



PROFILE'S CORNER

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*Asset class returns referred to in this publication are based on the following indices: Australian shares: S&P/ASX 300 Accumulation Index. International shares: MSCI World (AUD) TR Index. Fixed interest: Bloomberg Composite All Maturities Index. Cash: Bloomberg Ausbond bank bill Index. Gold: Spot Gold Bullion (USD).



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Emerging to a new normal

By Peter Coleman, CEO

This is a transcript of the video contained in our new format, electronic newsletter that can be found at [Profile Financial Services](#)

Hello and welcome to the 2020 Spring edition of the Profile newsletter.

My name is Peter Coleman and I speak with you today as the chair and interim CEO of Profile Financial Services.

In preparation for my opening comments for the newsletter, I decided to reflect upon the autumn and winter editions and my messages and comments within. The themes that I expressed in the last two articles remain consistent with my message today as governments, households, businesses and not for profit organisations all face crisis of leadership. In Australia the drought, bush fires, floods and this pandemic have put pressures on families, businesses, communities and political leaders to step up, and work together in an environment filled with uncertainty and danger.

2020 has been a year of great challenge, tragedy, hardship and sorrow for billions of people globally. I am sure that as you read or listen to these words you can easily relate to this observation from your personal experience and also in terms of your empathy with other humans across the globe, who are battling with a direct and indirect effects of the COVID 19 virus and the financial and social impact associated with government policy in addressing the pandemic risks.

The crisis created by the virus and the impact of government policy aimed at eliminating and controlling the spread is real, and we feel and respond to the consequences every day - Wearing masks, working from home and not seeing close or distant family, restrictions on celebrations such as marriages, funerals, major life events, hospitalisation, quarantining - the list is endless. And fear in the community seems to rise with each new statistic.

This is new territory for our leaders, not just governments, but leaders in education, health, leaders in households and families. In order to succeed more so than ever in the past half century, people need to work together providing guidance, direction, support and empathy to each other.

Nelson Mandela once said, 'The greatest glory in living lies not in never failing or falling, but in rising every time we fall'. This quote has never been so relevant as it is for us and our fellow humans today.

In Australia back in June, it seemed as the worst had passed, but we now see Victoria struggling to contain the second wave of infection and boarder closures by states is now common. I thought I would never see in my lifetime the government action such as this – boarder closures and curfews.

We at Profile see our roles throughout the crisis as providing leadership. For the first few months of the crisis we looked to react quickly to the circumstances by protecting our people and our clients from the infection by being fast followers to government policies and shutting down our offices, postponing public events and reaching out to you electronically to eliminate the risk of infection, yet support your investment needs. Over the past few months we have been more proactive than reactive, as we are now working closely with our clients and staff to not just survive the crisis but to provide leadership and direction beyond just the next 6 months.

As the Mandela quote suggests history will judge us on how we rise to the multiple challenges not how we falter them. As a business we are in a sound financial position and we are currently reviewing our strategic objectives and their applicability in a COVID and post COVID environment.

Our focus on you physical and mental wellbeing is best serviced through helping you manage your portfolio and provide you with the best advice appropriate to your needs and environmental circumstances. Our fund's investment strategies proved resilient through the COVID market correction, falling significantly less than the market, and have recovered much of the correction performing strongly over recent months.

Our goal-based approach, that ensures our clients hold sufficient liquidity to weather short term market movements, ensured that no clients were forced to sell down their portfolios at market lows. It is at a time of market stress that the value of advice is realised. We remain focused on your needs and open to discuss how we can support you further.

COVID has taught the world many lessons and the role of innovation in our future is but one, yet an important one. We will look for learnings and opportunities and amidst the turbulence - social and financial that is likely to prevail, and remain committed to provide the support that protects and enhances your life, your lifestyle and your family.

I thank you for your support over the past years and particularly over the past 7 months and I encourage you to reach out to your adviser and let us know how we can serve you better. Reach out to me and I will with the support of the Profile team respond and support you accordingly.

Strong resilient and empathetic leadership is what we all need now and it begins in our homes, businesses, governments. Our future is in our hands and we at Profile intend to continue stepping up to the plate and delivering for our clients our staff and where we can our communities. We will adjust our business model and be as innovative and open as possible to ensure we remain relevant to your needs.

At the moment we continue to operate remotely via phone, emails and video conferencing. This is likely to continue for the next 3 – 6 months depending on the situation in NSW and Victoria. Our way of working together has changed and we thank you for adapting yourselves so well. Please let us know if we can help you communicate with us better.

In this newsletter we begin by experimenting with this video article. I would love to hear your feedback on this approach.

I am closing with another quick quote from Nelson Mandela: 'A winner is a dreamer that never gives up'. As a business we remain resilient and look for ways to lead you our people and their families. I think we can dream of better days ahead and make it happen by leading wisely and consciously. Thank you for being resilient.

We remain your committed and trusted advisors.

New beginnings?

By Jerome Bodisco, Head of Investments

Spring is traditionally known for being the season of new beginnings. A big part of me wants that to be the case especially in light of our current predicament. Perhaps you feel the same? After more than 6 months in hibernation I sense we are all itching to get back to our old routines and move on from this unusual state of suspended animation we find ourselves in. Could Spring herald the beginning of the end and a new beginning?

Over recent months, we have witnessed the full gamut of emotions from despair to hope to optimism. We were confronted by the shocking news that Australia was in recession and that current economic conditions are as bad as we have experienced since the Great Depression of the 1930s. We all know unemployment has skyrocketed. We probably know one or more friends and family doing it tough right now. Almost every sector has been affected, some more than others. The news that QANTAS is planning to cut up to 2,500 more workers at airports across Australia after letting go of 6,000 employees is a clear sign that all is not well in the world and that economic recovery is going to take longer than we could have imagined. Sadly, the Reserve Bank of Australia forecasts that 1.3 million Australians will be

out of work by the end of the year. What a catastrophe.

With so much bad news circulating it is hard to get excited about the future when you smell like sanitiser! However, there are signs that the worst maybe behind us and that some semblance of normality is returning. Firstly, on the health front, the daily statistics signal that Australia has had great success in suppressing the virus. Recovery levels are high and mortality rates are very low compared to other countries. Despite the setback in Victoria, the data suggests that the peak has been reached and that infection rates are starting to trend down.

We also understand that treatments and vaccines are well advanced with early reports that human trials have commenced in some countries and that preliminary findings are encouraging.

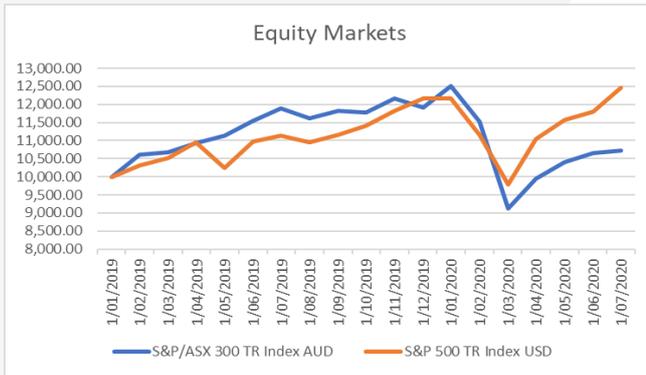
Secondly, with news that the virus is under better control (touch wood), some State Governments are now in the process of relaxing their tight border restrictions. Once these controls are removed, domestic travel and tourism will likely take off like an A380. Perhaps some of those poor retrenched QANTAS workers will get their jobs back?

Thirdly, we all know the Government has responded to the crisis with the mother of all stimulus packages to assist millions of Australians ride out the crisis. The generous Job Keeper and Job Seeker programmes have been extended out to next year avoiding the much talked about 'September cliff' casualties if the emergency measures were removed all at once on the 30 September.

Meanwhile the Reserve Bank has done a lot of heavy lifting behind the scenes ensuring ultra-low interest rates and a commitment to do whatever it takes to lower the unemployment rate. So far so good. Early access to superannuation has also proven to be popular. These lifelines provided by the Federal Government and our central bank have certainly limited the damage that otherwise may have been experienced. The Federal Budget scheduled for the 6 October is also expected to reveal other measures which potentially may further stimulate the economy. I'll be watching this with interest.

On balance, all of these things including better than expected economic data suggests that a gradual recovery is now underway. In the paraphrased words of Mark Twain, reports of the economy's death may have been greatly exaggerated. At least that is what the forward-looking financial markets are currently indicating!

After falling heavily in March of this year, global equity markets have recovered spectacularly as this chart of the Australian ASX300 and the US S&P500 suggests:



Source: Lonsec / Profile

The rebound has been led by the US share market, but other international markets are also showing signs of life. The S&P 500 is up over 50% and above its February record high, making it the fastest ever recovery in modern times after crashing over 30% (considered a bear market) earlier this year.

The surge in demand for technology shares such as Facebook, Amazon, Apple, Netflix, and Google have seen the tech heavy Nasdaq gain almost 75% from its March 23rd lows. Extraordinary! With a US election looming, stubbornly high unemployment, and high rates of infection, it is simply hard to believe that the US equity market has ignored all the worries of the world yet has hit record highs.

The Australian share market hasn't done quite as well as the US but nevertheless it has risen 35% like a phoenix from the ashes courtesy of recession proof sectors such as Consumer Staples, Health Care and Information Technology. It all makes you wonder whether the stock markets of the world know something we don't.

Overall, I feel that after a couple of hiccups, as a society at large we have done very well. As Winston Churchill said, never waste a good crisis. I don't think we have. Whilst the pandemic has turned our lives upside down, and the future may feel and look very different, I am increasingly optimistic that something good will come out of this and a new beginning will spring out of the Winter of discontent. Perhaps this is what the financial markets seemingly know already?

Can I use my super for a house deposit?

By Charlie Warner, Associate Financial Adviser

If you open the newspaper on any given day, there's a high probability there will be an article written about the affordability of the Australian property market. As we have seen a steep rise over the past 20-30 years with the median house price in Sydney reaching \$1.1 million. It's easy to appreciate why it's becoming difficult for Australian first home buyers to get a foot in the door.

Understanding this issue, the Australian Government introduced an incentive during the 2017 budget known as the First Home Super Saver

Scheme. In most cases banks require between 5% and 20% of the value of a home as a deposit before they are willing to lend the remaining amount to a potential borrower, therefore eager property buyers will need to save between \$55,000 - \$220,000.

The First Home Super Saver Scheme aims to address this issue by helping those saving for a deposit by accelerating the process through their superannuation account.

How the First Home Super Saver Scheme works

Superannuation fund members have always been able to make additional voluntary contributions into their superannuation account to boost their retirement savings pool. Although, in the past, it has been very difficult to withdraw money from superannuation before retiring. Under this scheme, you are allowed to make additional voluntary contributions up to \$30,000 (Maximum of \$15,000 per financial year) to your superannuation account and then withdraw those contributions in the coming years, in order to purchase your first house.

Who can use the First Home Super Saver Scheme?

- The FHSSS is open to anyone who has never owned a property before (this includes investment properties and land).
- You must also be 18 years or older to request a determination or a release of amounts under the First Home Super Saver Scheme.
- It is also important to ensure that you intend to live in the premises you are buying for at least six months of the first 12 months you own it.

What are the benefits of the First Home Super Saver Scheme?

1. The main financial benefit of the scheme stems from the existing superannuation tax concessions. By utilising the scheme correctly, you can save on personal income tax which can help you save for a deposit faster. This is due to concessional super contributions only being taxed at 15% whereas your marginal tax rate can be up to 45%.

To put this into perspective, if you earned \$70,000 a year and made salary sacrifice contributions of \$10,000 per annum, after 3 of saving, approximately \$26,000 will be available for a deposit.

Whereas if you decide to save these funds through a standard savings account you will have saved approximately \$20,000. Giving you a net benefit of \$6,000 over the three-year period.

2. As the savings will be locked away in the superannuation account until you are ready to purchase a home, you will be able to remove the temptation of purchasing unnecessary items.
3. Another key benefit is that the scheme applies to individuals therefore if you are a couple,

theoretically, increasing your capacity to a maximum of \$60,000.

4. With interest rates at all-time lows, saving through your superannuation account will earn a deemed rate of return equivalent to around 3 percent per annum.

What do I need to be aware of?

Like any government incentive, there are a couple of drawbacks to using the First Home Super Saver Scheme.

1. The contributions made to your super fund are not withdrawable in the event your circumstances change (for example you decide to continue renting or inherit a home). In this case, your voluntary contributions will remain within your super account until you reach your retirement.
2. All funds held in your super fund must be released and received from the ATO before signing a contract to purchase a home, limiting the immediacy of accessing your funds.
3. When making these contributions it's important to consider the caps for before-tax contributions of \$25,000 and after-tax contributions of \$100,000, if you exceed these caps in a financial year you may have to pay additional tax.

As eluded to earlier in this article with Sydney house prices on average cost around \$1.1 million, the First Home Super Saver Scheme will probably not be enough to put towards the whole deposit although it is a very helpful tool to purchase your first family home quicker.

How we can help?

While the First Home Super Saver Scheme may be perfectly suited to you, there is a lot of fine print that may detract from the initial appeal. If you are saving or know some who is saving for their first home, we highly encourage you to mention this to your financial advisor.

Travel Hotspot – Pacific Palms

Profile is covering Australian destinations in 2020.

By Karla Jones, Insurance Specialist

Three hours North of Sydney and 15 minutes South of Forster lies a cluster of tiny coastal hideaways, locally known as Pacific Palms, which I am fortunate enough to call home.

Most people have heard of Boomerang Beach, which is famous for surfing competitions due to its rock ledges which form great waves, however the area also encompasses Elizabeth Beach, Blueys Beach, Shellys Beach and a few others.



From crusty old surfers to modern day hipsters, our area attracts one and all. Nestled between Myall Lakes and the Pacific Ocean and surrounded by National Parks, we are spoilt for choice with various water activities and bush walks. Loads of visitors come to the area for the fishing, snorkelling, kayaking, markets and of course the surfing.



The water temperature in the ocean in these parts takes a little longer to warm up but we are treated to warmer water through to April. I've lost count of how many whales and dolphins we see playing in the water. It's pretty special when you have dolphins surfing the waves just metres away.



Every October, our area hosts the 'Great Lakes Food Trail' which is where our local producers of organic meat, eggs, artisan bakers, wineries and buffalo dairy (to name a few) open their doors to the public to visit their farms and can purchase produce and see how it's all made. It's really lovely that our local cafes use a lot of local produce and that we can purchase this all year around also.

A short drive North, and you'll arrive in Forster where there are more awesome beaches,



restaurants and cafes. A short drive South will see you at my personal favourite beach in Seal Rocks! Our whole area is connected by 3 lakes; Wallis Lake, Smiths Lake and Myall Lake, where the water is so clean they have set up a series of Oyster farms.



If you haven't travelled up the Mid North Coast of NSW, you should do yourself a favour and book a trip soon!

Client Profile – Darren Robertson

By Sacha Loutkovsky, Senior Risk Adviser

Darren Robertson had been at Base Camp for 2 days. He was standing outside of his tent when he noticed the thundering roar of massive helicopter. Base Camp is at about 5000m and helicopters usually don't go much higher than that because the rotor blades can't grab the air, but it continued up the valley and disappeared. A few minutes later it reappeared. Dangling from its underbelly was a thick wire, from which swayed a stretcher covered in a tarp. It was the body of a Russian climber who had died on the Khumbu icefall. That's when Darren understood that climbing Mt Everest has real consequences.

An expedition to Everest takes around 7 weeks. During that 7 weeks you cling to life on the side of this tempestuous mountain. You have just a tent to sleep and eat in. You might be lucky to shower once but don't count on it. There's a lot of downtime waiting for the right weather to summit. You do a few

climbs to various camps and back down again to get acclimatised. Whilst physically many people are capable of more than they realise, Darren says forging your mental fortitude during this time is crucial.

From Base Camp the first challenge is the Khumbu ice fall, which is a 700m climb over a living, breathing wall of ice, which looks like a Pavlova that's been smashed. It's always moving, creaking and shifting underfoot. If you fell in, you'd be crushed, and no one would ever find you. The first overnight camp of the climb sits on the other side of this treacherous void.

From here it's onto Camp 2 and overnight again. The Lhotse Face is the next challenge in a series of exhausting days. The Lhotse face holds Camp 3 and it terrorises climbers. The deep blue, hard ice is so steep that your body is pushed to its very limits. You're still nowhere near the summit and already showing the strain. This is where people start to turn back.

One foot in front of the other Darren continued the brutal ascent. Around 8000m he was completely alone except for the full moon, the small patch of light from his headlamp and lightly fluttering snow. But something was wrong, he couldn't breathe. The oxygen mask was sticking to his face like a suction cup. He realised there was no oxygen coming through his tank because the valve had frozen. He had to clear the valve somehow, but it was tucked away under his jawbone. There was only one thing to do - uppercut himself repeatedly to try to shatter the ice in the valve.

As if out of thin air his Sherpa was suddenly there. He breathed back down into the valve to clear the final pieces and gave it back to Darren, who was now struggling to breathe. The first greedy breath Darren sucked in was warm and garlicky, the remnants of the Sherpa's breath. Not ideal, but better than the alternative.

This was a defining moment on the mountain for Darren. One commitment he made to himself was that he would not turn back because of fear. A medical or unforeseen event where he had to stop was fine, but if it was fear then he had to push through. It was a good thing he did because the summit was (only) 2 hours away.

The sun was shining in a clear, blue sky when a humbled and exhausted Darren stepped onto the summit of Mt Everest on May 23rd, 2010. He sat there thinking to himself, "this is absolutely incredible, it's the biggest achievement of my life...but what's next?".

What's next was getting down the mountain. Everyone talks about getting up Mt Everest, but the summit is only half the expedition. Getting down is often more dangerous because of fatigue, dehydration, altitude illnesses and the potential lack of oxygen.



Not far from the top Darren had to go around a climber who was not responding. He had to unclip from the safety rope on a thin, exposed ledge and clip into another rope that he found close by. As Darren was about to step off the ledge he realised he hadn't checked the anchor point of this new rope and as his body weight started to take him off the edge he found himself about to fall 3000ft holding both ends of the rope, like a cartoon sketch. Thankfully he was grabbed by the harness by another climber and pulled back onto the ledge before gravity took him into the abyss.

Further down the mountain Darren selflessly helped a stricken climber who was delirious with cerebral edema. This is where the fluid builds up around the brain, impairing nerve function and potentially resulting in death.

When Darren made it to Camp 3, having become separated from his team, he spent a lonely, cold night in howling winds, getting almost no sleep and feeling sure that his tent would be blown away with him in it.



The next day, even more exhausted, he climbed down to Camp 2 and met up with the rest of the team. From here everyone went back to Base Camp together, all with their own stories to share.

Everyone has their own reason for climbing Mt Everest. Darren says for some it's glory, for some it's adventure, for some it's the challenge. He realised that for him it was about learning what he is capable of and who he really is. He doesn't have to prove anything to anyone, which is what he had been doing up until that point in his life. To quote Sir Edmund Hilary – 'It is not the mountain that we conquer, but ourselves'.



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