



PROFILE
FINANCIAL SERVICES

PROFILE'S CORNER

AUTUMN 2022

Issue 43



CONTENTS

Table of Contents

Profile CEO Update	3
Inflation and Interest Rates	3
“Your Future, Your Super” – Explained.....	5
Travel Hot Spot – Bologna, Italy.	6
Staff Profile Alison Mercier	7

FACTUAL INFORMATION AND GENERAL ADVICE WARNING

This newsletter is issued by Profile Financial Services Pty Ltd. (ABN 32 090 146 802), holder of Australian Financial Services License No 226238. It contains factual information and general advice only and does not take into account any investor’s individual objectives, financial situation or needs. It should not be relied on by any individual. Before making any decision about the information provided, investors should consider its appropriateness having regards to their personal objectives, situation and needs, and consult their financial planner. Past performance is no guarantee of future performance.

*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).

Profile CEO Update

Welcome to Volume 42 of our autumn newsletter. In this section, I provide an update on what's happening at Profile.

By Lena Ridley, CEO

In our last newsletter, I looked forward to a healthier, happier, less volatile world in 2022. What the year has delivered thus far feels quite the opposite in many respects. Covid has swept through our families, schools, and workplaces. Markets have been volatile. Many in our community have suffered from devastating floods and globally, unrest continues to escalate with terrible consequences. The impact of all of this on our cost of living is becoming prohibitive to some.

Since the bushfires of 2019 and the onset of covid in 2020, we have remained resilient and optimistic about the future. We have learned (or relearned) how adaptable and strong we can be. The cycles of history tell us we should still strive for a healthier, happier, less volatile world. It is our love and commitment to a better world for our children and grandchildren, our care and service ethic, and outpourings of community support and spirit that will see us through.

Part of Profile's client service ethic is the aim to continually improve on the value we deliver to you. You would have received an email from me in recent days asking you for valuable feedback via a Client Satisfaction Survey being conducted by external research house, CoreData. The survey remains open until the 11th of April 2022. We would appreciate the opportunity to hear from you.

You may also receive a document to read and electronically sign via DocuSign in the coming weeks. The regulations governing our industry have shifted again and some of our reporting obligations to you have changed. The document consolidates our previous, annual Fee Disclosure Statement and Ongoing Service Agreement documents. It will detail our ongoing service commitment to you along with disclosures and forward estimates on fees. If you have a review booked with your Adviser before 30 June 2022, they will walk you through the document in the meeting. If you only hold your insurance policies with Profile, then you will not be required to sign the new document.

The Federal Budget has not delivered any shocks this year in the face of a large deficit and a looming election. We look forward to seeing you again in person and discussing the election outcomes and relevant Budget impacts at our Federal Budget & Election seminar in late May. Email invitations will arrive shortly after the Federal Election date is announced.

This year we have also welcomed new staff. Michael Killocoat joins us as a Client Growth Manager to work on finding new ways to deliver value to you and new clients. Josef Coates joins Adviser, Kelly Lindsell as her Associate Financial Adviser and you may speak with Sara Beckinsale on the phone or meet her in the Mudgee office. Sara joins long-term staff members, Sharon Cruickshank, and Natalia Rybak as the front line of our office operations.

Profile remains here for you and your family no matter what the year may deliver. Please reach out at any time. My very best regards to you and your family,

Lena Ridley

Your Invitation to our Federal Budget and Election Seminar is coming soon to your inbox



Save the date

Tuesday, 24 May

Epping Club Ballroom

6pm until 8.30pm

light refreshments and beverages served throughout the evening

Inflation and Interest Rates

By Kurt Ohlsen, Senior Financial Adviser

As a Financial Adviser, one of the most common questions I am asked is "what is going to happen to interest rates?". In today's environment of high household debt, record low rates and rising inflation, interest rates are as topical as ever.

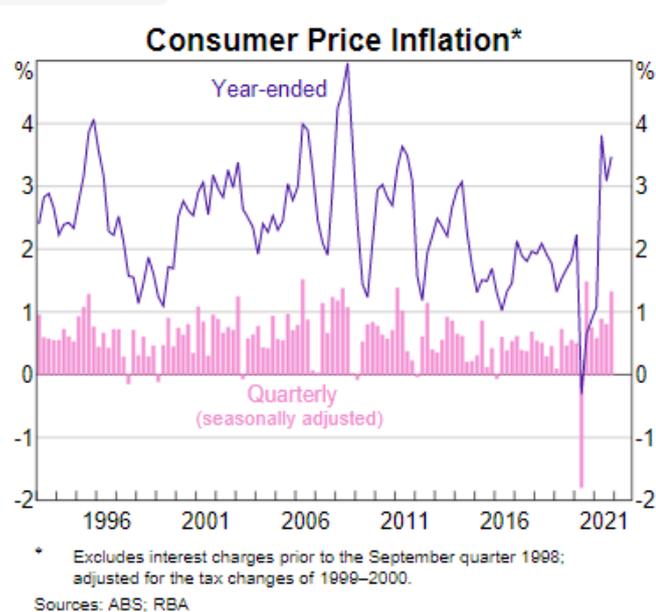
What is the answer? Given the current record low cash rate of 0.1%, it is safe to say rates are going UP. Before I elaborate on when and by how much, let's revisit what drives interest rates.

The Reserve Bank of Australia (RBA) is charged with setting monetary policy, which includes the cash rate. This in turn largely drives the variable interest rates that the banks are charging. While the cash rate is

currently 0.1%, the average variable home loan rate on a new owner-occupied loan is 2.94%¹.

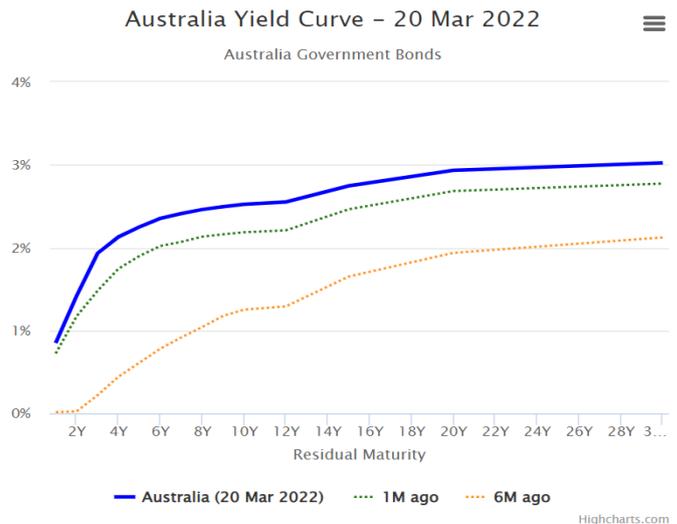
The duty of the RBA is to contribute to the stability of the currency, full employment, and the economic prosperity and welfare of the Australian people¹. To achieve these goals, they use interest rate policy to target an inflation rate of 2–3% on average over the medium term.

Up to the December 2021 quarter, inflation has risen 3.5% over the last year off the back of higher oil prices, as well as higher prices of imported goods due to overseas inflation as well as little retail discounting given strong demand and supply chain issues.



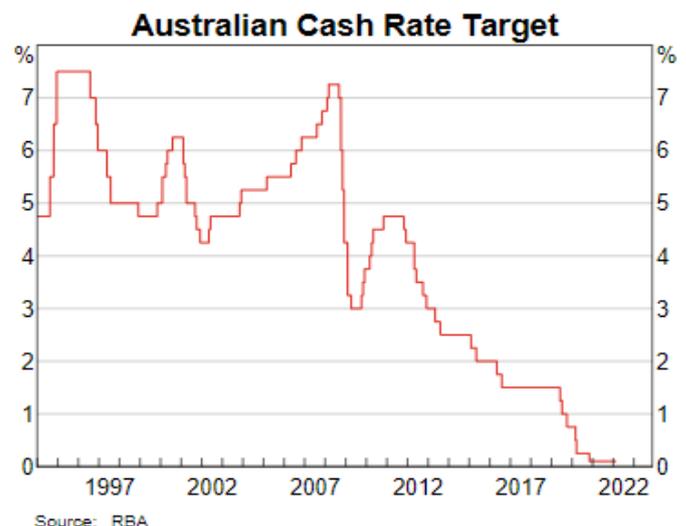
While the current inflation rate is above the RBA's upper target rate of 3%, in their recent March Board minutes they noted they remain committed to a highly supportive monetary policy (read "we are not putting rates up") until inflation is sustainably within the 2-3% target range. With a lot of the current inflation being driven by energy prices, which are traditionally quite volatile, and supply chain disruptions, which they believe may resolve themselves, The RBA are yet to conclude that inflation is sustainably above the target range that would warrant an interest rate change.

While the RBA has been saying that it is committed to highly supportive monetary policy and did not expect to be putting rates up in 2022, the market has already started to price in rate increases in the second half of 2022 and expects it to go up from there (as the blue line in the chart below shows).



The two things that I believe will invoke a rate rise from the RBA is firstly, if inflation is above the upper target range after the impact of energy prices is excluded (it is not now with the rate sitting mid-range if it was) and secondly, if we start seeing some strong wage inflation above the upper band. While the RBA would welcome some wage inflation, it can be "stickier" and lead to inflation that is less transitory and harder to get under control.

While rates are expected to go up in the coming months, they are still likely to remain relatively low by historical standards.



This is because the RBA has a highly effective tool at their disposal. Given high household debt levels and low starting interest rates, raising interest rates are expected to have a big impact.

¹ <https://www.rba.gov.au/about-rba/>

If we apply the market expectation that interest rates are going to be 0.75% higher in 12 months' time and applied this increase to the current average new loan rate of 2.94%, the rate will have increased to 3.69%. On an interest only loan, which a lot of investors have, that is a 25% increase in your repayments. For an owner occupier, commonly on principal and interest repayments, it represents an 8% increase in repayments (assuming a 25 year loan term).

Borrowers hopefully have been getting ahead of their repayments given the continued cutting of interest rates over recent years. If not, now is the time to be reviewing the household budget and developing an action plan for when rates do start to rise.

“Your Future, Your Super” – Explained

By Charlie Warner, Financial Adviser

Highlighted in the media recently and in the Australian Government Budget was a piece of legislation named “Your Future, Your Super”. The Australian Government identified three key areas of the superannuation industry that needed to be reviewed. These are to provide clarity and transparency to their members when selecting their superannuation provider and the underlying funds.

The 3 key areas include:

1. **The underperformance of MySuper Funds*** This includes holding superannuation providers accountable for the product's performance annually.
2. **Multiple Superannuation Accounts** – This aims to stop the creation of multiple superannuation accounts for consumers. This is achieved by connecting all future employment-related contributions to a member's existing account.
3. **Super Comparison** – This will allow members the opportunity to make an educated decision and compare superannuation products through a new Government website comparison tool named “YourSuper”.

Your Future, Your Super Performance Test

It was identified in the Productivity Commission inquiry in 2018 there were large differences in investment performance for MySuper products.

The concern for the Government was that underperforming MySuper funds could have an effect on the overall balance of consumers, ultimately affecting their quality of retirement. Studies conducted by the Productivity Commission stated that a typical full-time worker who is in the median underperforming MySuper product would retire with a balance of 36

percent less than if they were in the median top-10 products. To place this into real terms, a 21-year-old earning \$50,000 per annum would be worse off by \$375,000 by retirement*.

The Government's intention is to remove funds that have continuously underperformed and charged high fees, along with creating greater member engagement in one of their most important assets. However, increasing the level of information could potentially lead to confusion for the everyday consumer which may result in poor financial decisions.

There are several steps you should consider:

- Visit the “YourSuper Compare Tool” and identify your fund's performance and fees against its peers.
- Adjust the compare feature to different timeframes to the shorter period such as five years. This will help identify if the underperforming funds have taken the integral steps to restructure as it may now represent as good value.
- Research if the fund offers other key features such as insurance. Changing superannuation providers can have an impact and leave you without life cover
- Consider engaging with a Financial Adviser

Stapling Members To A Single Fund

In the past, for a lot of Australian's starting a new job meant establishing a new superannuation account with that employer. This resulted in Australian's having multiple accounts with different providers. The goal of stapling is to stop this trend and to ensure that consumers have one superannuation account, therefore cutting the overall fees and insurance premiums members pay.

Stapling means that your superannuation account follows you wherever you are employed and provides a constant as you change your job. For example, if you decide to take a second job, your compulsory contributions will flow into the same fund.

YourSuper Comparison Website

To help members select an underlying investment fund (currently only MySuper Products) to grow their superannuation retirement saving pool, the Australian Tax Office has established an online comparison tool.

With over 80 MySuper products (as of August 2021) for consumers to select across the market, one of the most difficult decisions for consumers is to identify if the superannuation is appropriate to their circumstances. The YourSuper tool offers some very simple but effective metrics to help. These being; 7,5,3 year returns, annual fees, investment strategy, and whether the fund is restricted to certain members.

The website offers members an opportunity to gain key information on their current superannuation and prospective superannuation accounts. However, this

may not provide the full picture. New members seeking a fund for the first time may simply select the best performing or most cost-effective from the comparison tool. However, as previously stated past performance is not a good indicator of future performance along with the fact cheaper fees may not lead to a better financial outcome.

Finally, the tool does not take into consideration other features of the superannuation product which may be the reason they are charging higher fees such as income layering options, customisable insurances, and more investment options.

* The MySuper products are the underlying investment funds inside industry, retail and corporate superannuation providers. Generally being for members who do not choose their super fund when they commenced work with an employer. MySuper funds account for around a third of all superannuation savings accounts in Australia with an estimated value of \$900 Billion.

Travel Hot Spot – Bologna, Italy.

By Victoria Smith, Associate Financial Adviser

It feels exciting to write about overseas destinations again and I can't recommend Bologna enough if you find yourself in Italy. I feel incredibly lucky to have called Bologna my home for a year and a half, having finished my final year of studies at the Università di Bologna. It is truly one of the most impressive and underrated cities in Italy, affectionally named "La Dotta, La Grassa, La Rossa."



"La Dotta" (the learned one) is homage to the Università di Bologna, the oldest university in the world still in operation; its birth dating back to 1088. Wandering through the bustling streets of Bologna, you will be walking past some breath-taking courtyards, classrooms, and theatres. Open to visitors is the Teatro Anatomico, the fascinating 17th century Anatomical Theatre once used for anatomy lectures

and observed surgical procedures held by the medical school

Bologna has also earned the reputation of "La Grassa" (the fat one) for the incredible Bolognese cuisine. Think mortadella, prosciutto and parmigiano reggiano and you can be sure it came from Bologna's Emilia-Romagna region. To get the complete Bologna experience, be sure to try a local plate of tortellini in brodo and ragù alla Bolognese.



Finally, "La Rossa" (the red one) refers to the iconic red brick colour of Bologna towers, palaces, and rooftops. Known as the city of portici, Bologna has a network of roofed porticoes that extend for almost 40km, one of the longest in the world and securing UNESCO recognition. The centre of Bologna is Piazza Maggiore. Here you can sit in a café and enjoy view of the Basilica di San Petronio and depending on the time of year, an array of musical events or open-air cinema.



Just around the corner, you can see the Fountain of Neptune. Nearby, is Le Due Torri (the two towers). You can climb the taller of the towers, the Asinelli Tower, which is around 97 metres high. To reach the top, you need to make your way up 498 steps on steep, wooden staircases. Pictured is the view from the top - well worth the climb!

The Sanctuary of San Luca is one of the most symbolic sites in Bologna. The Madonna di San Luca is a basilica church sited atop of a forested hill, around 300m about the city plain. The panoramic terrace allows spectacular views of the city as well as the Bolognese countryside. The walk to San Luca, called the Portico of San Luca, begins in the city centre, and unwinds for four kilometres under portici archways.

For those not up to the steep incline, you can catch the San Luca Express from Piazza Maggiore. The number of portici has long been the subject of Italian folklore and superstition. It is said that the 666 arches and the length and shape of the portico resembling a snake, represents the serpent whose head is crushed by the Madonna, symbolised by the Sanctuary on top of the hills.



Giardini Margherita is the most popular park in Bologna, just south of the centre. You can enjoy a morning cappuccino with spectacular views of the lake from Chalet dei Giardini Margherita. In the evening, head over to Serre dei Giardini Margherita. It opens its old greenhouses, where you can enjoy an aperitivo with a selection of concerts, readings and cinema nights.



Bologna offers a deep and rich history, cuisine and landscape, contrasted beautifully with the bustling and youthful energy of an international university town. If you want to enjoy a quintessential Italian city, without the tourists, Bologna is calling you.

Staff Profile

by Alison Mercier Compliance Manager

In the early years of the Profile newsletter, we used to introduce a different staff member in each issue as a way of helping our clients know more about Profile's dedicated work-family. We hope you enjoy getting to know us all a little more again.

How long have you been at Profile?

I joined Profile in May 2000 and have enjoyed twenty-one years and ten months with Profile. I still consider the first day I walked into Creagh Cottage in North Parramatta to meet Garry and his team, as one of the happiest of my life. The years since have gifted me many treasured memories and surprise adventures with Profile's wonderful staff and clients. My Profile Family has been an important part of my life for almost half of my life!

What are you reading right now?

I am currently reading Richard III by William Shakespeare as my daughter Penny is studying the play in Year 12 and delights in spirited conversation involving her two great passions, literature and history. I read Penny's other prescribed English texts in high school and thought it best to be well-versed in Richard III rather than spend the year responding to each thesis and quote analysis with silent nodding. I'm amazed everyday by what I learn from my children, including today's insights on the inconsistencies between Shakespeare's portrayal of King Richard III and recent archaeological evidence.

Favourite recipe and where can we find it?

My favourite all-time recipe is my Mum's 'Chocolate, Chocolate, Chocolate Cake', the name my family lovingly bestowed on our sumptuous birthday treat. However, after standing in my kitchen for a full day baking and constructing the cake for a friend's 40th it is my favourite recipe for consumption, not preparation, and I now leave that task to the expert! My favourite recipe to prepare is 'Asparagus and salmon pastries', a simple meal I tossed together in the office many years ago when staff took turns cooking a fabulous array of their special dishes to share for Friday lunches. The 'Hot-smoked salmon and asparagus tart' from deliciousmagazine.co.uk is a faithful substitute for the recipe I use, which is not available on the internet. Depending on taste preferences you might replace the asparagus with fresh green beans and the smoked salmon with baked salmon fillets or even tasty barbecue chicken KFC style if desired. Finally top with a generous handful of baby spinach, rocket or mixed salad greens lightly dressed.



Any pets/kids/spouses?

I live with my amazing, supportive husband Rod and two beautiful teenage children, Penny and Hayden. Our pet is a stunning Siamese fighting fish who came home from Rod's office at the start of lockdown number one and decided to stay.

The one movie you just keep coming back to...

I have been known to watch 'Sabrina' a few times a year, and adore both versions, 1954 and 1995, for the laughs, tears, calibre of the casts, sublime scenery, fairy tale theme ...

Why do you work in financial planning?

My year 2000 career shift to financial planning was never in doubt after the offer to cross the historically fascinating threshold into Profile's administration office at the charming Creagh Cottage and work with the Profile team. I have cherished working in financial planning in my administration, paraplanning and compliance roles because of valued friendships, challenges requiring teamwork and determination, and the daily satisfaction of supporting clients and staff.

What are your top 5 key values?

Respect, kindness, dedication, honesty and family.

Who has influenced you most in life and how?

My Mum has been the greatest inspiration in my life, particularly her love, kindness and support when raising four children, followed by many years devoted to caring for family and friends.

What makes you smile?

My family sharing stories about their day.

Contact Us

 www.profileservices.com.au



Parramatta Office

L9, 100 George St
Parramatta NSW 2150
T +61 2 9683 6422



Sydney Office

L26, 44 Market St
Sydney NSW 2000

Mail to:

Profile Financial Services
Reply Paid 87949
Parramatta NSW 2124



+61 2 9683 6422



+61 2 9683 4658



admin@profileservices.com.au



Mudgee Office

27b Byron Pl
Mudgee NSW 2850
T +61 2 6372 0716

Mail to:

Profile Financial Services
Reply Paid 89571
Mudgee NSW 2850



+61 2 6372 0716



admin@profileservices.com.au

Profile Financial Services Pty Ltd

ABN 32 090 146 802

Australian Financial Services Licence 226238
Australian Credit Licence 226238