Edition 469, 5 August 2022

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Editorial

China. Whenever we include that word in an article headline, we know it will **not** be the most viewed. Maybe it's because few readers hold direct Chinese investments, but there are many levels in which China is fundamental to our economic and investment success. As China faces challenges to its economic growth, health and demographics, the impact on Australia will be profound.

Consider these six snapshots:

1. Not long ago, markets were worried if Chinese GDP growth fell below 8% a year. Look at the chart below. While China was expected to take a hit at the start of the pandemic in 2020, in the latest quarter, over two years later, economic growth is flat, with implications for Australia's exports to our biggest trading partner. The cheap labour that moved by the million from rural areas to the city to work in factories now costs more than many other low-cost countries.

2. For many decades, the strength of the ruling Chinese Communist Party was based on the ability to raise its population out of poverty. But with economic growth stalling, **President Xi** is shifting the source of his legitimacy to a national pride and military strength which means more confrontation with the West. The trip this week by US House Speaker **Nancy Pelosi** to Taiwan led to a cyber attack which crashed Taiwanese websites, while China launched 'targetted military operations' and placed a ban on 100 Taiwanese brands. Russia and North Korea sided with China. Former ADF Chief **Angus Houston** says Australia is currently facing the worst security conditions he has seen in his lifetime.

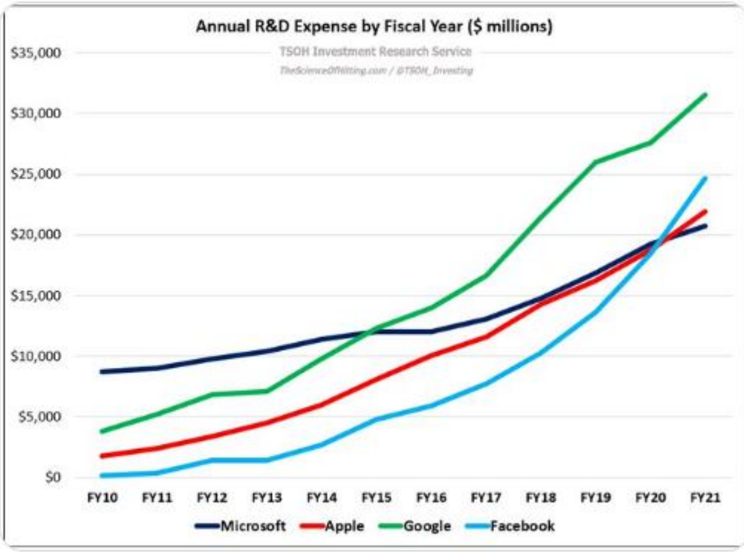
3. While the rest of the world moves on from Covid by learning to live with it, China's strict Covid Zero causes a severe loss of productivity and disrupts supply chains each time there is a major outbreak. Xi's arrogance in using only ineffective Chinese vaccines has made the country vulnerable, such as millions of people locked down recently in the manufacturing hub of Shenzhen. Manufacturing surveys show small and privately-owned

businesses are suffering from weaker domestic demand. Much of the world now realises it cannot rely on cheap supply chains starting in China.

4. China is massively challenged by its demographics. In his new book, *Tomorrow's People: The Future of Humanity in Ten Numbers*, **Paul Morland** says like many other countries, China's population in declining and the reversal of the one-child policy is having little success. India will soon be the world's most populous country. Says Morland in [The Sydney Morning Herald]:

"China already has a higher mean age than the United States and is getting old very quickly. If China wanted to keep its population young through migration, it would have to suck in the youth of the world ... China has probably had the world's largest population since it became a state. This is the first time it will be surpassed for thousands of years. And it will be hit by a demographic tsunami in the coming years. In any case, China was heading for a big slowdown: look at the fall in fertility rates among Chinese communities outside China – Taiwan, Singapore, Malaysia. A society like China, which rapidly urbanised and developed and got educated, was bound to have a sharp fall in fertility rates. It would be a bit less sharp and dramatic had there been no one-child policy, but it would have been a problem anyway. Now, a slightly worse problem than would otherwise have imposed itself will be entirely blamed on the Communist Party for its heartless policy. And any efforts now from the Communist Party to reverse course and get people to have more children will have little credibility."

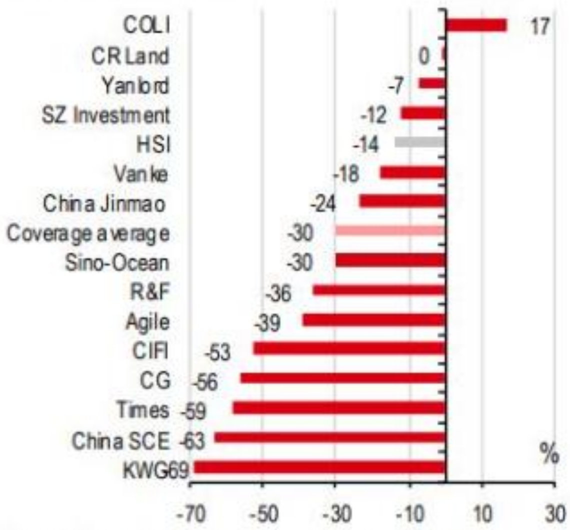
5. Until a couple of years ago, the big China tech stocks like **Alibaba, Tencent (owner of WeChat), China Mobile, Baidu and JD.com** were considered likely future rivals to the US giants. In 2020, the float of **Ant Financial** was expected to raise US$35 billion, but the Chinese Government started a regulatory clampdown which forced the transaction to abort. Entrepreneurs like **Jack Ma** were marginalised. Without major capital injections, it's unlikely China tech will be able to keep up with the innovation driven by the extraordinary R&D investments of their US rivals.



6. Property and infrastructure spending have underpinned Chinese growth, but residential prices and property company share prices are falling quickly. According to **Andrew Batson**, Research Director at **Gavekal Dragonomics**:

"Since 90% of residential property sales in China are of uncompleted units, a perception that developers cannot be trusted to finish construction will make people more unwilling to buy new housing, creating an even bigger problem in real estate."

Figure 4: China property sector y-t-d share price performance



Note: Priced at close of 29 July 2022. Source: Bloomberg, HSBC.

China accounts for 31% of Australia's total trade with the world. Already, some trade-restrictive measures imposed by China have caused exports to fall significantly since 2019. Although most investors do not directly own Chinese shares, China has become the major geopolitical issue of our times.

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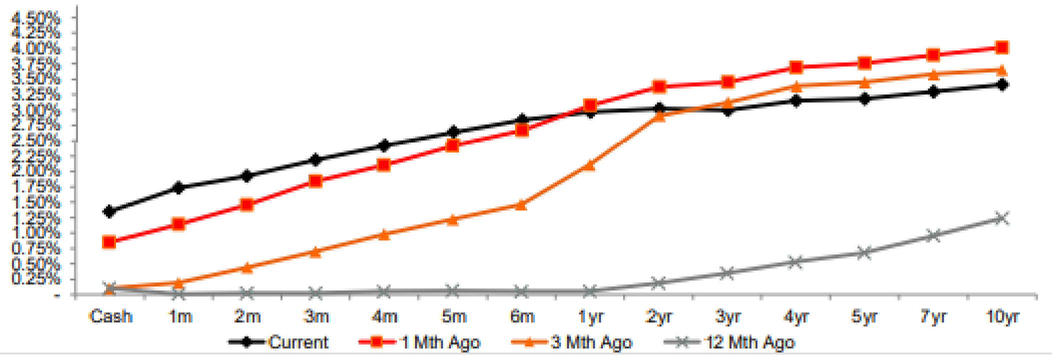
Sometimes, a few words in a **Reserve Bank** announcement gain a lot of attention. This week's increase in the cash rate by 0.5% to 1.85% was met by some optimism based on the final five words of the sentence:

*"... the board expects to take further steps in the process of normalising monetary conditions over the months ahead, but it was **not on a set path**."*

For example, **Andrew Canobi**, a Director at **Franklin Templeton**, said:

"The RBA seems to be communicating a desire to look at the incoming data, going forward, and then address where they're at. And what we think they're signalling here is that a big part of the heavy lifting has been done."

In my view, the words do not sound different than in the past. As shown in this chart sourced from **NAB**, the current yield curve in black continues to flatten with long rates falling below levels a month or three ago. For example, rates are down a strong 0.4% in a month in the three-year part of the bank curve. The market is now expecting cash rates to top out at 3.2% in March 2023 which is a long way down from 4% in recent months. For the struggling borrowers, it will be a relief.



Westpac's Bill Evans has revised his cash rate peak to 3.35%, based on stronger growth than **Treasury**'s 3% this financial year and 2% next. Says Evans:

"In effect, we expect (calendar) 2022 to be much stronger than the Treasury while the slowdown in 2023 will be much more severe as the rate hikes bite."

Meanwhile, **NAB's Ivan Colhoun** is not going as high:

"NAB's view is that seeking a return to 2%, 3% inflation will likely require at least a slightly restrictive monetary policy setting, which we suggest is in the 2.6-2.85% cash rate range."

In this week's articles ...

Experts. We love them and hate them. We quote them and criticise them. We agree and we disagree. Their wisdom from on high is the subject of much financial commentary every day. So let's go to two experts with the highest global profiles, both committed to educating and informing, and see how they differ. Reading **Ray Dalio** and **Howard Marks** leads to pondering whether there is a difference between common sense and uncommon sense.

I worked with **Michael Witts** at **CBA** more decades ago than either of us care to remember, and after over 40 years in the market and the last 12 as Treasurer of **ING Bank** in Australia, Mike has retired. He takes a look at some of the changes in the market, especially in mortgages, he has experienced. Enjoy smelling the roses, Mike.

Meg Heffron continues her excellent monthly series on managing SMSFs with some useful tips on whether someone should wait until they set up a pension account before selling an asset with a significant capital gain. Although pension funds are tax free, the best timing is not as obvious as it first appears.

From 1 July 2022, large super funds began rolling out their Retirement Income Covenant statements, and it's expected that lifetime annuities will play a role. **David Knox** highlights a pricing inequity that needs to be sorted out before their use becomes more common.

While there's no doubt every business is rethinking its office space requirements in the wake of staff working from home, a central meeting place remains essential for corporate culture and collaboration, even if it's not every day as it used to be. In fact, demand for premium space is strong, as **Andrew Ballantyne and Steve Bennett** report on results of the most recent survey.

Markets hang out for the latest inflation data as the prime determinant of interest rates and direction, so it's no longer acceptable that the Reserve Bank receives only quarterly data. As **Lewis Jackson** explains, we are far behind every other country in the G20. Change has been discussed for a dozen years.

We were sad to hear of the death of **Phil Ruthven** last week. Phil has been a wonderful supporter of this publication, delivering popular and high profile articles to our readers since the start in 2013. We pay tribute to his advice to business leaders across decades by linking to every article written for us, including a short excerpt so you can decide which to read again. Vale Phil.

This week's White Paper is from **Western Asset**, part of the **Franklin Templeton** group, looks at US inflation today and how it differs from previous periods based on economic growth, wages, and price disparities.

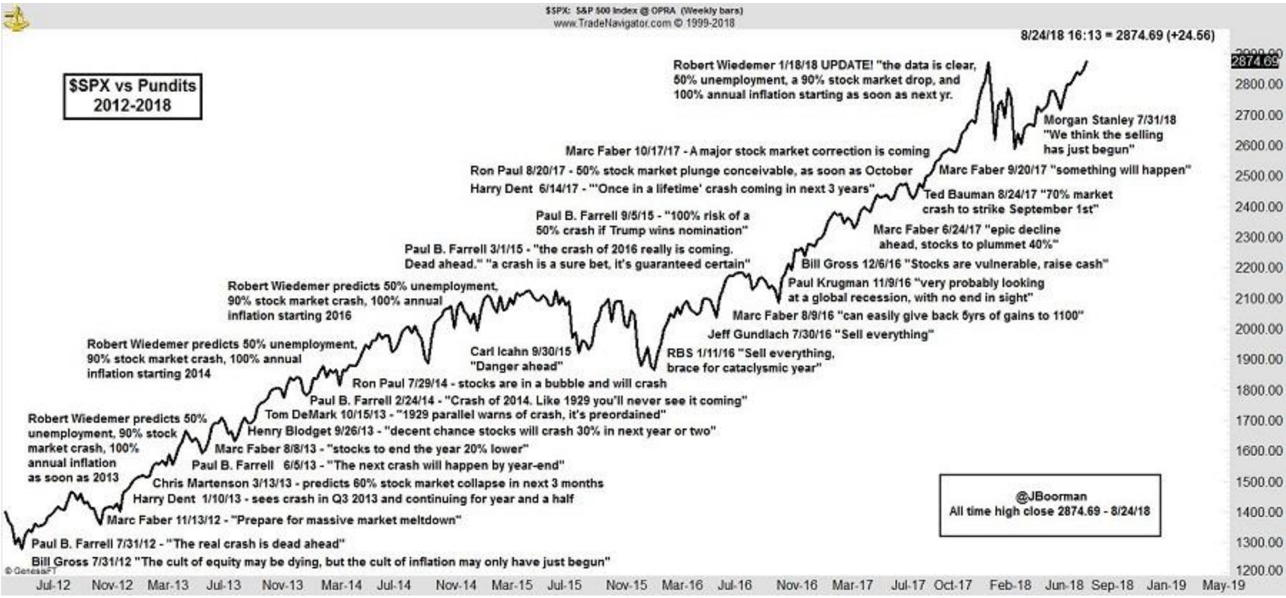
Dalio v Marks is common sense v uncommon sense

Graham Hand

"Anyone who thinks there's a formula for investing that guarantees success (and that they can possess it) clearly doesn't understand the complex, dynamic, and competitive nature of the investing process. The prize for superior investing can amount to a lot of money. In the highly competitive investment arena, it simply can't be easy to be the one who pockets the extra dollars."
- Howard Marks, Founder, Oaktree Capital

*"Markets and economic movements are driven by **much simpler and more common-sense** linkages than most people articulate."*
- Ray Dalio, Founder, Bridgewater Associates

Stock and bond markets have a habit of making experts look foolish. At any point in time, for every expert who calls a market bottom, another says wait a year. One of my favourite charts, which was regularly updated by US analyst, Jon Boorman, before his death in 2020, is shown below. He highlighted the profound announcements of prominent 'pundits' and their "*crash is coming*" advice. I remember well starting 2016 with RBS's "*Sell everything, brace for a cataclysmic year*" before one of the best market run ups in history.



Click to enlarge

Who should investors believe when there are so many opinions, or is forecasting a fool's errand? Is good investing simply common sense or does success need deep and complex analysis?

Unfortunately, the only investors who are confident enough to ignore the short-term noise of expert predictions are the genuine long termers who set up their portfolios for decades and shut out the swings and arrows of outrageous fortune. Most people cannot avoid some form of active asset allocation, even if it is only deciding what to do with cash flows or how to rebalance as markets move.

Checking in on Dalio and Marks

While it's possible to make a billion dollars or so based on luck and personality rather than skill, it's more likely that some market experts who have spent decades accumulating significant wealth in the market probably have good reasons for their success.

At this transition point in markets, where a long cycle of falling rates and a decade of easy money are replaced by a tightening, let's check the latest from two billionaires who deserve more attention than most. Bridgewater's Ray Dalio and Oaktree's Howard Marks seem genuinely eager to share their expertise regularly in thought-provoking newsletters.

Something more fundamental than their latest market views struck me in their recent briefings. Dalio thinks investing is simple, common sense stuff. Marks calls it complex, competitive and convoluted. Who's right, or are they both?

Ray Dalio on common sense

Ray Dalio writes a regular newsletter on LinkedIn called 'Principled Perspectives' which gives his: *"ongoing flow of research and perspectives about the economy, markets, life and work."* Sounds like an expert to me, but here he is on 22 June 2022:

"For me, hearing supposed 'experts' talk about what's now happening in the markets and economy is like listening to nails scratch against a chalkboard because they are typically saying incorrect things in an erudite rather than common sense way. Markets and economic movements are driven by much simpler and more common sense linkages than most people articulate."

There is some irony that Dalio criticises 'experts' when he seems to aspire to be president of the club. Regardless, Dalio's 'common sense' thinking about inflation clears the air (and the bolding below is Dalio's own).

"More specifically, I now hear it commonly said that inflation is the big problem so the Fed needs to tighten to fight inflation, which will make things good again once it gets inflation under control. I believe this is both naïve and inconsistent with how the economic machine works."

The Fed has plenty of critics at the moment, but Dalio argues 'naïve and inconsistent' comes from not understanding the simplicity of supply and demand. He continues:

"That's because that view only focuses on inflation as the problem and it sees Fed tightening as a low-cost action that will make things better when inflation goes away, but it's not like that. ***The facts are that: 1) prices rise when the amount of spending increases by more than the quantities of goods and services sold increase and 2) the way central banks fight inflation is by taking money and credit away from people and companies to reduce their spending."***

Dalio thinks central banks should:

"1. Use their powers to drive the markets and economy like a good driver drives a car - with gentle applications of the gas and brakes to produce steadiness rather than by hitting the gas hard and then hitting the brakes hard, leading to lurches forward and backward.

2. Keep debt assets and liabilities relatively stable and, most importantly, not allow them to get too large to manage well.

To do this they should not allow interest rates and availabilities of money to be either too good or too bad for the debtors or the creditors. ***By these measures central banks policies have not been good ... there isn't anything that the Fed can do to fight inflation without creating economic weakness."***

A month later, 13 July 2022, Dalio gave a further warning:

"I believe that we are in a paradigm in which the buying power of financial assets will go down because of a combination of 1) actual price declines when money is tight and 2) inflation when it's loose. One of my investment principles that is very relevant now is ***"don't always bet on up."*** *Always betting on up, which is what almost everybody does, is both a mistake for investors and damaging to the economic system ...*

What should an investor do in light of all this? Rather than always betting on up, every investor should look at how to diversify one's portfolio to have some investments that go up when others go down which, if done well, *reduces risks more than it reduces returns. While there are sometimes when even a well-diversified portfolio of assets will go down, it won't go down as much as an undiversified portfolio, and it won't stay down because a severe and extended period of bad performance is intolerable.*

To Dalio, it's common sense. The Fed should make only gentle changes to policy to guide the economy and investors should maintain a diversified portfolio. Of course, Dalio did not build the largest hedge fund in the world based only on 'common sense', and indeed, he is now passing on the principles behind his success. But his most-quoted life principle is relatively simple:

*"Logic, reason, and **common sense** are your best tools for synthesizing reality and understanding what to do about it."*

Howard Marks on uncommon sense

Howard Marks believes a successful investor must think differently. Far from talking about 'common sense', his subtitle for his most famous book, '*The Most Important Thing',* is '*Uncommon Sense and the Thoughtful Investor*".

To Marks, investing is difficult and far from 'first-level', superficial thinking. He writes in his latest memo to clients:

"If you hope to distinguish yourself in terms of performance, you have to depart from the pack. But, having departed, the difference will only be positive if your choice of strategies and tactics is correct and/or you're able to execute better."

He then describes the need for 'second-level thinking'. Beating the market is difficult and winners must be a step ahead. He says:

"Your thinking has to be better than that of others – both more powerful and at a higher level. Since other investors may be smart, well informed and highly computerized, you must find an edge they don't have."

Complex and convoluted

The way investors think is crucial to Marks, and it's a long way from common sense:

"First-level thinking is simplistic and superficial, and just about everyone can do it (a bad sign for anything involving an attempt at superiority). All the first-level thinker needs is an opinion about the future, as in 'The outlook for the company is favorable, meaning the stock will go up.'"

Second-level thinking is deep, complex, and convoluted. The second-level thinker takes a great many things into account:

- What is the range of likely future outcomes?
- What outcome do I think will occur?
- What's the probability I'm right?
- What does the consensus think?
- How does my expectation differ from the consensus?
- Is the psychology that's incorporated in the price too bullish or bearish?
- What will happen to the asset's price if the consensus is right or I'm right?

Not much simple, common sense in there.

"First-level thinkers look for simple formulas and easy answers. Second-level thinkers know that success in investing is the antithesis of simple."

Marks says we can't know much about the short-term future beyond the consensus view. Investors do not improve their performance by jumping in and out of the markets to avoid short-term problems and investors should aim for the benefits of long-term compounding. Here's a big point:

"Even if we think we know what's in store in terms of things like inflation, recessions, and interest rates, there's absolutely no way to know how market prices comport with those expectations. This is more significant than most people realize. If you've developed opinions regarding the issues of the day, or have access to those of pundits you respect, take a look at any asset and ask yourself whether it's priced rich, cheap, or fair in light of those views. That's what matters when you're pursuing investments that are reasonably priced."

Short-term focus is a harmful distraction, and even if an investor is correct about an event, how much is already factored into prices?

Common sense versus uncommon sense

Warren Buffett says, *"Investing is simple, but it's not easy".* He reminds first-time investors that investing looks easy but it's actually difficult. He also said:

"None of the top 20 highest valued companies from 1989 are in the same list 30 years later. It is a reminder of what extraordinary things can happen."

At one level, Dalio and Marks could be saying the same thing. Common sense - ignoring noise, investing for the long term, ignoring bubbles and hype - is not necessarily common. It's difficult to stick to a plan, and so perhaps, common sense is uncommon.

But the differences between Dalio and Marks run deeper and are more profound. Dalio has developed a set of principles which he describes as simple and common sense, as in anyone can learn them.

Marks' guidelines for success can be mastered by relatively few. He says:

"The difference in workload between first-level and second-level thinking is clearly massive, and the number of people capable of the latter is tiny compared to the number capable of the former. First-level thinkers look for simple formulas and easy answers. Second-level thinkers know that success in investing is the antithesis of simple."

I'm in the Marks camp. There are relatively few fund managers and expert investors who give unique insights and consistently deliver outperformance over their benchmarks through time. While it's easy to invest, it's difficult to be better than a lot of other smart people out there.

Graham Hand is Editor-At-Large for Firstlinks. This article is general information and does not consider the circumstances of any investor.

Michael Witts: changes over the final 12 years of my career

Michael Witts

Introduction: Following a career of more than 40 years in domestic and international financial markets, Michael Witts retired as the Treasurer of ING Bank Australia (IBAL), a position he held for more than 12 years. IBAL is a significant participant in the Australian mortgage market. This article reflects upon his observations over the years especially in the mortgage market, regulations and the dynamics of funding opportunities.

Mortgage market

Over the past 20 years, innovation in the mortgage market has continued at a rapid pace. Competition in the sector remains intense, with the increasing role of brokers meaning that a mortgage is seen as a commodity, which can be readily substituted from one provider to a second or subsequent provider.

From a consumer viewpoint, this has been a positive development, with sharper pricing becoming more widespread. From a mortgage provider viewpoint, previous generous margins have been partially eroded, with a value exchange in favour of the consumer. Despite this erosion, the return on equity on Australian mortgage books remains attractive on a global basis.

The distribution of mortgages via brokers has enabled participants to broaden their geographic footprint beyond their traditional market. The enhanced geographic spread has reduced location related concentration risk. In addition, the broker channel supports new entrants to get their products into the market in a more efficient and cost-effective manner. This contributes to increased competition.

The recent introduction of 10-minute mortgage approval process is to be applauded, however, as with most things the devil is in the detail. In a drive to improve mortgage approval turnaround times, credit decision engines are used to automate the process to the maximum extent possible. The quality of the decisions that result is a function of the design of the rules. While these will work well for loans that are clearly strong (approved) or weak (declined), there is the potential for the population in the middle to generate several exemption escalations and/or adverse customer outcomes. This should be a watch point as these programmes gain momentum.

Fintechs and new banking participants

The doors are open for new banking participants to enter the market. Generally, they benefit from having no legacy systems and their technology is cutting edge, however, they lack customer numbers to achieve economies of scale. As a result, they need to closely manage their cash burn rate during the early years. Improvements in the technology employed by incumbents, together with Covid, has seen many of the newer participants exit the market.

The alternative outcome has seen new participants being taken over by more established financial institutions. This effectively results in a dual banking technology stack being used within institutions, where the 'old' and the 'new' bank run side by side, with the end game that existing customers are transitioned to the new technology. This approach is likely to be repeated in the future. Also, it further underlines the power of incumbency and an existing customer base.

Impact of regulation

A key outcome of the GFC was a series of regulatory changes designed to improve the liquidity self-sufficiency of banks. The driver of this was that public funds would not be required to bail out the banking sector in the future.

While these measures have achieved the objectives of strengthening bank liquidity and funding models, they have also made explicit the cost of providing market liquidity. In many cases, banks have opted to decrease or cease their market making activities.

Consequently, volatility in financial markets has increased significantly, especially at times of unclear or turning market direction. The first half of 2022 has been characterised by extreme volatility across equity and financial markets. Market observers agree this year has been potentially the most volatile in recent memory due to a turning monetary policy cycle. This reflects the sharp jump in inflation and inflationary expectations, surging commodity prices, especially energy, stemming from the war in Ukraine and Covid-related supply chain issues across the globe especially in China. Mixed messaging from central banks has compounded a volatile and fragile environment as Covid was being unwound.

Funding options for non-major mortgage lenders

Retail deposit funding has been a key source for major banks to fund their asset portfolios, especially their mortgage books. The major banks continue to tap into retail funding options, in addition to longer term wholesale funding alternative (both domestic and offshore), including medium term notes, residential mortgage-backed securities (RMBS) and covered bonds.

In contrast, mortgage lenders without access to significant retail funding alternatives rely on warehouse funding facilities pending the issuance of RMBS bonds to generate term funding. Prior to the winding down of the Committed Liquidity Facility (CLF), the major bank balance sheets were strong supporters of the RMBS market, as assets that could be pledged as collateral for the CLF were available at attractive spreads relative to alternative assets with similar collateral features.

In September 2021, APRA advised CLF banks that the CLF would be reduced to zero effective end December 2022, reflecting the growth in government and semi-government bonds on issue arising from the fiscal impact of Covid. Hence, the rationale for the CLF, the previous shortage of government and semi-government securities, (High Quality Liquid Assets, (HQLA)) was no longer applicable. This resulted in a transitioning of demand from RBMS towards HQLA.

The decrease in demand for RMBS became quickly apparent in late 2021 and continued into 2022. In practical terms, this translated into smaller individual deals and wider spreads. The continuation of this trend appears likely and means that competitive sources of volume term funding for non-major lenders in the mortgage market is reduced, increasing the risk that price competition in this sector could lessen.

Conclusion

The Australian mortgage market and associated funding markets have successfully responded to changing customer expectations and the dynamics of funding markets over many years. While at times these elements may get out of line, through the combined efforts of market participants and regulators working with a positive co-operative approach, issues have been resolved. Innovation, with a focus on customer outcomes, will continue to drive the market in future years.

Michael Witts has worked in domestic and international financial markets more than 40 years and is the former Treasurer of ING Bank Australia (IBAL), a position he held for more than 12 years. These comments represent the author's observations only and should not be considered to be the views of IBAL or ING.

Meg on SMSFs: should you start a pension before selling assets?

Meg Heffron

In a monthly column to assist trustees, specialist Meg Heffron explores major issues relating to managing your SMSF.

Most SMSF members know that their fund stops paying income tax on some or all of its investment earnings (rent, interest, dividends, capital gains) when it starts paying 'retirement phase' pensions. A 'retirement phase' pension is usually a pension paid to someone who is older than 65 or who is slightly younger but is classified as 'retired' for superannuation purposes.

This particular tax break is one of the greatest benefits of having long-term investments in super because it can mean a complete tax exemption on capital gains that have built up over many years.

Starting a pension before selling an asset

But is it essential to start the pension(s) before selling the asset? Maybe, maybe not.

It's easiest to explain the rules using examples – and understanding the rules can be incredibly handy!

Let's start with Craig. In 2020, Craig turned 60 and retired. At the time, he started a pension with all his super (in his SMSF) and so today (August 2022), his fund just has pension accounts (he's the only member). His fund has owned an investment property for 15 years which it's about to sell. The property is worth a lot more than his fund paid for it - so will there be a lot of capital gains tax to pay?

In fact, this property can be sold without his fund paying any capital gains tax at all. That's despite the fact that Craig knows most of the growth in value actually happened before he retired and started his pension. All that's important is how the fund looks in the year the property is actually sold.

So a great rule of thumb for anyone approaching retirement is to wait and sell SMSF investments *after* starting pensions if the fund is facing very large capital gains.

But it's slightly more involved than that. Craig's situation was really simple. He converted **all** his super into a pension and it happened several years ago. So in his case, all of his fund's investment income (including all capital gains) are exempt from tax this year.

Not all cases are so simple

But what about Craig's friend Tony? Tony had a very large super balance and wasn't able to turn all of it into a pension. The super tax rules only allow a limited amount – known as the Transfer Balance Cap (currently $1.7 million) – to be put into a retirement phase pension when it first starts. Tony's super balance was $2 million when he started his pension in July 2021 and so he needed to leave $300,000 out of his pension in an accumulation account. Today (August 2022), his super is still split between his pension account and his accumulation account.

The tax for Tony's SMSF is worked out slightly differently. A percentage (rather than all) of his fund's investment income is exempt from tax. The percentage is likely to be around 85% for Tony's fund because his pension account represents around 85% of his total fund. So if his SMSF sold an investment property in 2022/23, 85% of the capital gain would be exempt from tax but the remaining 15% would be taxable.

Even that example is still simple-ish because the pension started in a previous financial year.

What if Craig and Tony only started their pensions in (say) January 2023 and their funds sold property in May 2023?

Craig’s whole fund will be retirement phase pensions from January 2023 onwards. That means all of its income after that time will be exempt from tax, including the capital gains from the sale of the investment property in May 2023. (Funnily enough, the position might be different if Craig had other super pensions in another fund – but we’ll assume he doesn’t for now.)

Now the timing becomes tricky

In Tony’s case, remember that only a percentage of the capital gain is exempt from tax. Unfortunately, the percentage must be worked out over the whole year. In this example, around 85% of the fund was in a retirement phase pension for the second half of the year but it was 0% for the first half of the year.

So the percentage for Tony’s fund in 2022/23 will only be around 42%. That’s potentially a disaster – only 42% of the capital gains will be exempt from tax. It’s because the percentage that’s being used is very low – dragged down by the fact that Tony only started his pension part way through the year.

In this case, Tony would be better to wait – sell the property early in the **new** financial year. For 2023/24, the percentage will be more like 85% (as long as nothing else changes – like he stops his pension).

A key tip here is that if a pension starts mid way through a year, the percentage in that first year is often a lot lower than it will be in the future.

What if Craig and Tony’s SMSFs had sold the property in August 2022 before they started their pensions? At first glance this sounds like a disaster for both of them. But actually it’s not.

In Tony’s case, nothing changes. His percentage is still 42% (exactly the same) and 42% of all the investment income the fund has earned during the whole year is exempt from tax. Even income it earned before his pension started. And even capital gains like this one.

Craig also has a possible solution. Normally Craig’s SMSF would work out its tax exemption using the method described earlier – all income (including capital gains) after his pension started is exempt from tax and everything beforehand is taxable. But from 2021/22 onwards, SMSFs like Craig’s are allowed to choose to be treated like Tony’s – and use the percentage method. In this case, the percentage would be around 50% (ie his fund was 0% in pension accounts for the first half of the year and 100% in the second half). Just like Tony’s SMSF, this 50% would apply to all investment income for the whole year – both before and after the pension started.

Not always critical to sell after starting the pension

So believe it or not, it’s not always critical to wait until after pensions start to sell assets with large capital gains. But the nuances can be complex – it’s definitely a time when good advice can save thousands in tax.

And one final note: just like everything else with super, there are ifs, buts and maybes. In these examples, Craig and Tony had all their super in their SMSF, they were the only members and they’d never had pensions before the dates talked about in this article. Changing any of these circumstances could change the outcome. Talk to your adviser or accountant before going ahead. It’s also worth understanding when assets like property are 'sold' for this purpose. It’s when the contract is exchanged, not when the fund receives the money.

Meg Heffron is the Managing Director of Heffron SMSF Solutions, a sponsor of Firstlinks. This is general information only and it does not constitute any recommendation or advice. It does not consider any personal circumstances and is based on an understanding of relevant rules and legislation at the time of writing.

To view Heffron's latest SMSF Trustee webinar, 'Super contributions unpacked', click here (requires name and email address to view). For more articles and papers from Heffron, please click here.

Annuities cost more for women: it's time for unisex rates

David Knox

The Retirement Income Covenant is now in place and all super fund trustees of APRA-regulated funds have published their retirement income strategies. A required part of these strategies is how the trustee will address a range of risks faced by retirees, including longevity risks. That is, what happens if a person lives longer than expected?

Yet, most of the published Retirement Income Strategies have not tackled this issue. Specifically, while the vast majority of super funds offer an account-based pension, less than 20% of the funds provide access to a lifetime pension or annuity. This will need to change as super balances grow and life expectancies continue to increase. In pension systems around the world, the most common product to provide longevity protection is a lifetime annuity, that is, an insurance product that will keep paying you income, no matter how long you live.

Annuities cost more for women

One of the features of the Australian annuity market is that the income provided for a particular price will depend on your age. This is understandable – after all, the older you are, the lower your life expectancy. However, there is another determining factor that is used: your sex.

The reason is simple. Women, on average, have longer life expectancies than men.

The disparity in retirement wealth between genders is a complex issue, and much of it is driven by the gap that exists in the superannuation balances of men and women. While we know a gender super gap exists, it is an indirect result of super's intrinsic link to employment and income patterns. On its own, super doesn't discriminate. The SG rate is the same regardless of gender.

Similarly, the Age Pension does not consider gender in the equation. Although the pension is subject to means tests, the rules are the same for everyone, even though more women receive the pension for several reasons, including their longer life expectancy.

And, defined benefit superannuation pensions, currently paid to many public sector retirees, are based on an individual's period of service and salary, not their gender. This is also normal practice in defined benefit schemes around the world.

How much more do women pay?

Annuities are the only part of our retirement income system where the benefit is determined by an individual's sex. For example, based on currently published annuity rates from Australia's major provider of annuities, a male aged 65 who purchases a CPI-indexed annuity with $100,000 would receive an initial monthly payment of $419 or $5,026 pa. This figure is 6.4% higher than for a 65-year-old female. At age 80, the difference increases to 9.2%.

In other words, women are paying between 6.4% and 9.2% more.

So the question needs to be asked: notwithstanding the differences in life expectancies, is it feasible to have unisex annuity rates?

In short, the answer is yes. The European Union, which boasts some of the best retirement income systems in the world, has required the same annuity rates for men and women since December 2012.

Ranked sixth out of 43 retirement income systems in the Mercer CFA Institute Global Pension Index, Australia's retirement income system is well regarded around the world with the means-tested Age Pension and compulsory superannuation for all employees. As our retirement system matures and the focus moves from accumulation to retirement income, we must develop attractive longevity products for everyone. That goes for annuities: everyone should be treated the same.

Let's make it fairer

It's time that the Australian government demonstrated to the public that sex must not be a factor in one's retirement income. If paying superannuation on paid parental leave is a stretch too far for the forthcoming Budget, requiring unisex rates for annuities is a small but significant step towards a fairer retirement, regardless of an individual's sex.

Dr David Knox is a Senior Partner at Mercer. See www.mercer.com.au. This article is general information and not investment advice, and does not consider the circumstances of any person.

Five key trends driving the Australian office sector

Five key trends driving the Australian office sector

Andrew Ballantyne, Steve Bennett

The Australian office sector has shown its resilience through various economic shocks and cycles and continues to play an important role in providing physical workplaces for organisations to collaborate, innovate and socialise. Workplace is a visual element of corporate culture and workplace design has a role in supporting the values and basic assumptions (how employees behave) of the organisation.

JLL's report '[Outlook for the Australian office sector](#)' was prepared for Charter Hall and here are the major conclusions:

Office sector recovery (post COVID): The Australian office sector has rebounded from the COVID-19 pandemic. JLL tracks 19 office markets across Australia and 15 of them recorded positive net tenant demand over the 12-months to 1Q22.

Flight to quality: Organisations are gravitating towards prime grade (higher quality) office assets. JLL recorded net absorption of +489,200 sqm in prime grade higher quality buildings and -110,100 sqm in secondary grade lower quality assets over the 12-months to 1Q22 (see Figure 1).

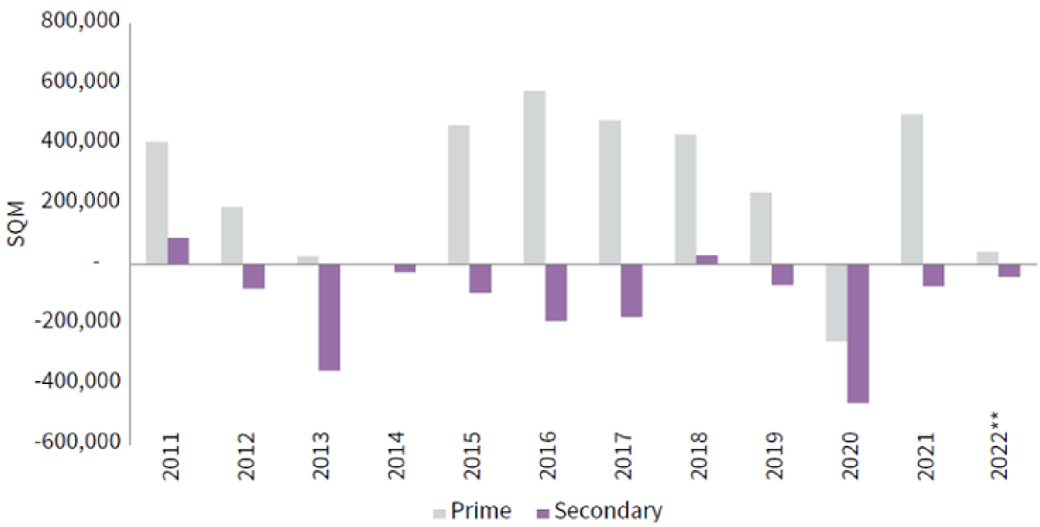
Employment growth and leasing activity positive: The economic rebound has flowed through to employment growth and a sharp increase in office leasing enquiry and activity. Based on Deloitte Access Economics forecasts, the number of office workers is projected to increase by 637,400 to 5.1 million people through to 2026. Growth is projected to be broad based and include solid growth in the professional services, public administration, technology, and healthcare sectors.

Positive market fundamentals: The outlook for future rent growth is positive. An improvement in physical market conditions will exert upward pressure on rents and JLL forecasts average Australian CBD prime gross effective rents will increase by 3.8% per annum between 2022 and 2026.

Capital value growth: Positive income growth will be supportive of an uplift in prime capital values. JLL is projecting weighted average CBD capital values to grow +1.8% per annum between 2022 and 2026.

Increased transactional activity: Liquidity in the Australian office sector improved substantially over 2021 totalling $15.8 billion, which was an increase of 70% from transaction activity in 2020 of $9.3 billion. Investment activity came from a broad buyer pool which highlights Australia's attractiveness as a global investment destination.

Figure 1: Australian office markets total net tenant absorption (demand), 2011 to 2022*



*as at 1Q22. **2022 data shows one quarter only. Source: JLL Research.

Five key themes shaping the office sector

The trends influencing the office sector are broad and diverse. JLL has distilled these observations into five key trends that will influence the office sector over the next decade.

1. Return to work rates will increase towards 70% to 80% of pre-pandemic levels (currently averaging 60% across Australian CBD markets)

Australia was viewed as a global leader in the management of the health crisis and has a vaccination rate which is amongst the highest in the world. Australia is transitioning from pandemic to endemic with minimal COVID-19 related restrictions. The easing of restrictions through 2022 has led to return-to-work rates increasing across all Australian geographies. Several large organisations have announced they will allow greater employee working flexibility and adopt a hybrid work model. JLL's Workforce Preferences Barometer (2021) revealed that 63% of the workforce wants to keep the flexibility of being able to alternate between the office and working from home.

Early evidence shows a high proportion of workers are committed to coming into their primary place of work three days per week. Organisations are generally allowing employees to select their own flexible working schedule and office occupancy is higher from Tuesday through Thursday. Most organisations are finding that headcount growth is offsetting the potential reduction they could make from a flexible work policy.

2. Organisations will gravitate towards office assets with strong environmental, health and wellness attributes

Organisations increasingly understand that workplace has a role in the attraction and retention of knowledge workers. Nurturing talent through human-centric workspaces and workforce strategies will become more prevalent in real estate decisions. JLL's Workforce Preferences Barometer (2021) highlighted the importance of this approach with 73% of respondents aspiring to work in places that support healthy lifestyles, safety and wellbeing. Furthermore, 58% of the workforce consider that health and wellbeing programs will make the employer unique in the long-term. The evolution of employee health and wellbeing expectations is positive for prime grade assets. The trend towards prime grade office assets will accelerate through 2022 and lead to higher structural vacancy within secondary grade accommodation.

3. Rising labour, material and financing costs will reduce new development activity

Australian office sector development is typically precipitated by healthy levels of tenant pre-commitment. Lending criteria for commercial development is stringent with conservative loan-to-cost ratios and tenant pre-commitment hurdles to de-risk projects. A higher current inflationary environment for labour and raw material costs is exerting upward pressure on construction costs and pushing the economic rent required for new development well above existing office rental levels. As a result, JLL expects new development will be lower across Australian office markets over the next five years. Supply additions across CBD office markets are projected to average 216,500 sqm per annum between 2022 and 2026, which is below the 20-year historical average of 248,200 sqm.

4. The technology, healthcare and education sectors will become important sources of tenant demand

Public administration (government), professional services and finance & insurance have historically been the three most relevant industry sectors for office tenant demand. The professional services industry sector has broadened to include technology and the ABS reported that the technology sub-sector has represented 57% of professional services employment growth over the past two years. Financial services has also broadened to include Fintech and Australia now ranks sixth in the world in the Global Fintech Ranking 2021.

The increasing relevance of the healthcare and education sectors will lead to new sources of occupier demand. Deloitte Access Economics estimates healthcare's share of white-collar employment was 15.3% in 2011, 18.4% in 2021 and is projected to reach 21.2% by 2031. Healthcare industry sector employment is becoming more diverse and the expansion of health-tech, life sciences and telehealth jobs will flow through to a new source of office sector tenant demand.

5. The next generation of workplace design will have a greater focus on collaborative and social space

The workplace will be a destination for collaboration, ideas generation and knowledge transfer. It is estimated that over 70% of learning occurs on the job* and face-to-face interaction with colleagues allows younger professionals access and the opportunity to learn through osmosis. The regenerative workplace will accommodate all of these features and fuel workforce resilience.

JLL's Regenerative Workplace Survey (2021) showed that relaxation spaces and social spaces were ranked highly on employee expectations of services and amenities within the building or individual workspace. Future workplace design will lead to fewer workstations relative to the number of employees. However, greater collaboration, social and wellness space are all factored into the workspace ratio and will largely offset the reduction in individual or focus work areas.

Conclusion

Solid economic growth projections and strong levels of employment growth are a positive for the outlook of the Australian office sector. A number of key industry sectors are also projected to support solid levels of office demand over the medium term. This includes the public, professional services, healthcare and educations sectors.

The office sector will be shaped by key trends including:

- Improving occupancy rates in office towers over 2022 as employees come back into the workplace which will help reinvigorate CBD and metropolitan markets.
- Organisations showing a greater interest in the environmental, health and wellness attributes of an asset when considering relocating which will be beneficial for prime grade assets.
- The next generation of workplace design having a greater focus on collaborative and social space in order to attract the best talent to an organisation.

Although JLL is projecting property yields to soften over the medium term (2022-2026), this will be counterbalanced by solid forecast income growth supporting capital growth, with projected capital values increasing by 1.8% per annum over this period.

*Source: How To Leverage The 70 20 10 Model For High Performing Employees.

Andrew Ballantyne is Head of Research – Australia, JLL and Steven Bennett is Direct CEO at Charter Hall Group, a sponsor of Firstlinks. This article is for general information purposes only and does not consider the circumstances of any person, and investors should take professional investment advice before acting. For more articles and papers from Charter Hall, please click here.

Reserve Bank has both a date and data dilemma

Graham Hand, Lewis Jackson

Interest rate decisions and inflation data are currently affecting financial markets in profound ways, after a decade of far less relevance. It is surprising, therefore, that although Australia's Reserve Bank Board meets every month except January, Consumer Price Index (CPI) data is only available quarterly. Even more mysterious, the US Federal Open Markets Committee (FOMC) does not meet for a further two months despite the market hanging on every word its Chairman utters.

The Reserve Bank moved rates only once (in November 2020 by 0.15%) for over two years between March 2020 and the start of its current tightening in May 2022. As shown below, the last increase was in 2010. But in a spectacular turnaround from the expectation of no changes over 2022, 2023 and into 2024, Philip Lowe has delivered four consecutive increases with more to come.

Reserve Bank Target Cash rates

Source: RBA

The world's most powerful central bank is the US Federal Reserve, and its FOMC holds only eight scheduled meetings a year. At its last meeting, the increase in the Fed Funds was a healthy 0.75%, perhaps necessary to get 'ahead of the curve' on inflation because of the long wait to the next meeting. At least the Reserve Bank can be more reactive to market and economic conditions with some flexibility. Hence following the most recent increase of 0.5% to 1.85% at its August 2022 meeting, it said:

"Inflation is expected to peak later this year and then decline back towards the 2–3 per cent range ... The Board expects to take further steps in the process of normalising monetary conditions over the months ahead, but it is not on a pre-set path. The size and timing of future interest rate increases will be guided by the incoming data and the Board's assessment of the outlook for inflation and the labour market."

The phrase "*not on a pre-set path"* was well received and the stockmarket and bond market rallied.

Lewis Jackson of Morningstar recently looked into the timing of the Reserve Bank's data sources.

What about the Reserve Bank's CPI data?

The Reserve Bank is steering an overheating economy and its most important crystal ball is past the use-by date.

It’s bad enough that Governor Philip Lowe and the Board have a date problem. The 2021 prediction of no cash rate increases “*until 2024 at the earliest*” will haunt him for years. What receives less focus is he also has a data problem to make his job even harder.

In a rapidly-changing market, it is unacceptable that Australia’s best measure of inflation is months out of date by the time it reaches the cash rate decision-makers at 50 Martin Place. A mild inconvenience normally, stale data risks policy mistakes when inflation is advancing at the fastest pace since Howard.

Inflation watchers rely on the CPI. It tracks price changes for almost 900,000 goods and services over each quarter - say January to March. The data is then published publicly one month later. In other words, if something changes in February, policymakers find out in late April.

Australia only G20 member with quarterly CPI data

Monthly data is the norm globally. Australia is the ***sole*** G20 member - a group that includes Indonesia, Mexico and South Africa - to publish inflation quarterly.

Old-world Europe leads the pack. The European Central Bank sees how prices changed in May, *o*n the last day of May. This, in a union of 19 countries and 750 million people.

Fresher data would make it easier to spot trends and turning points. It could help soften the nasty surprises the Reserve Bank is making a habit of delivering. April’s CPI belatedly spurred the Reserve Bank into action in May. Could higher-frequency data have caused a change of heart earlier?

Stephen Miller, an investment strategist at GSFM Funds management thinks so.

“Monthly CPI data would have alerted the RBA much earlier its transitory narrative regarding inflation was not accurate. It could have responded earlier and rectified the course it was on. I have no doubt whatsoever.”

None of this is particularly controversial. The Reserve Bank has been asking for monthly inflation data since at least 2010. In a 2017 speech, then Deputy Governor Guy Debelle said it would help “*identify changes in the trend in inflation sooner”*. The Reserve Bank declined to comment on this story.

The potential move to monthly reporting has been mooted for over a decade. The Australian Bureau of Statistics (ABS) first rejected the idea back in 2010 due to cost. By mid-2018 it had changed its mind. New technology had slashed data collection costs and the agency “*committed to development work*”. It expected to take one year.

Fast forward almost four years to March 2022 and the ABS announced it was “*examining the feasibility of a monthly CPI*”. An information paper outlining work-to-date and methodology is due in August 2022. Given a year of test data is required to verify and baseline the new series, we could be years away from policymakers getting access. Asked by Morningstar about the three-year delay, the ABS blamed the pandemic.

But given the ABS’ own schedule had development finished by mid-2019, months before the pandemic, one can’t help but wonder if the work simply fell off the agenda.

Budget cuts may be partly to blame. Outgoing ABS chief David Kalisch warned in 2019 that a 30% fall in operational funding over the previous decade had put essential statistics at risk. The agency noted in 2018 that more funding would be needed to cover the ongoing costs of maintaining a monthly CPI.

And there are those who argue the ABS should prioritise other issues. Chief economist at AMP Shane Oliver would like to see the ABS narrow the hefty lags between when data is collected and reported: it takes a month for the CPI, six weeks for wages and two months for Gross Domestic Product. Other developed countries manage it in half the time or less. More funding for the ABS sounds like a good place to start.

Monthly inflation data won't make Philip Lowe omniscient, nor will it eliminate policy mistakes. Rapid-fire data is noisy and prone to misleading fluctuations. Helpful but no "panacea" says David Plank, Head of Australian Economics at ANZ.

The time to change was a decade ago

But when every change in the cash rate influences billions of dollars of investments and thousands of jobs, we should equip our policy makers with the best tools available. The ones they've been asking for since 2010.

The ABS estimated then the shift would cost $15 million annually. Web scraping and card scanner data mean collection costs are likely a fraction of that today. A few million dollars is a pittance to pay for the chance to improve monetary policy decision-making, even if only a little.

Graham Hand is Editor-At-Large at Firstlinks. Lewis Jackson is a reporter/data journalist at Morningstar, owner of Firstlinks. This article is general information and does not consider the circumstances of any investor. This article was originally published in Morningstar on 2 March 2022.

Tribute to Phil Ruthven, thanks for the wonderful contributions

Firstlinks

Phil Ruthven, the founder of IBISWorld, passed away after a battle with cancer, on Friday, 29 July 2022 at the age of 82.

Phil was a fantastic supporter of Cuffelinks/Firstlinks from the start. We started publishing in 2013 and Phil's first article was on 24 May 2013. He contributed 26 articles in total, showing his vast knowledge, unique sources and wide areas of interest. Amazing for someone with many other priorities, Phil always met article deadlines and responded immediately to requests.

I met Phil a couple of times to talk about business. As someone who advised industry and political leaders, it was extraordinary to receive his advice and he was humble about his own achievements. He showed a genuine commitment to share his knowledge and an eagerness to educate.

As a tribute to Phil, this week's edition features links to and summaries of all his articles. It shows our readers the great range of subjects he addressed here.

Phil's funeral will be held on Friday 5 August 2022 at 12.30pm at St. Finbars Catholic Church, 86 Centre Road, Brighton East in Victoria. The funeral will be livestreamed here.

Here is a eulogy from the IBISWorld website:

A forecaster, entrepreneur and storyteller, Phil was born and raised in Sydney, with Melbourne being home since the late 1960s, Phil spent over 10 years in the food industry, including executive positions in research, production and marketing for Edgells and Petersville, before establishing IBIS Corporate Services as a consulting firm in 1971.

A long-time contributor to TV, radio, newspapers and business magazines, Phil was sought-after for his views on topics ranging from business and strategy, through to economic and social issues. He didn't mind being called a "Futurist" either, he had a great knack for seeing what was ahead over the next 20-years or more.

Phil undertook a variety of roles in addition to his day job, such as Adjunct Professor at The University of Technology (Sydney), and a member of the ANU College of Business & Economics Advisory Board. He was a past board member of the Melbourne Institute, CEDA and a past Director of Open Family Australia. Homelessness and education were Phil's focus in his philanthropic pursuits, with his decades of dedication in doing his bit to make Australia a better place for the underprivileged.

In 2014, Phil became a Member of the Order of Australia, in recognition of his significant service to business and the community, in Phil's self-effacing style, he said *"I'm certainly humbled and proud to accept this but holy cow, my mother did 10 times as much as I did for the community and never received one – Mum, this is for you".*

The move from consulting to the delivery of online intelligence direct to desktops was a huge shift for IBISWorld, as was embarking on the information-hungry US economy. Phil had the joy of watching IBISWorld establish a reputation as an essential industry and company intelligence provider for businesses of almost any size.

Although Phil remained on the board of IBISWorld until his passing he stood down as chairman in 2015. He passed executive control of the business to his children in 2001. He spent the next 20 years of his retirement educating Australia's business community on the keys to business success- probably his biggest passion in life.

Phil's vision was for IBISWorld to be the world leader in business information. It brought him great satisfaction and pride that this vision was successfully executed in various iterations over the last 20 years.

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Here are extracts from Terry McCrann comments in The Australian:

Phil Ruthven was one of the great and indeed significant personalities of business in Australia through the last quarter of the 20th century.

In a word, he was our first, and he remained our most influential 'futurologist'.

He perfected the art and indeed the science of collating a mind-boggling amount of data about the economy and about business and industry – both back in time, to indeed the early 19th century, and also right across the contemporary business landscape.

He would 'mine' the data to both explain 'the present' – for the economy, for individual industries, and indeed for individual businesses; and most usefully, to project where 'things' were likely to head, across those three horizons, often 20 and 30 years into the future.

Most impressively, in the 100 or so presentations he would give every year at his peak through the 1980s and 1990s, his delivery was crystal clear, highly entertaining, and reassuringly calming. I for one never heard him raise his voice.

He was immensely influential especially among small and medium-sized businesses, giving them critical information about both their industries and the broader economy that unlike the big end of town they couldn't possibly devote resources to trying to do themselves.

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Phil Ruthven's Firstlinks Archive

A discombobulation decade for investors
16 March 2022
Every decade brings surprises, but discombobulating ones are more rare - being the 1910s, 1930s, 1940s and 1970s in the last century. We are just into the 2020s, but it already looks like a volatile decade.

In a short-term world, take a longer-term view
18 August 2021
There are many reasons why the market places too much emphasis on the short term, but taking a long view on growth, inflation, markets and sectors will lead to better policies and investments.

Why does Australia's skewed stock market underperform?
5 May 2021
The Australian stock market is skewed towards mining and financial services which account for a whopping 55% of market cap. In the US, these two account for only 17%. But there's more to our underperformance.

Changed visions: 2021 New Year resolutions
6 January 2021
We need to think hard about how we work and live in the future. How do governments, health gurus, individuals, politicians, businesses and social groups need to act in 2021, both in dealing with COVID and thereafter?

[Are debt and its servicing cost serious worries?]
21 October 2020
The impact of the pandemic on Australia's debt and deficit has forced the government into borrowing on a scale unimaginable at the start of 2020. What are the implications, and what is even more important?

[COVID-19 and the madness of crowds]
26 August 2020
57 million people die every year, including over 3 million from respiratory diseases. Why is COVID-19 allowed to panic nations around the world and destroy so many businesses and jobs?

[Will our government embrace these three reforms?]
20 May 2020
COVID-19 is an opportunity for a crucial policy reset, but what does that really mean? Business is hoping for three big reforms, but there are massive barriers to be overcome.

[Pandemics in perspective]
18 March 2020
Coronavirus is a particular worry compared to past epidemics because the world is now so interdependent, but the stockmarket has a habit of exaggerating threats as well as opportunities.

[Uncharted waters, 2020 and beyond]
20 November 2019
As we approach the 2020s, we are sailing into uncertain waters at best. These times also have some historical precedents, but we need to make important reforms before our luck runs out.

[We have many world best practice companies]
26 June 2019
While Australian businesses generally achieve returns below global comparisons, our Best 50 have delivered results well above the accepted world best practice level, and they come from a diversity of industries.

[Housing prices from black hole to blue sky]
28 March 2019
Housing prices and construction rose dramatically until 2016, and since then, low interest rates are helping home owners weather the storm of falling prices. How long until the blue sky shines again?

[The bank trouble started decades ago]
4 February 2019
The big institutions looked outside banking for growth, but found complex conglomerate structures hard to manage and needing different skills. Now it's back to basics, just as another challenge looms.

[Financial assets performance over time]
17 October 2018
There is no single asset class that consistently outperforms all others year on year but over the long term (>10 years), actively managed asset classes have performed better, and all asset classes have outperformed inflation.

[In Australia, who's got the money?]
5 July 2018
Income taxes in Australia are over 2.5 times larger than the 'spending' taxes such as GST, excise, and stamp duties. The latest legislation ignored reforms in taxing spending over saving again.

[The ascent of Asia and what it means for Australia]
23 November 2017
Asia's GDP exceeds North America and Europe combined, and its increasing economic power should be embraced by Australia as we become more a Eurasian society. Are we enlightened enough to grab the opportunities?

[Where do our wealth and jobs come from?]
24 August 2017
There's no doubt Australians love property, especially housing, and despite slowing economic growth and a lack of political leadership, the business sector continues to create Australian wealth and jobs.

[What matters most? A good industry or a good management?]
18 May 2017
The surprising fact from this study of profitability is that there's no such thing as a 'bad' industry, only inadequate or inappropriate management.

[Is the housing market in bubble territory?]
20 October 2016
Everyone from the Reserve Bank Governor down is talking about apartment prices, and worrying about the consequences for the economy, and especially our banks. How does Australia's leading futurist interpret the data?

[Where is Australia's future growth?]
23 June 2016
The Australian economy is changing, with new jobs in services, retail and health replacing the lost jobs in manufacturing. These trends are important for investors to find the successful companies of the future.

[Taxation reform: is Canberra serious?]
19 February 2016
Major reform of Australia's tax laws hits a hurdle when opposition builds to unpopular policies. We have lost the ability to explain and advocate for change, especially when you look at global comparisons.

[Are recessions a thing of the past?]
16 July 2015
Less than half of today's workforce has experienced a proper recession, but in the absence of serious reform and vision, Australia may break its 25 years of economic growth.

Where to put your money these days
12 March 2015
Investment conditions across all asset classes are especially challenging at the moment, with investors struggling to find attractive yields or capital appreciation while managing risk.

Superannuation and our growing wealth
2 October 2014
Average superannuation balances are increasing with each generation as more of a person's working life is covered by compulsory saving. It won't be long before super is the dominant source of wealth.

Living within one's means
4 April 2014
Australia in 2014 is the lowest taxed nation in the developed world. Facing ten years of budget deficits, is the Abbott Government unwilling to raise tax rates, or will Joe Hockey make us share the pain come budget time?

There's too much confidence in confidence surveys
15 November 2013
Confidence is important but can be misleading in terms of what is actually going on. Our emotions, which make us human, need to be balanced by facts, especially when we think times are grim.

Retiring with dignity
24 May 2013
Retiring is coming later and later in life, and given that most jobs are now cerebral rather than physical, the only way to wear the brain out is to stop using it! Retiring closer to 80 years of age in 2100 will probably be the norm.