



PROFILE
FINANCIAL SERVICES

PROFILE'S CORNER

SUMMER 2021

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CONTENTS

Table of Contents

Profile CEO Update	3
Hindsight from 2020.....	3
Leave entitlements before you retire.....	5
Travel Hot Spot – Canberra, ACT.....	6
Client Profiles across the years	7

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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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Profile CEO Update

Welcome to Volume 38 of our quarterly client newsletter. In this section, I provide an update on what's happening at Profile.

By Peter Coleman, CEO

Hello and welcome to our 2020 summer newsletter.

It is fair to say the year 2020 has been filled with tragedy and suffering for people, communities and countries as the world grappled with the global COVID-19 pandemic.

Governments and communities have reacted to the pandemic in a variety of ways. Community lockdowns, new health regulations, awareness programs and of course financial and monetary policy to support individuals, businesses, and organisations.

At Profile we prioritised our focus early in the year to ensure that our clients and staff were able to operate and communicate in a safe manner. This then allowed us to focus on supporting your advice and wealth investment needs.

As a CEO and chair of the Profile group I'm very proud of how our people responded to the changed circumstances and maintained their focus on client service and support. There is no doubt that this was a tough year in many ways and communities here and abroad have seen health issues spike, particularly in areas placed in long term lock downs. Many of our fellow Australians will need continued support beyond a vaccine and I believe it important that we all look to reach out and help those in need, our colleagues, clients, friends, and families.

In pursuit of this goal the staff of Profile recently spent a morning in the offices of the Salvation Army filling Santa Christmas packs with toys and gifts for children from financially and socially distressed families. It was a humbling experience giving back to the community and a stark reminder that 2020 was a tough year for millions of families globally.

This year you will find attached a link to a video of the team in action that morning and a Profile family Christmas message:

<https://www.profileservices.com.au/?p=2406>

Hopefully 2021 will be a year of healing and we, like others, are looking forward to a better year ahead and hope to see a few vaccines released early in the New Year.

Infection rates now remain high in many countries including Europe and the US and the threat to global economic stability remains. In Australia our government, supported by the people have had success in containing the virus thus far and Australians haven't suffered as much loss as the rest of the world has coming up to Christmass.

At Profile we are looking forward to the break and spending time with our friends and family.

We wish you a Merry Christmas and thank you for your continued support over the past year. We remain fully committed to providing you with the best advice and support possible and our business and our people are positioned well to weather any continued economic disruption.

There are many challenges to navigate in 2021 and we are continually updating ourselves with current and quality research to ensure we advise and support you well in this time of health and economic upheaval.

Our team remains at your disposal and we all look forward to a healthier, happier, less volatile world in 2021. I hope you enjoy the newsletter.

My very best regards,
Peter Coleman.

PROFILE WILL CLOSE FOR A CHRISTMAS BREAK AT 5PM, THURSDAY 24TH DECEMBER 2020. WE WILL REOPEN AT 8.30AM, MONDAY 4TH JANUARY 2021.

Hindsight from 2020

By Jerome Bodisco, Head of Investments

What a year it has been! 2020 started with a Summer to forget as bushfires raged across the country. Sydney was blanketed in choking smoke and haze. Face masks became commonplace and ironically, become a precursor (and must have accessory) for the strange times that lay ahead. Then, unexpectedly, our lives went from bad to arguably worse as the pandemic took hold. The masks went back on. Millions were forced into lockdown. Australia experienced its first economic recession since the one 'we had to have' back in 1991.



Fast forward 9 months and it appears that the worst may well be behind us. The prospect of getting back to normal is seemingly within our grasp and is leading to increasing optimism that you can almost feel. There are clear signs that recovery is gaining momentum and that the recession that we 'couldn't avoid' will be short lived. In fact, the Reserve Bank of Australia recently suggested that economic growth has turned the corner and increased solidly in the September quarter despite the lockdown in Victoria. Now that's worth a selfie!

Ultra-low interest rates and a massive injection of financial stimulus spending has clearly limited the damage. The Job Seeker and Job Keeper programmes have kept many businesses and individuals afloat during this challenging and unusual time. More and more people are starting to return to work. The UGG boots are off! According to Government sources, 178,000 jobs were 'created' last month. Consumer confidence is also up across the country. There's noticeably more foot traffic in the cities and cars on the road. State borders are gradually being reopened for business. Travel and tourism are starting to show signs of life and planes are starting to return to the skies.



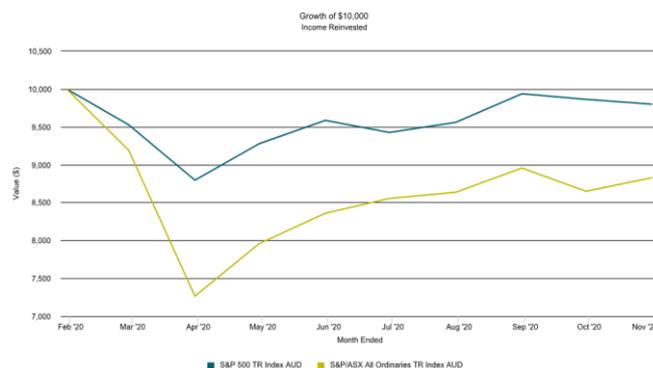
The 'lucky country' has certainly lived up to its reputation. We have done a relatively good job by international standards to control the spread of the virus. Recent outbreaks have been localized and ICU cases have been few and far between. This is in stark contrast to the northern hemisphere where the virus is having a devastating impact as they come into Winter. We wish them well.

Despite our good fortune to date, there are still risks that we shouldn't downplay or ignore. The domestic economy will take time to fully heal and many businesses may not survive when JobKeeper benefits come to an end in March next year. Further complicating matters is the ongoing and deteriorating trade and diplomatic dispute with our largest trading partner China. It is early days, but one suspects that this isn't going to help us in the short term.

The silver lining to all the doom and gloom we have experienced this year, has been the incredible news that effective vaccines are in development and available well ahead of schedule. In fact, we

learned in November that several big pharmaceutical companies such as Pfizer, Moderna and AstraZeneca/Oxford have developed vaccines with efficacy levels greater than 90% which is simply beyond our wildest expectations. Typically, the design and development of vaccines can take many years so what has come to light recently is truly a remarkable accomplishment. The world and markets are rejoicing and are now looking ahead to 2021 with some optimism.

Speaking of optimism, investment markets have surged over the past couple of months led by US equities (S&P 500). The Australian stock market has lagged overseas counterparts but even it is starting to make the most of the Santa Claus rally seemingly underway. With cash rates at all-time lows, continued stimulus, and positive news concerning vaccines, investor sentiment is starting to return. The fact that equities look cheap suggests that there is further upside potential and barring another incident, should continue to do well into 2021.



Source: Lazard Wealth Generated: 01/12/2020

We cannot say for certain what is going to happen next year of course. 2021 is anyone's guess but there are many signs that support the thought that better times await us. But we know hope is not a strategy nor is taking unnecessary risk when faced with an unknowable future. Profile's proven approach, however, takes the guess work out of investing by ensuring you always have cash at hand (liquidity) to draw upon when you need it, particularly during extreme events as we have witnessed throughout 2020. Our disciplined and meticulous focus on managing risk ensures that the impact of any unpredictable market falls is cushioned and minimised so that your capital is preserved and the likelihood of achieving your financial goals is maximised over the long run.

Remember that investing is not a set and forget strategy. It requires regular attention and fine tuning. If you have any concerns about your current investment portfolios or just want a portfolio 'health check', do not hesitate to get in touch with your Profile adviser who stand at the ready to assist and advise you.

On behalf of Profile's Wealth and Investment teams, I wish you and your families the best of health and prosperity as we enter the new year.

Leave entitlements before you retire

By Kurt Ohlsen, Senior Financial Adviser and Nicholas Calhau, Associate Financial Adviser

Let's say you've decided to retire, what are some things you need to consider? Most importantly, you should talk to your adviser to confirm that you're in the financial position to fund your retirement. But even after you've gotten all clear in this regard, there are some other details you need to think about before you finally take the plunge. In this article, we will be focussing on the considerations surrounding your leave entitlements.

Note that the scenarios and strategies discussed are for normal retirement circumstances, and do not apply to redundancies or approved early retirements.

As you approach your retirement, you'll most likely have accrued substantial annual and long service leave, and how you choose to receive these leave entitlements can have multiple consequences for your financial position. With most employers, you have the option to either:

1. Take this leave as a lump sum on your retirement date.
2. Use it up progressively while remaining employed, and then officially retire at the end of this leave period.

SG Super Contributions

If you use up your leave while remaining officially employed, you will continue to receive superannuation (SG) contributions. You will not receive these with a lump sum payment. For example, if you have \$30,000 of accrued leave, at an SG rate of 9.5%, that is a difference of \$2,850.

Leave while you are on leave

You will accrue additional annual leave while you are still on leave. As an example, if you are on a \$100,000 package and have 4 months of leave, while you are on leave you will accrue another 1.33 weeks of leave or an additional \$2,564.

Personal tax savings

Depending upon the exact timing of your retirement within the financial year, and the amount of leave to which you are entitled, you may be able to spread some of the payments across multiple financial years.

For example, let's suppose you receive a base salary of \$100,000 with no other income, you retire at the beginning of May, with four months of accrued leave. If you choose to take the leave as a lump sum, the \$33,333 payout would all be taxed at a rate of 34.5% (inclusive of the Medicare Levy), which works out to be \$11,499.88. If you instead take the leave progressively, you will only pay half of the \$33,333 at the 34.5% tax rate. The other half received in the new financial year will be tax free, so your total tax saving would be \$5,749.94.

Concessional contributions and tax savings

Spreading your leave entitlement over multiple financial years will also allow you to utilise another year's concessional superannuation contribution caps. This can make a big difference for high income earners or where you have other income. Another benefit for high income earners is the in the new financial year you may fall below the threshold where Division 293 tax making the tax savings from your concessional contributions even great (don't worry if you don't know what Div. 293 tax is as if it applies to you will know about it).

Eligibly to contribute and the work test

If you are aged between 67 and 74 at the time you retire, continuing to receive leave entitlements in a new financial year will satisfy the superannuation 'work test,' allowing you to make additional superannuation contributions in that year.

Defined benefit funds

If you have a defined benefit entitlement, such as an SSS benefit, then the optimisation criteria become even more complex than those outlined above. Your nominated fund retirement date and final average salary can have a big impact. You'll want to speak to your fund and get some estimates for the different options you are considering, such as taking your long service leave at half pay. Ideally, you'll also want to speak to your financial adviser, as often you only have one chance to make the right decision, and what you decide to do can significantly affect your wealth in retirement.

Centrelink assessment

If you receive your leave entitlement as a lump sum, then although that lump sum will not be assessed by Centrelink as income for Age Pension means testing, the amount you receive will be added to your assessable assets, and assessed for the income test as well according to Centrelink's deeming rules.

Note that this exemption only applies to the Age Pension. For other Centrelink benefits, an 'income maintenance period' calculation applies, which may negate any beneficial effects of receiving your leave as a lump sum.

If you instead take your leave progressively, it will be assessed by Centrelink as income. However, if you are over your age pension age (between 66 and 67), an exemption might apply to these payments, which could reduce this amount by \$300 per fortnight.

Non-financial consequences

Although there are many financial advantages to using your leave entitlement up progressively, it can have other non-financial consequences.

A clean break with the retirement/lumpsum payment option sometimes provides certainty and peace of mind and can outweigh the financial benefits often associated with extended leave option.

With some employers, particularly in the public sector or large corporates, your manager may not be permitted to hire your replacement while you are officially employed and on leave. This could mean that your employer will be understaffed while you are receiving your leave entitlements, which could have adverse consequences for your former colleagues. Although this is not really a financial planning consideration, it is a reality for many people who adopt this strategy, and you should bear it in mind.

Immediate access to your funds

The most significant advantage of taking your leave entitlement as a lump sum is that you will have immediate access to these funds. This might be useful in providing the peace of mind of clearing your debts, paying the deposit on your sea change new home, or maybe just funding the new caravan.

There is not a one size fits all approach when it comes to planning your retirement and planning well ahead invariably will provide more options. This not only gives you and your Adviser plenty of time to optimise the financial side of things, it also can give you (and your partner) the time to start mentally and emotionally preparing for your retirement.

Travel Hot Spot – Canberra, ACT

By Lena Ridley, General Manager

We continue our 2020 coverage of Australian destinations.

This year there was no place like home...for living, working, educating our children, socialising (online) and staying safe. We are privileged to live on the lower north shore of Sydney and home – in the literal sense – meant that our family has spent 2021 watching the pandemic unfold through the traffic and activity on Sydney Harbour. It's been a fascinating viewpoint from the safety of our balcony.

While our eyes watched, we talked night after night about the world around us and current events. We expressed gratitude for our health, our family, our employment, and our place in the world. Our hearts went out to those facing great challenges and we helped where we could. Sometimes though, we yearned for things. Like many others, what we missed most this year was physical contact with my parents, our children's grandparents. So as soon as we were permitted, we headed for my hometown, Canberra to see them.

I have long loved my hometown despite the verbal ribbings it gets from its older siblings, Sydney and Melbourne. Having lived in all three cities, this year brought a refreshed appreciation for the designated heart of our nation.

From a tourist point of view, there is much on offer. The Australian War Memorial is a must as is the National Gallery of Australia and the National Museum of Australia for those visiting for a short

time. Worth a look is also the National Portrait Gallery, the Australian Institute of Sport, Parliament House, the Royal Australian Mint, and the National Arboretum. The Arboretum is ambitiously growing 100 forests and 100 gardens focussing on threatened, rare, and symbolic trees from around the world. A fantastic initiative after the Canberra bushfires of 2003 left this part of our nation's capital barren and desolate.

For families, there is the interactive kids' science and tech museum, Questacon. My first visit to Questacon was as a five-year-old and it continues to get better over the decades. A visit to Gold Creek Village will reward the kids through the National Dinosaur Museum and the miniature towns and villages of Cockington Green Gardens. The English style pub, The George Harcourt Inn provides a break for those seeking a soothing ale.



Cockington Green Gardens

No matter the season (and pandemics aside), it is worth planning a trip around one of the great events that Canberra hosts throughout the year. Perhaps the most famous is Floriade, a spring flower and entertainment festival traditionally held in the centrally located Commonwealth Park. For runners, I highly recommend the Canberra Times Running Festival in April. There is a distance for everyone from a kids 2km to the 50km ultramarathon. Each course circulates around iconic Canberra locations in the beautiful autumn air through wide streets lined with trees sporting leaves of yellow, red, orange, and brown.



Explore <https://visitcanberra.com.au/events> before you go as there are world-class events and visiting exhibitions being held at the galleries and museums.

The Canberra region offers much as well. For the wine buffs, the cool climate wines of the region should be investigated on either your journey to Canberra or journey home. There truly is no place like home.

Client Profiles across the years

By Lena Ridley, General Manager

One of the most interesting and satisfying elements of working at Profile Financial Services is hearing the varied and fascinating life stories of our clients. We are endlessly amazed at the people who come into our business and our lives and it is our privilege that you come to Profile seeking advice and assistance. Being of help to you where we can, is our reason for being.

We have profiled many of our wonderful clients over the years and in this issue, we look back with fondness at a few of those stories.

Arthur Bullen

Arthur was our first client feature in April 2011. We chose to feature Arthur as he had met original co-founder, Frank Smith in the early 1950s and was one of the longest-tenured clients that Garry Ohlsen, our founder, was handing over to the good care of another Adviser within Profile upon his retirement that same month. We were inspired by Arthur's passion for life and his commitment to helping others. Volunteers make a huge contribution to Australian society and in this unprecedented year, we have needed volunteers more than ever. If you've thought about volunteering but aren't sure where to start, one good place to look is Volunteering Australia's website, at: www.volunteeringaustralia.org

Arthur sadly passed away in November 2018, aged 92. We are proud that Arthur's wife, Audrey is still a long-term client of Profile.

Neil Wilson

Family connection and values are important at Profile where the Ohlsen family name started with Garry and is currently represented by Board member and Senior Financial Adviser, Kurt Ohlsen. In January 2012, we featured one of Kurt's client, Neil Wilson. Neil had successfully moved Romar, an engineering business started by his father in 1965 into robotics, winning innovation awards along the way. Kurt reflected in this article that,

'Neil and I have often spoken about our shared business succession experiences, and I asked him why he thought it had worked well at Romar. Neil says, "Before I joined Romar, my dad sent me out into the world to learn a few things first, so I felt I had something to bring to the business right from the start. When I did join, I worked my way up from a junior engineer operating the machines on the floor, so I knew the business from the ground up and people felt I had done my time." Neil then progressed to managing the factory floor and eventually even swapping roles with his dad; letting Bob get back to where he loved working while allowing Neil to learn the management aspects of the business with a great mentor close by.

Neil says, "Dad and I were always partners 50/50, and he always supported me when I wanted to take the business in a new direction. We were great mates and great partners - in life and business - you can't ask for more than that."

Neil and his family are still clients of Kurt's today.

Christine Bull

The time and opportunity to travel freely can be a rewarding part of the retirement years, where clients have worked hard for decades building successful careers and raising families. In a year where we have not been able to travel freely, I have reflected regularly upon our Travel articles and client adventures.

Christine Bull was featured in November 2018, where 'the internationally respected businesswoman has morphed into an accomplished photographer'. Christine was spending her retirement travelling to all corners of the globe to focus on conservation and the natural world. We were transported through 'volunteer work in Africa with elephants, big cats and in local villages, expedition travel to the jungles of West Papua, touching grey whales in Mexico, repeated visits to Antarctica, herding reindeer in the wilds of Lapland in winter – all recorded through her camera. Her website is packed with images from her travels and activities, a combination of nature, wildlife and colour.

The images on Christine's website <http://caughtincolour.com.au/> now invoke both memories and hopes for the future. Christine remains a treasured client.

Natalia Rybak

In January 2020, when the bushfires decimated some areas of our country and the global pandemic shock was yet to be felt, client and staff member, Natalia Rybak reminded us 'that people around the world are basically the same – her friends in Ukraine, Canada and Australia all face the same challenges and talk about similar issues. It's about knowing you can survive anything, anywhere when you believe in yourself. When you're young, you don't question your ability to go and do something. We are optimistic and that is special. As we get older, it's important to remember that.'

Nat's journey from Soviet-occupied Ukraine to starting a new life in Canada, to travelling the world and raising a family in Australia is inspiring. This year, many people of all ages have been restricted both physically and, in their ability, to follow their hopes and dreams. As 2020 closes and we remain uncertain about 2021, we understand perhaps more than ever how true Nat's words are.

As we get older, it's important to remember that.



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