Cuffelinks
Connecting investors with ideas

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This Week's Top Articles

Impact investing: wealth creation with a social return

Daniel Madhavan

Impact investing is a growing field of investment that is helping to finance solutions to many of society's most pressing challenges.

Impact investments are defined as investments that set out to achieve a financial return, as well as positive and measurable social, cultural or environmental impacts.

The impact investing market in Australia is in early stages of its development but the momentum in Australia and globally is building rapidly. There will be many twists and turns on the way, but the opportunity for investors to put their capital to work in ways that contribute to solving issues in line with their values is an exciting one.

There are two ends of the spectrum.

One is the financial return spectrum, where investors will only consider investments that offer a market rate of return and investors at the other end who will accept low or sub-market returns because of the impact on social or environmental returns.

The second is the impact measurement spectrum, where investors are content with anecdotal evidence about the impact of their investment and at the other end, investors expect impact measurement using a global standard independently verified.

Regardless of where an investor sits, the investment opportunities fall into three broad categories.

1. Investing in real assets

Many not-for-profit organisations and social enterprises need an asset to deliver their social or environmental mission, for example, social housing requires houses. Could investors own the properties? Yes. Models are being developed in Australia but overseas examples like UK's Cheyne Capital, an alternative asset manager that has established a social housing fund, demonstrates the potential.

There are also examples of more exotic real assets such as the Australian Chamber Orchestra's Instrument Fund, seeded with $1.79 million ($1.00 unit price) in 2011 to purchase a Stradivarius violin. The fund is now valued at $1.40 (2015 unit price).

Clean energy generation assets like solar and wind projects are becoming increasingly popular as direct investment opportunities like the $50 million Coonooer Bridge Wind Farm or via green bonds like NAB's $300 million bond issued last year that funded 17 clean energy projects utilising the NAB balance sheet to offer investors NAB issued risk.

2. Developing social enterprise

Social enterprises are businesses that trade in goods and services, to generate funding for or directly deliver social or environmental change:

1. Product or service impact – Pollinate Energy aims to provide safe, affordable energy solutions to India's vulnerable urban slum communities. Impact – 8,963 systems installed, 41,229 people reached.

2. Operating model impact – StrEat, a hospitality operator, employs young homeless people in Melbourne providing training with the aim of supporting them into long term employment in hospitality. Impact – supports 108 young people per annum.

3. Revenue/profit share impact –Who Gives a Crap toilet paper where 50% of the profit goes to WaterAid to build toilets and improve sanitation in the developing world. Impact – 46,500 people given access to toilets, 4,604 trees saved via recycled paper.

4. Ownership impact – Feast of Merit restaurant in Swan St Richmond owned by YGAP, an organisation that uses profits from the restaurant to fund social entrepreneurs in developing countries. Impact – 149 entrepreneurs supported, 84,142 lives impacted.

Investing in social enterprises is like investing in any other business. It can be debt or equity and whilst many of the current Australian examples are at venture capital stage, they don't have to be. In 2014 it was announced that Bain Capital had acquired 50% of Toms Shoes in the US. For every pair of shoes Toms sells, a new pair is also provided to an impoverished child (see 3 above). And the financial return was significant; Reuters reported that the transaction valued the company at $625 million.

Three Social Enterprise Development Funds were established and co-funded by the Australian Government in 2012, managed by Social Ventures Australia (SVA), Foresters and SEFA ($40 million) for investing in development of social enterprises. Privately funded vehicles like Impact Investment Group have appeared since, providing investors with opportunities to invest directly in businesses with a social or environmental mission.

3. Financing programme delivery

There has also been a change with government, philanthropic funders and service delivery organisations shifting some of their funding arrangements towards 'payment by outcomes' as opposed to 'payment for delivery', which can then lead to an instrument like a social impact bond.

Prevention is certainly better than cure. In many cases we often wait for a social issue to occur and then government or a social service provider manages the issue. In most cases, paying for prevention is less financially burdensome.

Let's use an issue relating to early childhood as an example. We know an investment made in the first three years of a child's life gives the greatest returns. According to one international study, with every $1 spent on early childhood education, society sees a return of over $7. On the flipside what if we knew the issue of children not being ready for education when they reach school was costing the taxpayer a lot of money?

An impact investment on this issue would:

1. Analyse the landscape of how much it costs the taxpayer to address social issues connected to children not being properly ready for education when they reach school.

2. Assess the effectiveness of an intervention to prevent the issue and enable children to be school ready.

3. Assess the cost saving that can be achieved by focusing on the prevention.

4. Determine a partner to fund that will enable the delivery of this service and share the cost savings with that organisation that has intervened to stop the future cost occurring.

This is one version of a 'payment by outcomes' arrangement. Private investors are offered the opportunity to fund the programme and receive a financial return linked to the outcomes achieved. This is called a social impact (or benefit) bond.

There are two bonds currently in Australia (approximately 50 globally), the Newpin Bond ($7 million) and The Benevolent Society Bond ($10 million), both focussed on prevention of out of home care for children. The NSW Government has committed to two similar transactions a year for the next four years, South Australia is close to a potential bond programmes and Queensland has just announced its plans.

There is interest and momentum growing daily, and Australia is playing a leadership role in the global market development through our participation in the Global Steering Group (previously G8 Social Impact Investment Taskforce). Impact investing is estimated to reach A$32 billion domestically over the next decade.

Daniel Madhavan is CEO of Impact Investing Australia. The inaugural [Impact Investment Summit Asia Pacific] will be held in Sydney from 19-21 October 2015 and will showcase the strategies for finding impact investments and measuring their success.

Irrational exuberance in growth versus value stocks

Sam Wylie

Now is a good time to remember the lessons of history about growth shares versus value shares.

Imagine that your rich aunt has passed away and left you a parcel of shares, but you must make a choice, and there is a condition. The choice is between receiving either $1 million worth of Amazon shares or $1 million of Walmart shares. The condition is that you can never sell the shares. You can only receive the dividends from the chosen parcel in perpetuity. Which would you prefer?

This choice comes to mind because recently Amazon became a more valuable company than Walmart. The market capitalisation of Amazon is now $244 billion versus $230 billion for Walmart (all figures in USD).

If we didn't know better, we might think that since the market value of the two companies is similar their profits must be similar. But in fact in 2014 Walmart's net income was $15.7 billion whereas Amazon lost $0.2 billion. In its whole 20 year history the cumulative profits of Amazon are less than $2.0 billion. In the last 50 days Walmart has made more money than Amazon has in the last 20 years.

Give me the Walmart dividends

Obviously, the stock market is ignoring the difference in today's earnings and focusing on the higher expected growth in earnings of the two companies. The market sees a bright future of rapidly growing earnings for glamorous, high tech, disruptive Amazon and dim growth prospects for boring, old economy, sitting duck Walmart.

That may be so, but I will take the Walmart shares thanks. I want today's big Walmart dividends ($27,000 annually) versus the promise of large dividends from Amazon in the future.

We can't see into the future to which stock will outperform. But we can see into the past to the historic record of stock returns and that record is very clear - in the long run 'value' stocks like Walmart have higher returns than 'growth' stocks like Amazon.

Definition of value

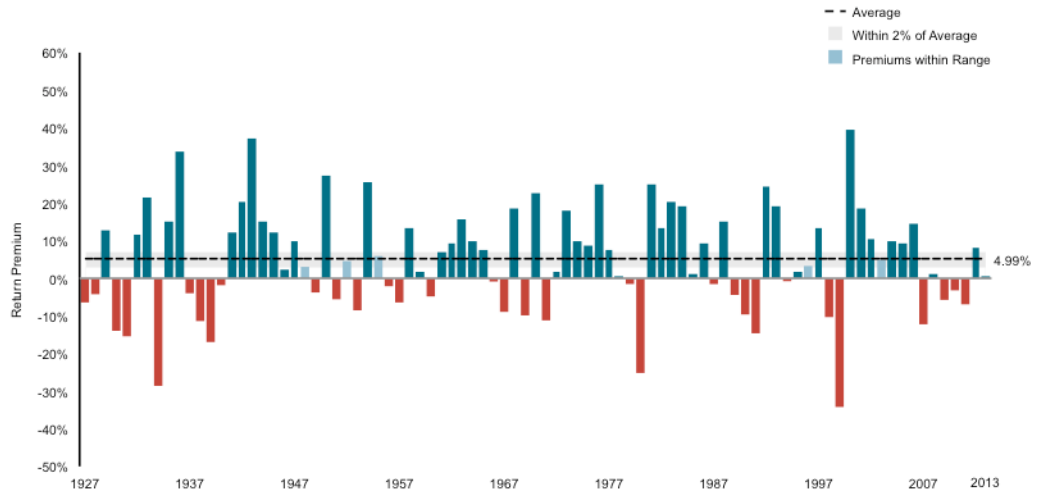
'Value' stocks are defined by their low share price relative to some objective measure of value. The share price of value stocks is low relative to its:

- Dividends (a high dividend yield)
- Earnings (a low price to earnings ratio)
- Book value of equity (a low market value to book value ratio).

'Growth' stocks are the opposite, and have low dividend yields, high price-to-earnings ratios and high market value to book value ratios. High PE ratios are especially indicative of 'growth' stocks. Investors who will pay a high share price today per dollar of today's earnings, must be expecting substantial growth in earnings in the future.

The following graph shows that, on average, across stocks and through time, value stocks outperform growth stocks by a lot. That is not only true for US stocks but around the world. There is no bullet-proof theoretical explanation for why value stocks outperform growth stocks in nearly every country and through time (on average), but it is an undeniable regularity in the data.

Figure 1: Return premium of Value stocks over Growth stocks, US 1927-2013



Source: Dimensional Fund Advisors

The graph shows, for each year, the return on a portfolio of the 20% of US stocks that have the strongest 'value' characteristics minus the return on the 20% of stocks with the strongest 'growth' characteristics. US stocks have 'value' phases (blue) when value stocks outperform and 'growth' phases (red) when growth stocks do better, but on average value stocks deliver much higher returns over time.

The best explanation (to simplify somewhat) is that investors get too excited about stocks in new glamorous industries that are expected to deliver large dividends in the future. Those stocks on average don't deliver the expected dividends and then growth stocks underperform. Investors pay too much for stocks that promise large growth in dividends.

Value phases and growth phases

There are periods of multiple years in which excitement about growth stocks bids them up and they outperform boring value stocks that pay high current dividends but have low growth prospects. The US market may be in such a period now with digital technology stocks like Amazon, Facebook or Netflix.

So now is a good time to remember that investors who don't buy into over-hyped growth promises earn higher returns in the long run. That is an enduring lesson of not just the history of stock markets, but property market investments as well.

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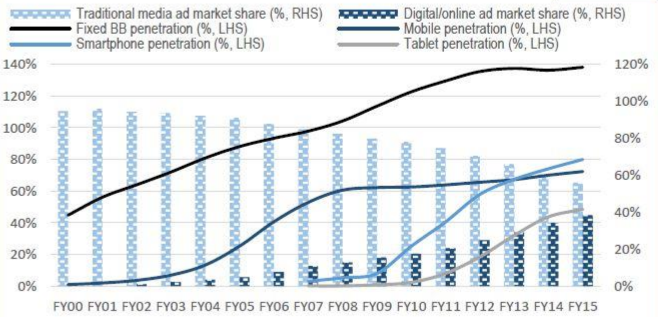
The digital transformation of Australia's media

Justin Braitling

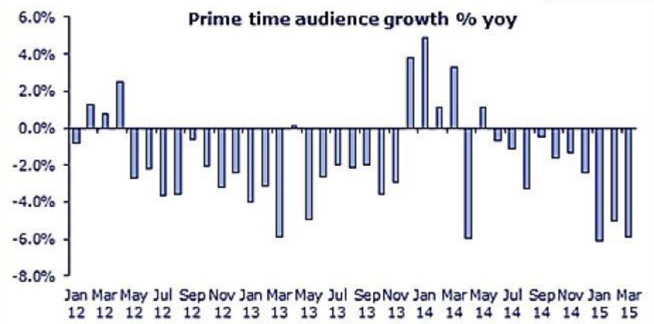
The media landscape is constantly evolving. Advertisers follow eyeballs, spending their money wherever consumers flock. However audiences are bifurcating as digital ingestion grows. Broadband and smartphone penetration continues to rise, permanently changing the distribution model for many media businesses.

The shift to digital continues FIG 10



Source: CEASA, Company data, Goldman Sachs

Prime time audience growth in Australia (% y/y) FIG 11



Source: CLSA

Unfortunately, Australian companies are largely exposed to the decaying trends of traditional media. Print, TV and radio are being usurped by global distribution platforms. Google (and its subsidiary YouTube), Facebook (including Instagram), Twitter, Netflix and Spotify are all absorbing local audiences, demanding more ad dollars at the expense of local incumbents.

This technological disruption is weighing on local media companies and as a result they will need to turn to costs and technology to defend their profits.

Newspapers

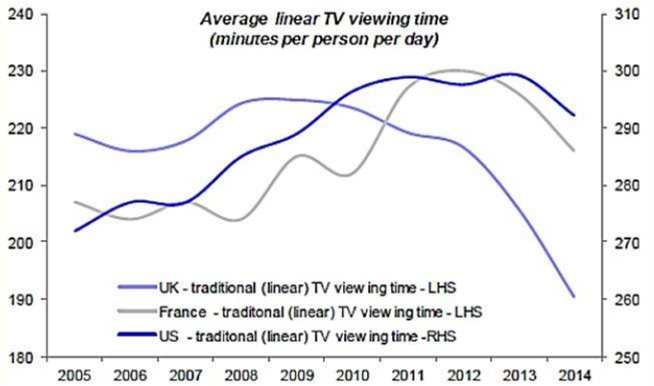
Newspapers globally have had their businesses disrupted as consumers enjoyed largely free news distributed online. Readership declines saw advertising and classified dollars disappear, forcing restructures and cost-cuts. Printing press closures, out-sourced sub-editing and paywall introductions have acted to arrest some of the decline in profits. For the most successful mastheads (Financial Times, New York Times and Wall Street Journal), circulation revenue (the newspaper or digital subscription cost) now far outweighs advertising revenue and profits are starting to rise. While this industry is deep into a digital conversion, other mediums have only just begun.

Free-To-Air (FTA) television

FTA TV has long been a staple of any advertising budget, enjoying roughly 30% of total ad spend. However the launch of Over-The-Top (OTT) services such as Netflix, Apple TV, YouTube, Amazon Instant Video and many more have created vast alternatives to linear television. This has led to loss of audiences across all major networks.

Unsurprisingly these trends are occurring globally. Advertisers will continue to pull money from the category while audience levels decline.

Average linear TV viewing time (min per day) FIG 12



Source: IHS (Nielsen, BARB, Mediametrie)

Nine Entertainment and Seven West Media have both launched their own OTT services, Stan and Presto, in joint ventures with Fairfax and Foxtel respectively. Considering the importance of scale in this business, it was disappointing to see two separate domestic services launched. Netflix has amassed over 60 million subscribers globally, and is planning to invest $6 billion in content next year alone. Original content titles are up to 13 and they have a target of 75-80 within five years. This enables Netflix to take programming risks that the networks cannot. Whether the domestic providers will be successful is yet to be seen, either way they will have to rebase the cost structures in the networks.

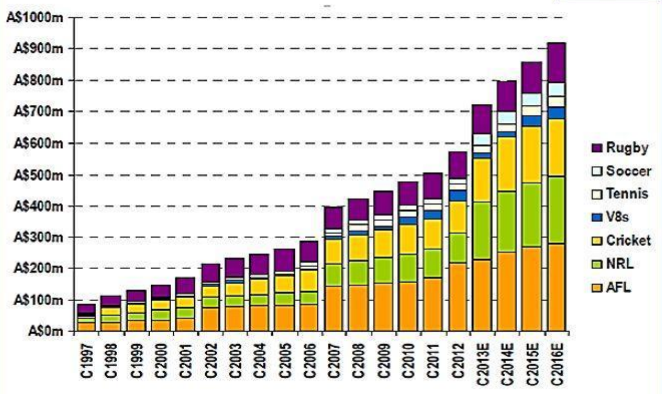
Programming expenses account for the vast majority of spend of the FTA networks. This can broadly be broken down into News, General Entertainment and Sport.

News continues to perform well as consumers demand a relevant nightly news service. While the networks are well placed to deliver this, savings must be found in this challenged environment. Seven West Media has recently merged the newsrooms of The West Australian and Seven Perth. This integrated newsroom is a first for Australia despite being commonplace in Europe. While an eloquent solution exists in WA, ownership structures largely prevent similar outcomes on the East Coast. Where cross-media integration is difficult to achieve, technology is being used to reduce costs. Journalists are now equipped with handheld devices enabling video content to be shot and sent back for editing without the need for production crews.

General Entertainment is the segment most under-threat from OTT providers. Consumers prefer on-demand 'binging' of TV series, an offer unable to be delivered via linear TV. The US TV studios have long been a cornerstone of Australian programming, however their appeal has been lost. We estimate Nine Entertainment pays $150-170 million annually to Warner Bros for largely unsaleable inventory. This deal expires in 2016 and should deliver savings for the company, freeing up resources for reinvestment in local programming. As with networks globally, Australian companies are producing more content in-house. This ultimately needs to appeal to viewers, but does enable better cost control through production.

Super inflation of media sports rights

FIG 13



Source: Morgan Stanley research estimates

Sports are seen as a 'must-have' for TV networks. In a world where eyeballs are straying across mediums, live sport is still able to deliver the mass audiences that advertisers demand. The problem for the TV networks is the rampant inflation in the cost of sports rights at a time when revenue is declining. Added to this the challenge of new competitors, as digital rights attract the likes of Google and Netflix.

Radio

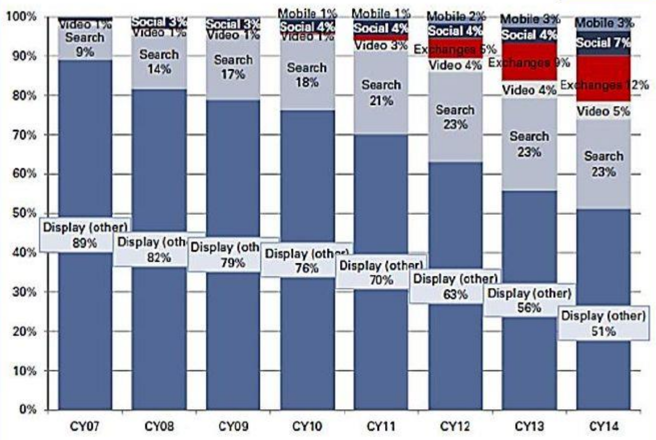
While radio to date has largely been immune from audience declines, the rapid uptake of streaming services from Spotify, Apple and Google signals alarm. Local radio companies have embraced technology, investing heavily in their streaming and digital businesses, providing listeners with easy mobile and desktop options. Aware of the threats posed by global streaming services, local radio companies appear to have time to refine their business models. However, the user experience of ad-free, targeted playlist, social engagement and global on-demand inventory certainly appeals to listeners. Time will tell if Australian consumers switch off the radio.

Digital businesses

Online media companies have carried this advertising tailwind for a number of years, however divergent trends exist even amongst online spend.

Diverging digital advertising spend

FIG 14



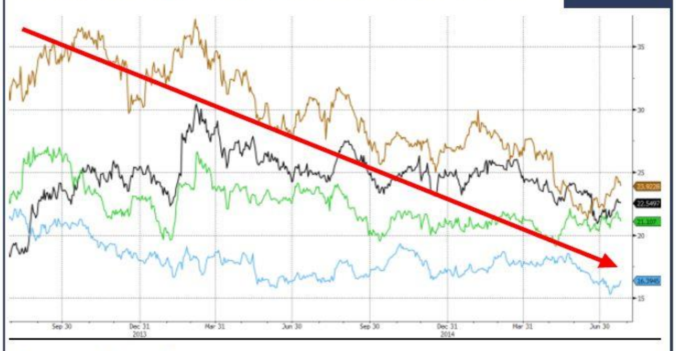
Source: SMI

Digital display advertising, the first generation of online advertising, continues to see deflation as endless inventory is auctioned off through 'ad exchanges'. Social Media and Mobile currently command just 10% of online ad spend, however this number is growing fast. A 'mobile first' strategy by large global media companies is a priority on mobile platforms as audiences spend more time on the go. Google reported at its recent June result that mobile YouTube usage grew 60% in the quarter. Advertisers will inevitably follow this proliferation of mobile usage. Further benefitting Social Media advertising is the inherent data capabilities of the medium. Advanced targeting, audience creation, SKU (product code) matching and carousel ads allow advertisers far superior methods through which they can monitor return on investment than the purchase of traditional 'spots and dots' from TV networks.

This wave of mobile penetration and diverging digital spend is impacting the highly successful online classifieds businesses. Seek, CarSales, Trade Me and REA have all benefitted from advertisers transitioning their online advertising spend. However, in anticipation of this trend maturing, these companies are investing now, for future revenue opportunities outside their core classifieds model.

CarSales has purchased a finance broker; REA has purchased an online rental application business; and Seek is investing beyond pure job notices. While significant opportunities exist to leverage their dominant consumer positions, investors have thus far been unwilling to pay for these growth options with the companies de-rating over the last two years.

Price to earnings multiple for SEK, CAR, REA & TME FIG 15



Source: Bloomberg

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Listed corporate bonds finally reach retail investors

Graham Hand

It has always been an anomaly of the Australian financial system that retail investors have not had ready access to high quality corporate bonds. In most developed markets, and particularly in Europe, bonds have long been the mainstay of retail portfolios. At last in Australia, 17 corporate names are available through Exchange-Traded Bonds or XTBs listed on the ASX, to be purchased in the same way as any listed security.

In a prior life, I spent many years doing roadshows around Europe marketing bonds destined for retail investors. It was great fun. For the first ever transaction exceeding $A100 million in the Euromarket denominated in Australian dollars, we flew around Switzerland (with the light plane banking around the snow-capped Matterhorn!) visiting private banks who gobbled up the generous coupons for their Belgian dentist customers. It was wood-panelled meeting rooms inside splendid granite buildings, with polite Swiss bankers taking generous fees for keeping their clients happy.

But none of the bonds we issued in Australia were intended for retail distribution. The banks had the term deposit market sewn up.

Investors taking equity risk to achieve returns

Australian retail investors looking for secure yield have never been significant buyers of government bonds, except indirectly through bond funds, and now, ETFs based on bonds. Until recently, when fixed interest specialists like FIIG Securities started bringing corporate names to the market, retail investors were limited to bank term deposits and a few bonds listed on the ASX.

This might have been acceptable when interest rates were higher (Westpac issued a five-year term deposit paying 8% as recently at 2010), but the current bank rate for a five-year term deposit is only about 3%, barely covering inflation. Investors have turned to the much higher risk of shares, where the volatility of the All Ords index at about 15% is over three times the bond index. This is not a satisfactory solution to the problem of capital stability, as many investors have realised with the shock of bank shares like CBA falling from $96 to below $80 in a few months. That's three years of dividends gone.

Need to open corporate bond market

Little wonder that the Financial System Inquiry Final Report argued that: "Less onerous disclosure requirements for listed securities would make retail issuance simpler and more cost effective." (page 263) and called for regulations to change to improve access to the bond market for retail investors.

As a sign of the need for secure alternatives, the latest ATO data for March 2015 shows 26.5% ($157.4 billion) of SMSF investments sitting in cash or term deposits, at a time when the cash rate is only 2%. Not many retirement goals are being met at that rate. Only $5 billion is listed under 'debt securities', although this ignores bond funds. Institutional super funds hold between 10% and 30% of their balanced options in fixed interest.

Australian Corporate Bond Fund (ACBC) has found a solution to the structural problem by placing individual senior, unsecured wholesale bonds into a trust, which issues ASX-listed securities called XTBs, similar to managed funds or Exchange Traded Funds. Each XTB reflects the maturity and coupon of the underlying corporate bond, best illustrated with an example:

- ASX code YTMLLC gives exposure to a Lend Lease Corporation (LLC) senior bond
- Final maturity is 13 November 2018
- Coupon is 5.5% pa paid semi-annually
- As at 19 August 2015, offered on the ASX at a price of $107.83.

Australian investors think in terms of yield, not price, and the XTB website has a useful calculator. Plugging in these numbers gives a yield to maturity of 3.39% at the time of writing (19 August 2015).

On the current range of XTBs, a fee of 0.4% per year to maturity is charged in the price by the manager, meaning the XTB investor receives 0.4% lower yield than wholesale. ASIC is in process of approving 16 more XTBs including five using floating rate senior bonds. It is expected that the fee structure for the floaters will be materially lower, to offer investors a more competitive option to cash or rolling short term deposits.

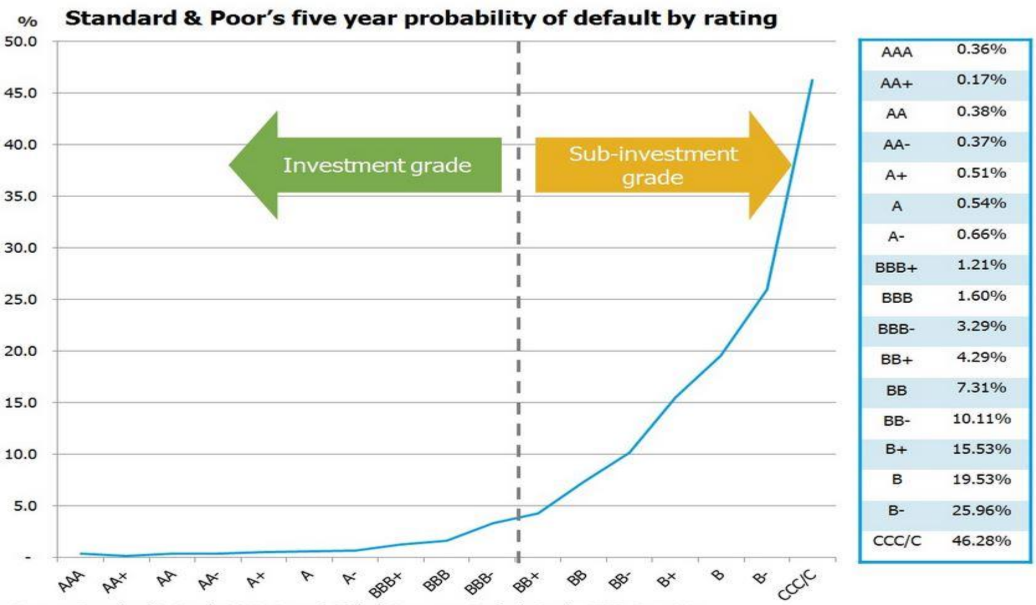
Table 1 shows the range of 17 bonds available at the moment.

Table 1: Corporate bonds available through XTB as at 19 August 2015

UNDERLYING BOND ISSUER	BOND	PAYMENT FREQUENCY	COUPON P.A.	MATURITY DATE	INDICATIVE YIELD	ASX CODE
Aurizon	AZJ	Semi Annual	5.75	28 OCT 2020	3.581	YTMAZJ
BHP	BHP	Semi Annual	3.75	18 OCT 2017	2.472	YTMBHP
Crown	CWN	Semi Annual	5.75	18 JUL 2017	2.909	YTMCWN
Dexus	DXS	Semi Annual	5.75	10 SEP 2018	3.039	YTMDXS
GPT	GPT	Semi Annual	6.75	24 JAN 2019	2.864	YTMGPT
Incitec Pivot	IPL	Semi Annual	5.75	21 FEB 2019	3.603	YTMIPL
Lend Lease	LLC	Semi Annual	5.50	13 NOV 2018	3.458	YTMLLC
Lend Lease	LLC	Semi Annual	6.00	13 MAY 2020	3.796	YTMLL1
Mirvac	MGR	Semi Annual	5.75	18 SEP 2020	3.393	YTMMGR
Novion	NVN	Semi Annual	5.00	19 DEC 2019		YTMNVN
Scentre	SCG	Semi Annual	5.00	23 OCT 2019	3.116	YTMSCG
Stockland	SGP	Semi Annual	5.50	06 SEP 2019	3.110	YTMSGP
Stockland	SGP	Semi Annual	8.25	25 NOV 2020	3.379	YTMSG1
Telstra	TLS	Semi Annual	7.75	15 JUL 2020	2.790	YTMTLS
Wesfarmers	WES	Semi Annual	6.25	28 MAR 2019	2.692	YTMWES
Wesfarmers	WES	Semi Annual	4.75	12 MAR 2020	2.902	YTMWE1
Woolworths	WOW	Semi Annual	6.00	21 MAR 2019	2.960	YTMWOW

* Data correct as at 18 August 2015. Source: Australian Corporate Bond Company. Based on the closing yield of the underlying bond. All calculations are based on the closing mid price for the underlying bonds and the assumption that the underlying bond will continue until the Maturity Date specified.

Figure 1: Five-year probability of default by credit rating.



Source: Standard & Poor's 2014 Annual Global Corporate Default Study, FIIG Securities

What are the issues to consider for retail investors?

The most obvious point is that these names are all high quality, investment grade issuers, so none of the indicative yields are above 4%. Many of the bond transactions brought to the market by FIIG are unrated and sub-investment grade, but this is what is required to achieve the higher yields of over 6.5%. Retail investors chasing these returns need to carefully consider whether unrated issuers are worth the extra risk, and ensure a wide diversity without a large exposure to any one name. Companies with ratings below the investment grade of BBB+ have an exponential risk/return trade off, as shown in Figure 1.

While XTB is in the ideal space for investors looking for better security and uncomfortable with equity risk, demand would have been much higher five years ago when rates were higher. Investor appetite for Telstra at 2.79%, Wesfarmers at 2.9% and Woolworths at 3% will be subdued while the major bank deposits are at or around 3%. This is despite the banks calling off their 'term deposit war' which created attractive rates when they were intent on building their retail funding bases. While there's an argument for diversifying away from bank risk for hybrids and shares, bank deposits carry a government guarantee up to $250,000 and the familiarity of the term deposit structure.

However, for the conservative investor looking for senior debt of quality corporate names, who is not keen on bond funds and the riskier hybrids, it's worth considering a bond such as Lend Lease at 3.8% for five years. All bonds must be 'seasoned' for at least a year in the wholesale market for ASIC to allow the product to be offered as an XTB, which ensures there has been good price discovery.

Another advantage of XTBs is their access point via the ASX. Along with developments such as mFunds, over 100 ETFs, actively-managed listed funds and even private equity funds, investors such as SMSFs can implement a diversified portfolio directly on the exchange through their broker, without the need for a separate platform.

What are the downsides? Clearly, as with any bond, XTBs are tied to the performance of the underlying bond. Investors should consider Figure 1 and recognise that although these bonds are senior debt, they are not immune from the vicissitudes of corporate fortune.

The market-making role at the moment is carried out by Deutsche Bank, and liquidity has not been tested in the new structure. Although ACBC was established in 2013 and is the only company currently using this structure for bonds, its executives have significant fixed interest experience.

In summary, XTBs are a welcome addition to the supply of corporate bonds for the retail investor, and worth considering for those who want far less volatility in the value of their capital, while giving a reasonable income flow in the current low rate environment. Unlike a bond fund, the investor knows exactly what they own and when it matures.

Graham Hand is Editor of Cuffelinks. This article is for general education purposes and does not consider the circumstances of any investor.

More than money

Di Percy

"Time is more valuable than money. You can get more money, but you cannot get more time." Jim Rohn, American entrepreneur, author and motivational speaker.

As we age, the value of time becomes more significant to us. What are you doing with your time? Are you spending your life well? Waking up in the morning feeling as though you can't wait to get going into the day is energising, renewing and brings out the best. The mantra in our business is "Do what you love and love what you do."

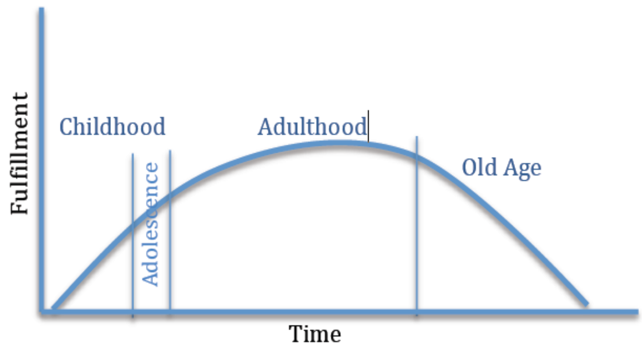
We don't need to peak in Adulthood

It doesn't stop there, though, because most Elders (over 55's) want to have purpose as a key part of loving what they do. Beyond the youthful days of just having fun they want to make a positive contribution as well. In fact, Ben Horowitz of VC firm Andreessen Horowitz says, "… Don't follow your passion", advising instead to find the thing you're great at. This can be tricky.

If we do something that lacks purpose and conviction that has no spirit, gusto or depth, then it's compromising ourselves, whatever money is earned. Under certain circumstances we may choose compromise for a limited time, to help someone out for instance. But to live without commitment and purpose undermines our potential and dignity. Especially over 55.

Elderhood is the last of three major chunks of life – the first is Childhood followed by Adulthood. Each of these chunks has its own cycles, challenges, developmental tasks and mythology. Some of these myths and beliefs are right out of date.

The old cultural belief about lifespan isn't relevant anymore. It needs updating. Most of us believe that Adulthood predominates in life and is the time that we reach our peak. That was the pattern for hundreds of years but life has changed. (It is only 100 years ago that the average life expectancy was 47 years; today we are just halfway at 47.)



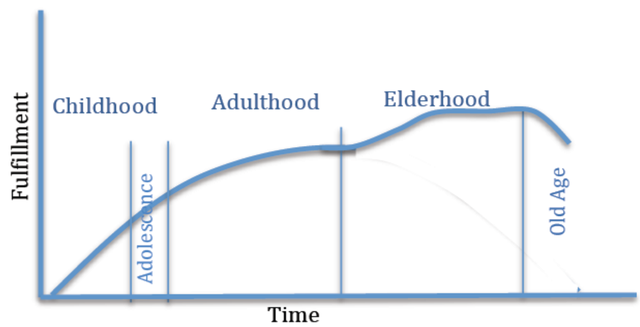
The cultural mindset on lifespan

It is not a case of doubling the length of Adulthood, because as we age our physiology changes. We are no longer equipped with the same stamina or motivators. Instead it's a matter of redefining the life stage that comes after the adult years.

Life in three chunks

Following Adulthood is the vital life-stage of Elderhood with its own distinctive challenges, tasks and purpose. Elderhood builds on and exceeds the previous life stages.

Because it is the last major life stage, when we enter it we are paying attention to time and to our life. This is a great advantage.



The new lifespan reality

During Elderhood we have the time, opportunity and relative freedom to do what we love and find what we're great at now. Childhood is spent learning, exploring and being socialized into the culture. In Adulthood we make our way as contemporary warriors and providers, most of us caught in traps of consumerism to some degree, if not by ourselves then by what our children want. By the time we reach Elderhood we are pretty well ready for a more authentic life that expresses our true value.

This is the time to re-discover our core purpose – what lights us up and feels compelling. Yes, our purpose expresses our values and talents plus sets a captivating challenge.

For some it may be an audacious goal in the public eye. For others a quiet reflective purpose behind the scenes is ideal – or anything else from wildly disruptive to lyrically synchronized, large or small scale. The spirit soars and you are on a journey, because what we are talking about is vocation.

Vocation

Finding your Elder-vocation takes time, although some people just 'know'. They have always known but not dared to do it before. Whether you know or need to go on an inner search, being open to opportunity is part of the process. However, (1) opportunity is not the only part. The real source is you. The opportunities in your environment are only resonating with what was already there for you. (2) What you envisage may not exactly match the reality as it unfolds; the reality that eventuates often turns out to be better.

Ralph was an engineer joining the family-owned business as a young graduate. He really wanted to be a counsellor but was under pressure to conform in the family. Eventually he became Managing Director of the business, which had grown to 360 employees with a revenue of $183 million. He retired at 65, still yearning to work closely with people to help them with life. When Ralph was watching his grandson play a basketball match, the penny dropped. Seeing the way the coach interacted with the boys, Ralph knew he had found his thing. He felt clarity and enormous energy, like his spirit rising. He saw himself coaching disadvantaged boys, teaching them about life through playing the game and giving them a positive human experience that would change their lives. And that is precisely what he did in multiple suburbs and country regions.

The third chunk of life

Elderhood is the last third of life. That is precisely what makes it so rich. Conversely, it is also one of the reasons people try to avoid it and hang on to Adulthood. In Elderhood we are undeniably aware that our time is limited.

The notion of purpose and contribution trumps either making money our goal or serial short-term activities that have no lasting meaning. When these activities don't resonate and renew, they leave us empty. Just something to do to fill in time.

Di Percy is a director of VogelPercy, a corporate mentor and change firm with long experience assisting many of Australia's top businesses. Their new business arm is Third Chunk of Life, working with over 55's. See [www.thirdchunkoflife.com.](http://www.thirdchunkoflife.com)