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BUY NOW PAY LATER – NOT FOR EVERYONE - *How to avoid the financial hangover this holiday season*

If the festive season often leaves you out of pocket or you find yourself with a large financial hangover post the holiday season, take stock now and don't be tempted to use alternate forms of payment such as buy now pay later schemes as an alternate to traditional payment methods or better yet, take control of your finances with a well-considered budget, and stick to a plan.

Industry statistics continue to reflect a slow decline in the use of credit cards, most industry pundits feel that the change reflects consumers taking a more conservative view in spending and a desire to pay down debt. This trend however is set amid a "buy now, pay later" boom, particularly within the millennial demographic.

While often viewed as a quick and simple solution for the purchasing of consumables, buy now pay later services is not something to rush into.

Buy now pay later payment services allow you to delay payment or pay by installments (often fortnightly) over a period of time.

What is buy now pay later?
Buy now pay later services are offered by providers such as:

- Afterpay
- Certegy Ezi-Pay
- zipPay
- Oxipay
- BrightePay
- Openpay

Buy now pay later services are offered by retailers and service providers so you can buy a product immediately and delay payment. You then pay off the product in installments over several weeks or, with some high-value purchases, over a longer period of time.

Buy now pay later isn't only offered for low-value purchases, like clothes and personal products. Expensive household items and health services can also be bought using buy now pay later.

How do these payment services work?
Buy now pay later services are offered when you shop online or in-store as another payment option at the time of checkout.

You can apply for and set up a purchase plan through the provider's app or website when shopping online.

If you're shopping in-store, a shop assistant will set up the buy now pay later application on your behalf. The buy now pay later provider will contact you when your application is approved. This is usually a quick process.

You will need to provide your bank or credit card details the first time you use these services so your payments can be deducted. You may also be required to pay either a deposit or the first installment up-front.

Refunds and returns
If you have a problem with the product or service you've bought, the shop or service provider's returns policy will still apply.

Are buy now pay later services worth it?
Buy now pay later services are often advertised as 'interest-free' or '0% interest', but the cost will add up if you can't make the repayments on time.

Smart tip
Always check the terms and conditions before you sign up, as they can be different for each buy now pay later service.

Here are some things to look out for before using these services:

Late fees - There's usually a late fee every time you miss a payment or pay late. These fees can add up over time.

Monthly account-keeping fees - Some of these services charge you a fixed amount for every month you continue to use their service.

Payment processing fees - You may be required to pay a fee for each payment, on top of your set repayment.

Source of Payments - Be careful if you use a credit card as the source of repayments. While the buy now pay later service provider touts zero interest, using a credit card as the payment source may take away any and all benefits of these type of services.

Managing your buy now pay later payments

Stay in control when you use a buy now pay later service by following these tips:

Plan ahead - Make sure you can afford the full price and that the repayments fit into your budget.

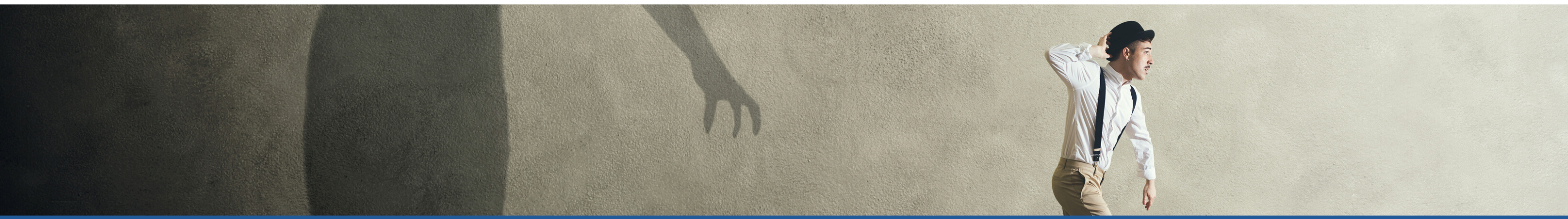
Consider any other bills or financial commitments due at the same time as your buy now pay later payments.

Don't get into debt - Consider linking your buy now pay later account to your debit card instead of your credit card. That way you're using your own money and avoid credit card interest.

Don't overcommit - Stick to a limit and aim to have only one buy now pay later at a time.

Ask for help - If you're having trouble making repayments, contact your provider straight away.

Source: Moneysmart



SMSF SCARE TACTICS - *ASIC's recent comments on SMSF needs to be better measured*

A recent ASIC fact sheet warning of the risks of small-balance SMSFs has been criticised for being unbalanced and based on flawed data. The fact sheet casts SMSFs in a poor light. However, it did raise certain considerations that all potential SMSF trustees should consider before starting their own SMSF.

The fact sheet was sent to all new SMSF members in November as part of a trial, and also made available to advisers. Its release came with a warning from the regulator of the potential downsides to SMSFs including concerns about low balances as well as a lack of engagement, experience or expertise.

ASIC further continued with its cautionary approach to SMSFs by expressing additional concern that a growing number of investors are setting up SMSFs when they are inappropriate for their circumstances.

ASIC's warnings appear to run alongside recent ATO activity that targeted SMSFs with a limited recourse borrowing arrangement (LRBA) in place. Often a single asset like property makes up the vast majority of the fund's assets, in some cases more than 90 per cent. With such a non-liquid, cash-poor asset with high costs and variable income, there is little potential to grow super beyond changes in the value of the asset as contributions are gobbled up in maintenance and other overheads.

Other areas of concern for ASIC included the client having a low super balance and a limited ability to make future contributions, a desire for simplicity in their super set-up, the client wanting to delegate all management and investment of their super to their adviser, and a lack of time on the client's part to manage their own financial affairs.

As trustees of their own fund, SMSF investors must remember that they are responsible for their fund's compliance with the law, even if they pay a professional to help.

Several points in the fact sheet have been questioned, in particular an assertion that it takes over 100 hours per year to run an SMSF. Experienced administrators argue that this figure is at least 40-60% over estimated.

For those members who do invest considerable time on their fund it's a probably a good thing as it is indicative of a strong engagement with their fund's situation and is more likely to be a matter of choice rather than necessity.

Many SMSF professionals also question ASIC's assertion that the average cost of running an SMSF is $13,900 per year. The figure includes set-up and wind-up fees that are one-off costs as well as "professional investment fees", which are not explained. Most professionals believe a figure of about half this amount would be a more accurate reflection of average costs for an average fund.

The premise of ASIC's campaign – to make investors aware of the potential downside in setting up an SMSF – is not the issue but rather the methods used to validate their concerns. Many agree with ASIC's efforts but are concerned about where they have calculated some of the figures and their attempt to use shock and awe to disturb.

The fact sheet's other main assertion – that balances under $500,000 "have lower returns after expenses and tax" – was raised in the Productivity Commission's December 2018 report into Superannuation. Many professionals acknowledge the need to clean up smaller SMSF balance accounts but believe $500,000 is an arbitrary amount to use as a benchmark.

The lack of any information highlighting the good side of owning an SMSF was one of the obvious shortcomings to the report.

These funds do not suit everyone and clients with questions about the suitability of using an SMSF in their retirement plans should talk to their financial adviser to better understand the merits and potential pitfalls of an SMSF.

Source: Professional Planner

PERSONAL COMPLIANCE - *your email, online & social media presence is often peoples first impression of you*

Whether we like it or not anybody putting themselves out there via their work email or the Internet and on social media sites and apps is building a personal brand.

Your personal brand and what you represent whether good or bad is interpreted from your activity online. Your comments and responses to various online comments and articles whether critical or in favour helps form a picture of you, so be considered in your approach, mindful of what you write or present. Done with a measured hand, it's possible to create something fun and memorable that can even go viral.

Where we start getting into trouble is when our online activity is done without that measured consideration.

Don't come out with all guns blazing when you read of situations that deserve your well-structured angry reply. Generally speaking, politics and most hot-button topics in the news that make your blood boil for one reason or another should be dissected carefully before posting your response.

In general, sticking to your message and your own voice is best. It's not always safe, but you know it's what your friends and associates expect. Going off script is tempting because you want to be a part of the wider conversation, but the wider conversation may not be where you belong. Here are a few ways to proceed with caution:

Anticipate the response. Taking a step back and viewing your email or post through a different lens before it goes out is crucial. Remember that your posts and social media activity may be seen outside of your industry, especially if it goes viral. Ask yourself what will happen if you don't interject and what will happen if you do.

Ask yourself: Why am I wading into these controversial waters? If you really think you're about to go "off reservation", ask someone to read over your shoulder. Is this a bad idea? Watch that person's facial expression if you want a real idea of the impact of your statement.

So, what happens if you mess up and make the wrong call? Sometimes you have to learn the hard way. If it's a post and that happens, consider removing the post but only if you post something in its place explaining your stance.

Don't forget, just like every bad photo lost from sight on the internet, these things are just sitting there, waiting to be rediscovered.

Source: Lifespan

EQUITY MARKETS IN A SLOW RISE - *Investment Markets*

Global equity markets have in the main been characterised by a lack of volatility over recent months. US equities have continued the trend of slowly drifting higher with the S&P 500 market new record highs in November. As we write this note, we believe we have had 11 new highs on the S&P 500 in November, most just a few points higher than the previous high.

The Australian equity market has been one of the better performing equity markets over the last 12 months but has been range trading lately.

Markets have been largely unmoved by the US impeachment proceedings as it is seen as a partisan exercise with little chance of success. US China trade tensions have not been a big factor in markets recently, but the downside is that a “phase one” deal is largely factored in despite the agreement date being pushed out yet again.

For the 3 months to the end of October 2019, Australian large cap equities were down a little with a return 0f -0.9%. Australian Small Cap Equities did somewhat worse returning -1.9% over the period. Unhedged Developed Market Global equities returned 0.6% for the period while hedged Global Equities did a little better with a return of 1.7%. Emerging Market equities were not too far away with a return of 1.15%.

The Australian fixed interest benchmark had a relatively subdued 3 months with a return of 0.5% but it has returned more than 10% over the 12 months to 31 October 2019. Australian listed property had a slightly negative return of -0.36% but it also has had a great 12 months returning 23.6%.

Markets and Outlook

The Australian equity market had been one of the best performing major equity markets (in local currency terms) over the course of 2019 but has been steadily giving up ground relative to other markets. In the year to date (January 1 to 25 November 2019), Australia which returned 23.6% has been passed by the US (26.3%), UK (32.4%), Germany (24.7%) and France (28.4%).

The early outperformance of Australia was likely due to the dramatic fall in interest rates here which were high relative to other countries. Our 10-year government bond was trading around 2.7% around a year ago but has since fallen to around 1.0% which has increased the attraction of domestic equities. We believe this driver is now largely played out. The performance of the major banks has also weighed on the Australian market recently.

Philip Lowe, the governor of the RBA has just stated “Our current thinking is that QE becomes an option to be considered at a cash rate of 0.25%, but not before that.

"He also thought that was still a "fair way" off. He said, "the threshold for undertaking QE in Australia has not been reached, and I don’t expect it to be reached in the near future."

He also indicated that that RBA would favour buying government bonds over corporate ones. The thinking before this speech was that QE was an option if the Cash rate fell to 0.5% from the current 0.75%. Recently the RBA has been engaging in forward guidance with the previous two rate cuts well telegraphed to markets. We believe the RBA is now on hold (as is the US Fed) although it has an unstated bias to ease if it is necessary.

Stock markets had been rallying this year despite slowing GDP growth and almost no earnings per share (EPS) growth in 2019. Global, Australian, US and Emerging Market equities are all forecast to grow earnings at less than 2% in 019. The estimate for both Australia and the US is around 1%.

PE Expansion has been the major driver of returns for most markets in 2019. This is the reverse of what happened 2018 when PEs fell even though EPS growth was very strong, 24% in the US for example. The difference in 2019 is that Central banks have gotten far more dovish which has resulted in much lower bond yields. While we are having an earnings growth drought, earnings have held steady which has been enough to sustain equity.

Another issue is that the Australian dollar is now probably around fair value and we may be close to the point where we actually increase our level of hedging while still maintaining our overweight to Global equities. There is a feeling in markets that global growth may have bottomed which has allowed prices to drift up. Given current valuations, we would be cautious right now and we would rather accumulate on pullbacks from these levels.

Source: Lifespan

Investment Returns to 31 October 2019 (% p.a.)

Asset Class	1 Mth	3 Mth	1 Yr	3 Yrs	5 Yrs
Australian Shares	-0.35	-0.91	19.28	12.56	8.47
Global Shares	0.57	2.46	15.82	15.08	12.43
Listed Property	1.24	-0.36	23.56	12.67	12.4
Fixed Interest	-0.49	0.52	10.06	4.86	4.97

Source: Mercer

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We wish you and your family a joyous Festive Season & a Happy New Year