# January 2021

Happy New Year! As 2021 gets underway, we hope you and your families enjoy a safe, happy and prosperous year ahead. While we are not out of the woods yet, there is cause for optimism.

December was a busy month on the economic calendar. Global equity markets surged on optimism about the imminent rollout of several promising coronavirus vaccines and the prospect of another US stimulus package. And in a pre-Christmas miracle, the UK signed a last minute, post-Brexit trade agreement with the European Union.

In Australia, the government's Mid-Year Economic and Fiscal Outlook (MYEFO) projected a $197.7 billion budget deficit this financial year, down from the $213.7 billion forecast in the October Budget, as our economy recovers quicker than expected from the COVID-19 recession. Growth rebounded 3% in the September quarter, on continued support from low interest rates and government stimulus. Unemployment fell from 7% in October to 6.8% in November, which no doubt helped push consumer sentiment to a decade high in December.

Consumer confidence was also evident in the market for new detached homes, with sales up 15.2% in November, a decade high. High demand lifted residential property values 3% on average in 2020, with Melbourne the only market with falling prices. Regional prices (up 6.9%) outshone capital cities (up 2%). We also splurged on cars, with new car sales up 12.4% in the year to November and used cars sales up almost 30% in 2020. The Aussie dollar stood at US77c on New Year's Eve, up 10% over the year.


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# 2020 YEAR IN REVIEW

## *The year when everything was turned on its head*

**Just as we were recovering from the long drought and the worst bushfires on record, the global coronavirus pandemic took hold and changed everything.**

Suddenly, simple things we took for granted, like going to the office or celebrating special occasions, were put on hold. While life is still not back to normal, Australia is in better shape financially than many people expected at the height of the economic shutdown.

Take superannuation. Far from being a wipeout, the average superannuation growth fund is on track to finish 2020 with a positive return of 3 per cent.[i] But it's been a wild ride.

### The big picture

Globally, the US presidential election and Joe Biden's victory removed a major element of uncertainty overhanging global markets. As did the UK finally signing a post-Brexit agreement on trade with the European Union. However, trade tensions with China remain an ongoing concern.

The pandemic dragged an already sluggish global economy into recession, and we were not immune. In Australia, drought, bushfires, storms and the health crisis took their toll as we entered recession in for the first time in 28 years.

Final figures for 2020 are not in yet but an annual fall of 2.8 per cent is forecast, putting us in a better position than most developed nations.[ii] This is due in part to Australia's relative success at containing COVID-19, and massive financial support from Federal and State Governments and the Reserve Bank.

### Interest rates lower for longer

After starting the year at 0.75 per cent, the official cash rate finished at an historic low of 0.1 per cent. The Reserve Bank has indicated it will keep the cash rate and 3-year government bond rate at this level for three years to encourage businesses to invest and individuals to spend.[iii]

While low interest rates make life difficult for retirees and others who depend on income from bank deposits, they gave share and property markets a boost in 2020 as investors looked for higher returns than cash.

### Shares rebound strongly

In February/March when the scale of the health and economic crisis became evident, sharemarkets plunged around 35 per cent. As borders and businesses closed and commodity prices collapsed, investors rushed for safe-haven investments such as bonds and gold.

But it soon became apparent that there were economic winners as well as losers, with global technology and health stocks the main beneficiaries.

By the end of 2020, US shares were up 16 per cent, with the tech-heavy Nasdaq index up 48 per cent.[iv]

Closer to home, the Australian All Ordinaries index was up 0.7 per cent, or 3.6 per cent when dividends are included.

Elsewhere, European markets were mostly lower reflecting their poor handling of the pandemic. While China and Japan performed strongly, up 14 and 16 per cent respectively.

### Commodities boost the Aussie dollar

China's economic rebound was another factor in the Australian market's favour, with iron ore prices jumping 70 per cent.[v] Rising iron ore prices and a weaker US dollar pushed the Aussie dollar up 10 per cent to close the year at US77c.[vi]

At the other end of the scale, oil was one of the biggest losers as economic activity and transport ground to a halt. Oil prices fell more than 20 per cent despite OPEC producers restricting supply.

### Property surprises on the upside

Despite dire predictions of a property market collapse earlier in the year, residential property values rose 3 per cent in 2020 and 6.6 per cent when rental income is included.[vii]

Melbourne was the only city to record a price fall (down 1.3 per cent), with combined capital cities up 2 per cent.

The real action though was in regional areas where average prices lifted 6.9 per cent.

### Looking ahead

As 2021 gets underway, Australia is inching back to a new normal on growing optimism about the global rollout of vaccines.

Our economy is forecast to grow by 5 per cent this year, but there are bound to be bumps along the way.[viii] In the meantime, the government stands ready to continue stimulus measures to support jobs and the economy.

After the year that was, a return to something close to normal can't come quick enough.

i https://www.chantwest.com.au/resources/november-surge-drives-funds-into-black-for-2020

ii https://www.commsec.com.au/content/dam/EN/ResearchNews/2021Reports/January/ECO_Insights_040121-Year-in-Review-Year-in-Preview.pdf

iii https://www.rba.gov.au/

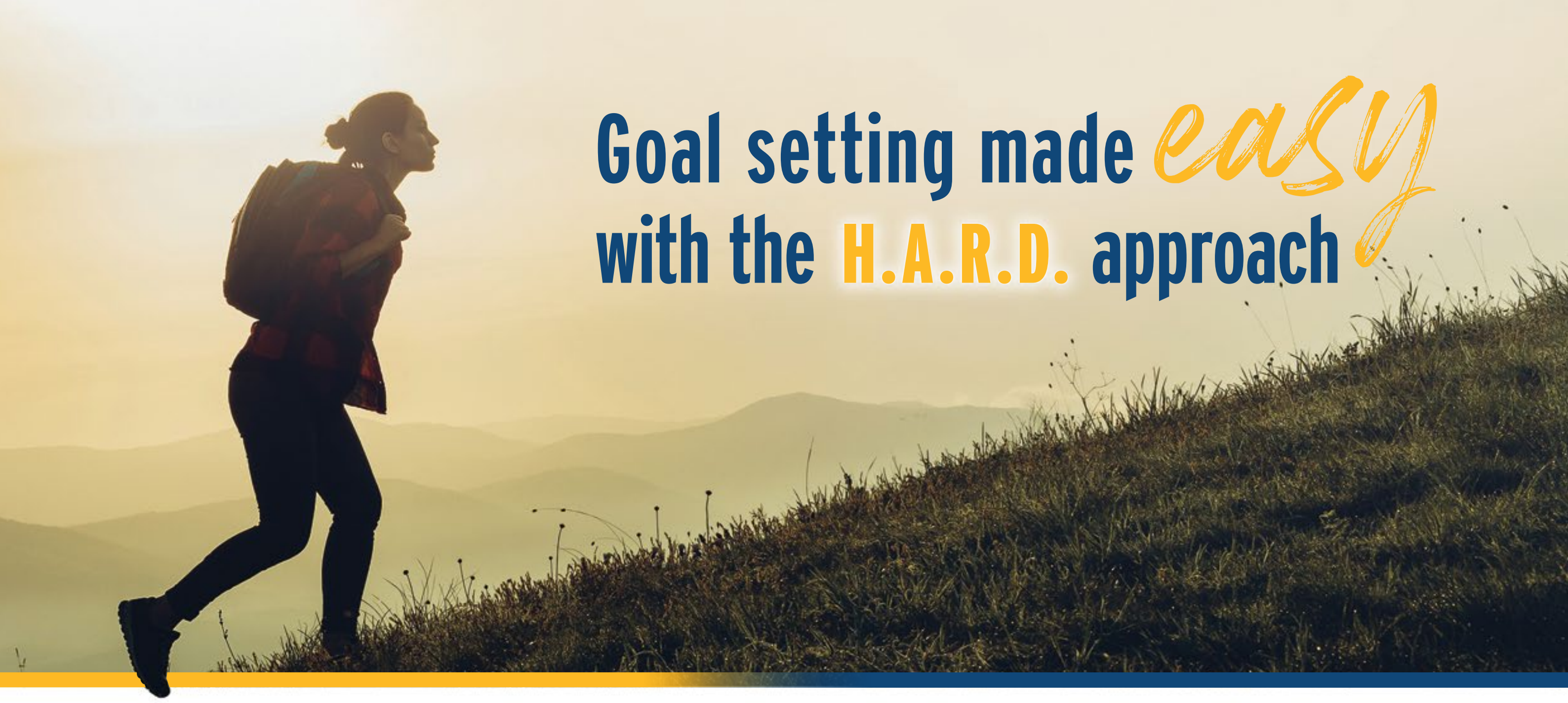
iv https://tradingeconomics.com/stocks

v https://tradingeconomics.com/commodities

vi https://tradingeconomics.com/currencies

vii https://www.corelogic.com.au/sites/default/files/2021-01/CoreLogic%20home%20value%20index%20Jan%202021%20FINAL.pdf

viii https://tradingeconomics.com/australia/gdp-growth-annual



# Goal setting made easy with the H.A.R.D. approach

Goal setting is one thing – achieving your goals is something else entirely. So what makes the difference between a goal that is achieved and one that falls by the wayside?

Research has shown that people who achieve their goals are more likely to do so because they create a vision of their future and are emotionally connected to their goals.[i]

## Goal setting for the new year

This time of the year is often when we come up with goals, but despite positive intentions, we can easily lose sight of them.

There are different approaches to goal setting. SMART goals are often recommended as they're more considered and measurable, as you follow specific steps in establishing your goal. However, they're not fail-safe though – a leadership study found that people who set SMART goals are less likely to love their jobs, and only 14% of respondents believed their goals would help them achieve "great things."[ii] The study found that many of us don't strive for difficult goals, which is where HARD goals can help.

## H.A.R.D goals

HARD goals connect your vision to your emotions and values, which then really push and challenge you to achieve great things. They comprise of four elements: Heartfelt, Animated, Required and Difficult.

### Heartfelt

There's no use setting a goal you have no connection with. For example, climbing the corporate ladder or buying a home, common goals for many of us, don't resonate with everyone – if they don't, you're unlikely to strive to achieve them.

Instead, hone in on what truly matters to you and how you want to feel. If you have visions of a relaxed retirement, financial freedom at the end of your working life will motivate you. Or perhaps that entrepreneurial spirit wants to be set free to start your own venture. Whatever it is, ensure your goals align with your vision and focus on the outcome.

### Animated

Whether you're naturally a visual thinker or not, by animating your goal you are picturing exactly what it will look like. By visualising your goal, you're making it real and building a deeper emotional connection to it.

If you want to grow your business, visualise customers walking in the door or travelling to a new destination to set up a new office. If you want to change careers, see yourself in that field, talking to your new co-workers and learning the skills you will need. This image will provide ongoing motivation and drive to achieve your outcome.

### Required

This element reduces the risk of procrastination, as you'll be clearer around why you need to meet this goal. For instance, you might set a goal around doing further training, setting specific courses to complete in the year, in order to progress your career.

You can explore what is required to achieve your goal by considering if it would happen should you not meet it. For example, if you plan on running a marathon, clearly a running schedule and fitness regime is necessary in order to meet your ultimate goal.

### Difficult

Just as the name suggests, HARD goals aren't meant to be easy – and you'll get greater satisfaction meeting difficult goals. Identify what it is you want to do but are hesitant about in case you fail, or perhaps even if you succeed!

While you don't want to create goals so difficult they'll be impossible to reach, you want them to be a challenge and of great importance to you. Perhaps it will be learning a new language, when you're not much of a linguist, in order to apply for that job overseas, or to work your way to the top position in your company by taking on more responsibilities.

At the basis of all goals is a desire for change. Picture the future you want and then work steadily towards it.

*As many goals are financial, get in touch if you need support with your finances or for advice on how to make these goals possible.*

i https://www.researchgate.net/publication/232822271_Emotions_and_goals_Assessing_relations_between_values_and_emotions

ii https://www.leadershipiq.com/blogs/leadershipiq/35353793-are-smart-goals-dumb


# Watching our online and social spending

The changes to our daily lives of late have caused us to reframe our views on 'screen time', an activity that now more than ever takes up a significant proportion of our day.

However, as we spend more time online we are also spending more online and it pays to be mindful of the ways our browsing habits impact our hip pocket.

With the average Australian spending over six hours on social media every week, it's safe to say we're affected by what we consume online.[i] This can happen consciously, from actively looking up brands and products, or subconsciously, through viewing advertisements directed at us.

## Social networking to selling

When Facebook first started gaining popularity in the noughties, its focus was on social networking. By 2016 it had evolved into a marketplace so users could sell to each other, regardless of whether they were connected. Facebook also had over seven million advertisers during the third quarter of 2019 alone.[ii] So when you log into your Facebook account these days, it's just as likely to be because you'll buy something than to socialise.

Similarly, Instagram has developed from simply sharing photos. A 2019 survey showed that 81% of respondents use their accounts to research products and services, and 130 million users view shopping posts every month.[iii,iv]

## Easy social shopping

The sophisticated and seamless purchasing experience offered by social media platforms has made shopping even easier and buy now, pay later services such as Afterpay also make it easier to purchase an online product or service through instalments.

## Hard to resist targeted advertising

While users are able to search for products and purchase online, the data collected from social platforms allows marketers to target individuals based on their demographics, interests and online behaviour. Have a look at the ads that appear when you next log in – chances are they'll be relevant to you. Your data, such as your browsing history and the apps you use, can be tracked and used to present targeted advertising on your feeds.[v] This practise isn't a secret, but it can still be surprising (and even unsettling) as to how tailored this advertising can be. With advertising pinpointing your real and anticipated needs, it can be hard to resist buying. And with data kept of previous ads you responded to, you'll see even more similar ads after you purchase from an ad – keeping you in the spending loop.

## Influencing our buying behaviours

'Keeping Up With The Joneses' is prevalent on social media, where people compete for the most likes thanks to their extravagant lifestyles. But it's not just envy which induces us to spend. We turn to those we trust when it comes to making decisions, which is why when we see friends, families and 'influencers' (people we respect and trust) using a product or service and having a positive experience, this acts as social proof.

## Fear Of Missing Out

FOMO – it's a thing, and something that can be worsened by social media, making it tempting to spend on the latest gadgets or lifestyle trends. Comparing yourself to others can create anxiety and also induce spending to 'keep up'. However, there's a growing movement towards JOMO, the joy of missing out.

With financial anxiety on the rise, JOMO is much better for our hip pocket than FOMO.[vi]

Watching your hip pocket when it comes to your social spend can be challenging. If you are concerned about your spending, set a budget which allows for the amount of online shopping you are comfortable with. It's a good idea to keep track of your purchases to ensure your spending is not to the detriment of your day to day needs as well as your longer-term financial goals.

Finally, just having a greater awareness of how social media influences your behaviour will help you to resist the subtle enticements of social marketing.

i https://www.genroe.com/blog/social-media-statisticsaustralia/13492

ii https://sproutsocial.com/insights/social-media-statistics/

iii https://business.instagram.com/blog/how-to-sell-yourproducts-on-instagram/

iv https://blog.hootsuite.com/instagram-statistics/

v https://www.wired.com/story/whats-not-included-infacebooks-download-your-data/

vi https://www.news.com.au/finance/economy/australianeconomy/younger-australians-are-embracing-the-joy-ofmissing-out-as-financial-anxiety-takes-its-toll/news-stor y/11ac6520fa3be768d885b855ae0c8c76