant decrease in the number of donations made to charities across the country, and unfortunately, the amount of money we donated declined as well. People were unsure about job security, whilst others had chosen to donate specifically to the Bushfire Appeal early in 2020.[i]

Now we are coming out the other side of the pandemic economically, reports show donations are rebounding and are on the rise again. Those who donate, do so regularly and they usually have specific charities that they donate to. This may be due to personal circumstances or to support something they are passionate about.

If you're considering donating to a charity this Christmas, you may want to do a little research first to find out exactly how your money is being distributed. How much goes directly to those in need and how much is being spent on admin and running costs. This is an important factor for many and may impact your decision in terms of which charity you choose to support.

The positive effects of donating or volunteering

Donating - whether it's our time or money - will always make us feel good, but it shouldn't be the key driver. Think about the impact your donation or time will have on those who are on the receiving end.

Donating will not only have a positive effect on the recipient, but it can also be beneficial to your children. You can teach them from a young age that giving back to the community can be very rewarding for many reasons.

Maximising your donation

There are so many charities to choose from in Australia, but it's also worth considering international organisations as well.

You may prefer to donate locally, but if you decide to choose an international charity, your dollar will more than likely go a lot further. Especially in developing countries, where they may need clean water, medical supplies, or even infrastructure to build schools for young children.

Remember, if you donate $2 or more, you may also be able to make a claim on your donation at tax time.

So, whether you're volunteering at a homeless shelter or soup kitchen or giving a monetary donation – helping others who are less fortunate could be the best gift of all this Christmas.

To find out more about volunteering or donating in your local city go to - *https://christmasinaustralia.com.au*

i JBWere and NAB Charitable Giving Index

INVESTING FOR INFLATION

Inflation appears to be firmly on the rise and while that is bad news for consumers it's not necessarily bad news for investors. In fact, inflation may provide new opportunities.

In the September quarter, the consumer price index (CPI) rose 3 per cent year on year, a level previously not forecast to be reached until 2023. The underlying rate of inflation, which removes extreme price changes and is generally considered a more accurate reflection of what is happening on the ground, increased 2.1 per cent on an annual basis.

Now the Reserve Bank of Australia (RBA) is looking at bringing forward interest rate rises in the wake of this growing inflation rate. When it does, it will be the first time in 11 years that the bank has raised interest rates.

This development is highlighted by the RBA's relaxing and then abandoning its target for the 3-year government bond rate (the benchmark) which it had originally set at 0.10 per cent. By the start of November, the market had pushed this rate above 1 per cent, 10 times the RBA's original target, effectively forcing its hand.[i]

The RBA's stated aim is to keep the inflation rate within its 2-3 per cent target range. But some seasoned market observers are forecasting the rate could get as high as 3 to 5 per cent by 2023, and perhaps a touch higher.[ii]

So why is this happening now?

Factors behind the rise

There has been a combination of factors leading to the uptick in inflation, mostly resulting from events stemming from the COVID-19 pandemic and the prospect of a recession fading fast.

These influences include cost pressures from global and local supply chain bottlenecks along with higher energy prices, an uptick in rents and rising insurance costs.

A shortage of labour, partly on the back of the absence of migration and casual overseas workers throughout the pandemic, is now also putting pressure on wages.

For some months, there has been debate over whether inflation was just a transitory event in the wake of COVID, but it is beginning to look more permanent as the months go by.

Opportunities for investors

Inflation is not all bad news for investors, but it may change the way you think about your investments.

The low interest rate regime that led to soaring property prices has left many investors with healthy gains in asset prices, adding to their wealth. While the move to higher interest rates may make borrowing money harder and take some of the boom out of the housing market, it is worth remembering the gains made to date are unlikely to be completely wiped out.

But it's not just property; all major asset classes are highly valued at present.

Rising inflation traditionally erodes the value of bonds and cash. As interest rates move north, the appeal of those bonds offering the current low rates will fall and in turn so will the price.

As a result, it may be worth assessing whether your asset allocation to bonds is still appropriate for your circumstance and long-term goals, as floating rate bonds or inflation linked bonds may be more appropriate.

Quality stocks still attractive

The reduced appeal of longer-term bonds traditionally increases the appeal of equities as a better hedge against rising inflation.

Also, with a once-feared double dip recession now looking unlikely in North America, Europe, China and Japan, many companies are expected to enjoy continued growth in what is still a low interest rate environment.

While sharemarket returns may be more modest than in recent times, many companies still offer potential. Quality companies offering a high return on earnings, a lowly geared balance sheet and the ability to set prices, will continue to provide attractive investment options.

Inflation and interest rates

The challenge with a higher inflation rate is that it could outpace any growth in interest rates, leaving those weighted towards long-term fixed interest investments in a situation where their money is being eroded over time.

As the global economy begins to shift gears, now may be the time to consider reviewing your portfolio to reflect the changing conditions.

If you would like to know more about whether your current investment mix is appropriate for your circumstances and the times, please give us a call to discuss.

i https://www.rba.gov.au/media-releases/2021/mr-21-24.html

ii https://theconversation.com/australias-reserve-bank-signals-the-end-of-ultra-cheap-money-heres-what-it-will-mean-170928