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WITI: 25 YEARS AT GFM

By Paul Nicol

On August 19, Witi Suma reaches a remarkable milestone of reaching 25 years of employment at GFM.

It isn't easy to put into words the impact someone has had within an organisation, but it is fair to say Witi has been monumental to the success of GFM. When Witi started 25 years ago in 1996, GFM had three staff. Witi has been instrumental in transforming GFM into a fully integrated financial planning and accounting business with a significant and recognised SMSF speciality.

Witi is a culture setter at GFM. In the early stages, Witi was determined to ensure the very best ongoing service to all clients. Witi ensures the service standards at GFM are gold class, quickly pointing out if our high standards are slipping and always thinking of ways to improve the client experience.

And, it is fair to say there is a lot of love for Witi from our clients. Witi's warm and caring personality shines through in all of her dealings. Nothing is too hard for Witi. It seems that she has an incredible knack for returning emails almost as soon as they have been sent! But, more importantly, Witi always has a patient ear for clients to discuss any issues they might have.

Within GFM, Witi is an extremely popular member of staff. She is supportive, kind, positive and a leader who combines an incredible work ethic with positivity and empathy. Witi forms a critical part of our DNA.

GFM is blessed to have Witi as a part of the team.

Witi: My 25 years at GFM

It only feels like yesterday, but in 1996, after graduating from Deakin with an Economics/Arts degree, I attended a short course at Skillshare to polish up my resume. A lovely woman there, Trish Cresp, was already a longstanding client of GFM Wealth Advisory, and she knew the founder of GFM, Tony Gilham, was hiring. Trish was rather impressed with my typing skills – so much so that she called Tony and suggested he interview me. I landed the job, and here I am, 25 years later – thank you again, Trish!

I started my career at GFM as a typist/assistant. Administration back then was so tedious. Email and the internet had only just come into existence. Until that point, we had to rely on an old typewriter and liquid paper and the fax machine and the phone to communicate. It's hard to fathom how we coped back then.

In 1999, I moved into managing the growing number of SMSFs and private investment portfolios. Having never heard of an SMSF when I joined, I quickly learned the ropes, understanding the process of how one is set up through to investing and ongoing ATO compliance. It's staggering the number of changes to super legislation I've seen over the years; good or bad, we've had to keep on top of every one of them.

Over the last 25 years, I've witnessed huge growth in the number of SMSFs and private investment portfolios we look after. Amazingly, we've kept the SMSF Administration Team efficiently small the entire time, with five of us now – Jacqui, Niv, Donna, Annie and myself. They are so incredibly hardworking, loyal, dedicated and fun to work with!

Anybody who works at GFM learns so much about managing finances and creating wealth that it's hard not to have some of it rub off. Being in the company of experts has given me the tools to become an investor myself and has afforded me a level of financial freedom I would never have dreamt of whilst in my 20s.



Fortuitously, it was at the Skillshare course all those years ago that I met my partner Rob. Rob and I love to explore Australia together, often camping in remote places or visiting spots with wildlife as we both adore animals. Kangaroo Island is one of our favourite places in the world. Aside from travelling, I like bike-riding, watching all types of movies, and reading books on true crime. I've also started developing a keen interest in photography and am lucky to have Rob guide me, having once been a photography tutor himself.

I must confess I'm a bit of a revhead (I rode a motorbike well before I could drive a car) and fulfilled a long-held dream of owning a black & red 1965 Mustang coupe, which is my absolute pride and joy. I also recently became a volunteer as a van assistant with OzHarvest helping to deliver meals to needy families all over Melbourne, which has been a wonderfully fulfilling and truly humbling experience.



What I genuinely love doing at GFM is speaking with clients and helping them each day. On joining GFM, I began to incorporate a more personal touch into our client interactions, emphasising a strong "service" focus at all times. I never hesitate to drop what I'm doing if a client needs my help, and I'm grateful that this philosophy has been instilled into the company's culture over the years. We now have so many highly satisfied clients who have referred others because of this culture.

Having conducted our onboarding meetings for many years now, I have come to know many clients personally, sharing in their good times and their bad, their successes and their milestones. I enjoy checking in with them regularly, especially during difficult times such as last year when COVID affected people in so many ways. I have also experienced great sadness and provided support when clients, or those close to them, passed away. They are like family to me, and I cherish the relationships I have with them.

I love working at GFM and hope the team will have me for at least another 25 years!



AUSTRALIA'S TOP 100 FINANCIAL ADVISERS 2021

By Mai Davies



BARRON'S

Australian Advisers 2021

We are thrilled to announce that our Managing Partner Paul Nicol has made the prestigious list of Australia's Top 100 Financial Advisers. The list was published in "The Australian" in "The Deal" magazine, produced in conjunction with respected US financial investment publication Barron's.

Positioning in this year's Top 100 list was again very competitive with the inclusion of larger firms, many of whom run multi-office practices. Paul is ranked 46 and has now featured in every five years this prestigious list has been published.

This industry endorsement of Paul is a clear acknowledgment of the transparent and professional approach that underpins the way GFM does business. As Paul would attest, our business is a team effort, and this recognition is also a strong reflection on all staff. As a privately owned firm with no institutional alignment, our advice always has and will continue to be a client-centric approach, putting the best interests of our clients first.

We are incredibly proud of Paul and thrilled that he has been featured on the list for the fifth year. Congratulations Paul!



JAMES SHINNERS: CLIENTS OF GFM SINCE 2006

By Paul Nicol



James has kindly written the article below on his working life and experience with GFM Wealth Advisory. We greatly appreciate James' contribution to Trade Secrets.

I met with Paul Nicol after much prompting from my parents (GFM are their advisors) as I had recently sold an investment property. We had a good conversation around the philosophy of GFM Wealth: its fee for service model, access to a broad range of investment options, and not being connected to a larger financial institution.

Before becoming a client, I did some due diligence, talking to other financial advisors. I was surprised at the limited investment options and compensation model, and after what

we have seen from the banking Royal Commission, choosing GFM was an excellent decision.

GFM set up a personal investment portfolio in 2006, with some sound choices that helped with the tax implications of selling the property. Little did we know that just around the corner, the GFC loomed. In the aftermath of the GFC, Paul's advice to stay in the market instead of selling and cementing losses meant that we caught the rebound. It's not timing the market but time in the market that counts.

Since leaving university, I had been working for the same financial services company and was approaching 20 years of service. After poor returns from the default company super fund, the lack of transparency about the performance, without understanding why it occurred, was the tipping point for taking control of all my investments.

In 2016, after ten years of running a private investment portfolio, GFM made the process of creating and running an SMSF simple and painless; I have nothing but praise for the SMSF team at GFM. This wouldn't have been possible to do on my own. The addition of the accounting services from GFM Gruchy has completely removed all the stress of managing my finances.

Since then, I have left the financial services company after nearly 22 years. I had a sabbatical, learning how to snowboard in Japan. I then joined a start-up in the aviation section, which pivoted into the health space at the start of the pandemic. Unlike some within my extended family, this year has been positive both financially and personally. Working from home is a great release from the commute, and I can't see myself returning to old ways.

I have enjoyed the GFM webinars that started last year. Personally they are much easier to access than the in-person events, adding them to the queue and listening while cooking or out for a walk. I do hope they continue even as things start returning to a semblance of normalcy.

For the last few years, I have taken a stronger stance on investing, focusing on more environmental and sustainable funds and companies. Not only can you help by changing what you consume, but what investments you choose.

I look forward to continuing the long association and recommend GFM when asked who to approach for help with financial advice.



GFM WELCOMES ANDREW CORKE

By Paul Nicol

As many of our existing clients are aware, we were thrilled to welcome Andrew Corke and the clients of CWM Financial Advisers to GFM, effective on June 1.

After a period of significant contemplation, Andrew, an industry veteran of well over 20 years, decided to join GFM Wealth to allow his clients access to a new and greater dimension to their existing client relationship. From our dealings with Andrew we can see the focus has been ensuring all CWM clients receive a high-quality service and advice. As our clients know, we share the same client culture, so it feels like a very natural fit.

Like CWM, GFM has a long heritage of supporting clients with their financial needs. For existing clients of GFM, there is no change to the relationship you have been accustomed to. For CWM clients, GFM warmly welcomes you on board.

We look forward to the opportunity to meet you face to face and welcome you to GFM events, as the COVID environment allows.



THE DIRECTOR IDENTIFICATION NUMBER REGIME IS COMING!

By Witi Suma

As part of the 2020 Federal Budget's Digital Business Plan, the Government announced the implementation of the "Modernising Business Registers" program. This aims to bring together 34 registers – currently administered by ASIC and the Australian Business Register – into one central platform called the "Australian Business Registry Services (ABRS)", managed by the ATO. The introduction of a single business register aims to improve and streamline how businesses engage with the Government.

New "Director ID" requirement

The new ABRS platform is currently going through a testing phase scheduled to end on October 31 this year. Once testing is complete, existing directors, as well as those who became directors during this testing phase, will be required to apply for a Director Identification Number ("Director ID", or "DIN"). Much like a Tax File Number, a DIN is a unique 8-digit identifier allocated to a director and remains with that person for their lifetime even after they cease to be a director, change directorships, or act as a director for multiple companies.

The aim of the requirement for directors to obtain a DIN is to help prevent the appointment of fictitious directors. It also better facilitates the tracking of regulation of directors across companies and attempts to prevent illegal activity such as "phoenixing". This is when a company deliberately avoids paying its liabilities by shutting down the insolvent company and transferring its assets to another company. Phoenixing affects creditors who are unable to receive payments for goods or services from the old company and employees of the old company who have lost unpaid wages or super entitlements. This illegal practice is estimated to cost our economy \$2–5 billion a year.

DINs will also tighten the director registration process by helping to avoid the appointment of directors to companies without their knowledge or consent. Currently and rather surprisingly, ASIC does not have a checking system to ensure that director details recorded with them are correct or if the individual being recorded as a director exists. Furthermore, a director may have multiple records within ASIC's systems whereby there may be minor variations of their name, address or other personal details. This can hamper the regulators' efforts to monitor and track individuals on their records, particularly those involved in unlawful activity. This will all change with the introduction of the DIN.

Data from the DIN registration will be stored securely and controlled by the ABRS. The Government has ensured that security methods and technology will be applied to protect the privacy of the information.

Proposed deadlines to apply for a DIN

Although the official start date is not yet set, it is expected to commence no later than June 22, 2022. Within the first 12 months of the legislation's start date, new directors have 28 days to apply for a DIN from the time of their appointment. After the initial 12 months, an individual will need to have a DIN before being appointed a director. A grace period will apply to existing directors and those who became directors during the testing phase, all of whom will have until November 30, 2022, to acquire a DIN.

At this stage, the preferred method of applying for a DIN is electronic; however, if an individual cannot do this, the ABRS may accept a paper application, although this has not yet been formally confirmed.

Significant penalties apply if directors do not apply for a DIN by the deadline.

What can existing or proposed directors do in the meantime?

Directors currently don't need to do anything. However, as stated above, individuals will be expected to use the ATO's online service and register for a DIN by signing in with their myGovID, so we strongly encourage those who have yet to register for a myGovID to create an account and become familiar with how it works. To set up myGovID, it is also important to have the required ID documents on hand, e.g. driver's licence, passport, birth certificate and Medicare Card. These documents are then verified via the ATO website to confirm your identity.

Importantly, individuals looking to set up an SMSF should be mindful of the likely delays in setting up their fund, given the need for each director of the corporate trustee to apply for and obtain a DIN beforehand.

GFM will be guiding clients who are existing directors and proposed directors to ensure they meet the deadlines.



THE YEAR IN REVIEW: THE RECOVERY HAS BEEN SET, BUT THERE ARE RISKS AHEAD

By James Malliaros

We have now been in the global coronavirus pandemic for around a year and a half. Equity markets have mostly charged back to their previous peaks or at least close to. While the impact of coronavirus on people's lives has been much more negative than originally envisaged, the impact on domestic and international economies and financial markets has probably been much more limited than initially expected.

Australia

In Australia, the economy entered a mild recession in 2020 for the first time in around 30 years, and unemployment increased from the low five-percents to the mid-six-percents, but this was still much better than originally feared.

The end of March 2020 saw the equity market bottom around 35% down from its peak but then rally incredibly quickly and recover all the market losses within around 12 months. When compared against all the major market declines in Australia's history, this recent pandemic-induced decline has been

followed by the quickest and fastest recovery by far. This sharp V-shaped recovery has been quite incredible given the pandemic's havoc on people's lives.

The main reason for the divergence between the severity of the pandemic and the impact on the economy and markets has been fiscal stimulus support from the Federal Government and monetary stimulus from the Central Bank via a reduction in interest rates. Both responses have been extraordinary and created strong tailwinds behind the economy and asset prices.

Australian companies reported sharply higher sales, profits, and employment. As a result of the economy reopening faster and rebounding more strongly than originally expected, the Government's fiscal situation has improved relative to its initial forecast, with stronger tax revenues, fewer welfare recipients and the benefits from record high iron ore prices.

Because a financial crisis did not accompany the pandemic induced recession, the housing industry has been working well in Australia's recovery. Residential property demand has responded strongly to lower mortgage rates, with private new housing construction growing by an impressive 4.1% in the March quarter of 2021. There is a risk of the sector overheating. However, at this stage, neither the Reserve Bank of Australia (RBA) nor the regulators (APRA) seem likely to step in to cool the sector. The continued support of the economic recovery has taken precedence. Housing is central in the recovery since rising residential property prices have historically had a positive multiplier impact on the Australian economy.

Australian policymakers are expected to keep fiscal and monetary policies accommodating, especially with the COVID-19 vaccine rollout missing the mark so far. This points to economic policies remaining supportive over the remainder of 2021 and into 2022.

The biggest risk by far to Australia's promising economic outlook would be another major coronavirus outbreak. Recent developments in Melbourne and the current lockdown restrictions in Sydney and parts of NSW are a reminder and a wake-up call that this isn't over yet. The slow vaccine rollout means that Australia remains vulnerable.

Despite the challenges, Australia's domestic recovery appears to be on a strong footing, given ongoing policy stimulus, multi-year highs in consumer and business confidence, and signs of pent-up consumer demand.

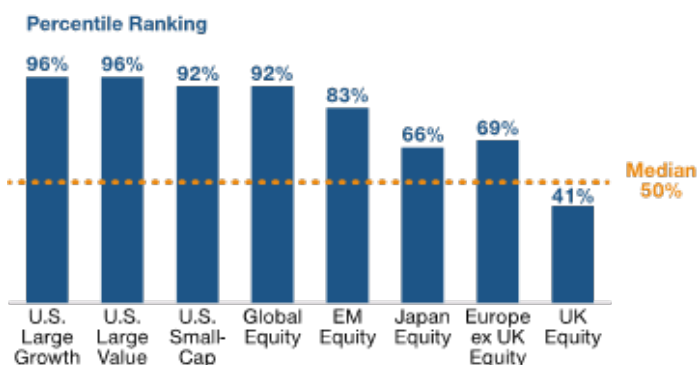
International

Internationally, global growth accelerated in early 2021, led by China and the US. The strengthening economic recovery from the coronavirus pandemic appears set to broaden across regions and countries in the second half of 2021, bolstered by vaccine progress (although slow), continued fiscal and monetary stimulus, and pent-up consumer demand. However, the timing of the recovery in other parts of the world is likely to remain uneven, as some countries and regions, including India, SE Asia and Latin America, continue to struggle with the pandemic.

Notably, corporate earnings and earnings growth expectations surged in the first quarter of 2021, particularly in the US. However, equity prices rose even faster, pushing valuations in many markets toward historical extremes. Although speculative excesses have appeared in crypto currencies, electric vehicles,

and some technology stocks, global and US equity markets overall don't appear to be in bubble territory. However, valuations are stretched, even factoring in ultra-low interest rates.

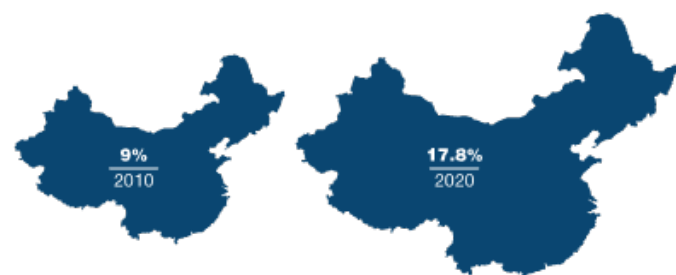
Valuation percentiles vs. past 15 years



Sources: MSCI and FTSE/Russell/FactSet Research – as of May 31, 2021

China's economic and financial evolution appears poised to accelerate in the wake of the pandemic. The implications are sizable for the global economy and geopolitical balance of power, with many investors underexposed to one of the world's powerhouses of economic growth potential.

China's share of global GDP



Sources: International Monetary Fund, MSCI, and FactSet – December 2020

Chinese equities provide a rapidly growing opportunity for global investors beyond just the well-known stocks in China's e-commerce and technology industries, with more attractive potential opportunities available in areas such as biotech, health care, and financial technology.

While the global economic recovery has been faster and stronger than markets seemed to expect at the start of the year, there also are potential risks that may cause volatility in the months ahead. These include:

- New variants of COVID remain a potential threat, as is the slow speed of some vaccination campaigns worldwide.
- US fiscal policy would be negative for after-tax returns on most asset classes, particularly the proposed rise in the US corporate tax rate and increases in capital gains and dividend taxes.
- Stretched share market valuations.
- Political instability, particularly in Latin America, Eastern Europe, and the Middle East, contain potential flashpoints that could disrupt the global recovery.



UPCOMING CHANGES TO INCOME PROTECTION INSURANCE

By Rebecca Lowe

In December 2019, the Australian Prudential Regulation Authority (APRA) launched an investigation into the sustainability of disability income insurance. The investigation aimed to identify flaws in product design and pricing that contributed to unsustainable business practices, resulting in significant premium increases for policyholders.

From October 1 2021, significant changes will be coming into effect for new Income Protection policies taken out from that date. The key changes are:

- A reduction in the maximum income amount that can be replaced
- The definition of pre-disability earnings to calculate your benefit at claim time will be changed
- Stricter management of long term claims

These changes are outlined in detail below.

Reduced income payment amount

Income Protection insurance was historically designed to replace a portion of your income in a claim event, not all of your income, so there is an incentive for you to return to work. Certain features and benefits of existing insurance policies have meant that some people on claim have close to 100% of their income replaced by their insurance policy, leaving them with little reason to try and return to work.

From October 1 2021, newly established policies will pay out a maximum of 90% of pre-disability earnings for the first six months of claim and 70% of pre-disability earnings after that. Any amounts paid in addition to this core income replacement benefit will be paid directly to the relevant third-party provider, i.e., a rehabilitation services provider.

Definition of pre-disability earnings

Many existing income protection policies have varying definitions of pre-disability earnings; for example, some policies currently determine pre-disability earnings as the highest 12-month period in the three years before claim. This can result in someone on claim potentially receiving a higher income level from their Income Protection policy than their income immediately before claim.

From October 1 2021, the definition of pre-disability earnings for new policies will be strictly based on earnings in the 12 months before claim, or an average of earnings (rather than the highest-earning period) where income has fluctuated significantly in the years before claim (such as those who are self-employed or contract workers).

Stricter management of long term claims

Currently, income protection policies can be established with a benefit period of up to age 65 or 70. This means that if need be, claims can be paid for the remainder of your working life if you cannot return to work.

It is expected that from October 1 2021, the definitions of disability to determine an ongoing entitlement to a benefit

payment will be tougher the longer the person is on a claim. In addition, the entitlement someone may receive while on a claim may decrease if someone is on a claim for an extended period.

The following change to new Income Protection policies was also slated to take effect from October this year; however, this has now been deferred to October 1 2022. This provides insurers with time to create appropriate policies.

Policy terms subject to review

At present, once someone has been through underwriting and issued a policy, the terms and conditions apply for the policy's lifetime. This means that while the policy remains in force and you continue to pay the premiums, the insurer cannot adversely change the terms and conditions of the policy.

However, for newly established Income Protection policies from October 1 2022, insurance companies must reassess the policy every 5 years after establishing the policy to assess any changes in income, occupation or pastimes and hobbies. The insured will then be offered renewal terms and conditions based on any changes to their circumstances since they took out the cover. It is important to understand that the offer of renewal terms cannot be based on medical or health changes that may be uncovered during the reassessment process.

There is no doubt that these changes to come into force are some of the most significant seen in the insurance market in some time. It will now be more important than ever to regularly review your insurance covers for suitability and understand how your covers interact to ensure you are appropriately covered in a claim event.



INCREASED SUPER CONTRIBUTION OPPORTUNITIES

By Sam Eley

Bring Forward Rules

After a lengthy wait, legislation has finally been passed that increases the eligibility age for individuals to use the bring-forward rule. Previously individuals had to be under age 65 to trigger the bring-forward rule, but now, the age limit has increased to age 67.

This means that individuals aged 65 and 66 can contribute up to \$330,000 into superannuation this Financial Year (2021/22). This is by bringing forward the next two years of non-concessional contributions (\$110,000 per annum). If the bring-forward rule is triggered when you are aged 65 or 66, you do not need to meet any work test requirements for the period when you may be over age 67.

How much an individual can contribute under the bring-forward rule will also depend on their total super balance on June 30 for the previous financial year. Non-concessional contributions cannot be made where an individual's total super balance exceeds \$1.7 million.

The age limit extension for bring forward contributions now aligns with Age Pension eligibility and is retrospectively active from July 1 2020.

Work Test

Currently, individuals aged 67 – 74 who want to make contributions into super need to meet the work test, working 40 hours in a consecutive 30-day period before contributing.

In the Federal Budget earlier this year, it was proposed that the work test be abolished, allowing individuals between 67 – 74 to continue making salary sacrifice and non-concessional contributions without the need to meet the work test. For individuals in this age group who want to make personal concessional contributions, they will still need to meet the work test.

Whilst this change is not yet legislated and may be altered as it passes through Parliament, it has been proposed to apply from July 1 2022.

Both measures open up significant additional contribution opportunities for individuals over age 65 to move more money into the tax-effective superannuation environment.



NEW FINANCIAL YEAR

By Andrew Goldman

We are already at the end of the second month of the 2022 Financial Year. Before we know it, it will be Christmas again, so it seems appropriate we remind of some lodgement deadlines already on the horizon.

Below are some key due dates to December 31, 2021:

August 21 2021	Lodge and pay June 21 Qtr activity statement if doing so electronically
August 28 2021	Lodge 2021 Taxable payments annual report for certain industries
September 21 2021	Lodge and pay August 21 monthly activity statements
October 21 2021	Pay annual PAYG instalment Lodge and pay September 21 monthly activity statement
October 28 2021	Final date for electing or opting out of paying GST by instalments Lodge and pay September 21 quarter activity statements
October 31 2021	Lodgement of 2021 and prior income tax returns where 2020 or prior returns were overdue as of June 30, 2021 Lodgement of 2021 returns where the ATO has notified a lodgement date of October 31
November 21 2021	Lodge and pay October 21 monthly activity statements
December 21 2021	Lodge and pay November 21 monthly activity statements

Over the coming weeks, we will be advising clients affected by the October 31 lodgement due.

The final tax return due date falls on May 16 2022 for all taxpayers that did not have an earlier due date.

Clients are encouraged to prepare their documents and arrange the required information well before their due date. This will give us every opportunity to prepare your return for lodgement by the due date.

Please note that in cases where your return has been prepared in advance of your effective due date, and you have a tax liability, we can defer lodgement until your due date and thus defer payment. This means that you will benefit from having advanced notice of any tax liability well before lodgement and payment is due. You will be in a better position to budget your cash flow accordingly.

Remember, we can arrange for you to meet with one of our GFM Gruchy accountants in person at our offices, over the telephone or via video conference.

Each year more and more GFM Wealth clients are taking advantage of the efficiencies offered by having their tax returns (SMSF, business and personal) prepared by GFM Gruchy Accounting.



IS THE INFLATION GENIE OUT OF THE BOTTLE?

By Patrick Malcolm



At the start of the COVID-19 pandemic, the big worry was deflation and the potential for a global depression. However, in recent times, the concern is about inflation.

It is important to understand the relationship between inflation and the share market:

- Firstly, low inflation means low interest rates. This boosts the value of future profits and dividends, making shares more attractive. Investors switch into higher-yielding assets, pushing up their price.
- Low inflation also means reduced economic volatility and uncertainty. Investors are therefore prepared to price shares on higher price-to-earnings multiples.
- Finally, low inflation means improved quality of earnings as firms tend to understate depreciation when inflation is high and overstate actual earnings. So again, when inflation is low, investors are prepared to pay more for shares.

However, if inflation turns to deflation, it can be negative as it is generally associated with economic contraction. Ignoring deflation, a shift from high to low inflation drives share prices higher and vice versa.

Inflationary pressures have been evident over 2021. In the US, June CPI inflation was 5.4% year-on-year, and higher wages growth showing. It has been less evident in other countries' inflation measures. In Japan & Europe, this could be because their recovery has lagged, but they will likely see a further rise too, given global pressures. In Australia, CPI inflation was 3.8% year on year at the end of June.

The key drivers have been a combination of:

- Base effects, with deflation dropping out of annual calculations;
- Higher commodity prices;
- Supply bottlenecks;
- Reopening leading price rebounds; and
- Higher wages growth

It is important to note that the surge in US inflation has not been broad. Only four groups with a weight of about 12% (ex-food & energy) CPI accounted for around 70% of the rise in core inflation. This included used car and truck prices, airfares and hotels. The median CPI was much lower. This gives a better guide to underlying inflation, indicating the rise was not broad.

No one knows for certain if the inflation spike is permanent or transient. However, while risks have increased, many think that the inflation spike is temporary as:

- The base effects drop out and then reverse;
- Industrial production picks up in response to prices, boosting supply;
- Consumer spending rotates back to services from goods;
- Some sectors will see a longer-lasting hit to jobs; and
- In the US, school re-openings and the end of enhanced unemployment benefits will push more back into the workforce

So, inflation should fall back later this year. While some tentative early signs exist, there is a long way to go before this is confirmed.

The big question is how central banks will react. For the last few decades, mindful of avoiding a return to the high inflation 1970s, central banks have acted aggressively to head off excessive inflation. But in the post-GFC period, along with aggressive deflationary forces, inflation has run well below target. In 2020, both the Fed and RBA committed not to raise rates until actual inflation is sustained at or above target.

So, central banks are unlikely to rush into rate hikes. The fear is that jumping at what should be a transitory spike in inflation will risk slowing the recovery prematurely. They are likely to look through any spike in inflation and allow the recovery to continue until full employment is reached to generate higher wages growth. Australia needs wages growth above 3% for inflation to be at the target. It is only 1.5% now.

However, we are likely at the bottom of the long-term decline in inflation. Many factors that drove the declining trend in inflation since the early 1980s are now fading:

- Central banks and governments are taking a more aggressive approach to boost inflation
- Globalisation appears in decline, which means less competition
- A declining ratio of workers to consumers in many countries, which may drive wages growth and lower productivity

But it's not all one way. Technological innovation is still driving down prices. The pandemic may also work to drive more productivity. The 1960s showed that the bottoming of inflation might take some time to play out. The question is whether the result is inflation averaging around the target or something higher.

Later this year, the likely retreat in inflation should mean that any hit to share markets should be short-lived. Cyclical bull markets usually don't end until excesses build and central banks tighten aggressively, which looks a long way off.

Longer-term, the bottoming of inflation & long-term bond yields means that this tailwind that has propelled growth assets will start to fade. The best scenario is inflation around the target. This does mean less risk of deflation. It also means likely higher wages growth, which is positive for social stability, rising living standards and equality and investment returns would still be ok.

However, if inflation gets out of control, which is not the base case but is a risk, the result would be poor returns from growth assets.

To the extent that higher inflation leads to higher interest rates, investors in cash and bank deposits assets can be protected. However, interest rates tend to lag big moves in inflation, meaning investors can go backwards in real terms. For investors in government bonds, they suffer a capital loss when yields rise with inflation. Bond investors only benefit from higher yields once they roll over their investments into the higher yields, but they are not protected in the interim.

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GFM WEBINARS

By Mai Davies

We have recently held our fourth, fifth and sixth webinars for the year. As always, we were delighted to see so many interested clients and guests dialling in.

We look forward to hosting live seminars again when we can. In the meantime, we will continue to run additional webinars and hope you can join us.

If you have missed any of the previous webinars, they are located on the GFM website. Click on the link below to watch the recordings of the previous webinars.

<https://www.gfmwealth.com.au/news-info/past-webinars/>

Meet The Manager – Magellan Infrastructure Fund

We held our fourth webinar for the year on Thursday, June 10, providing an update on the Magellan Infrastructure Fund.

Patrick Malcolm, our Senior Partner and our special guest Gerald Stack, Head of Investments, Head of Infrastructure and Portfolio Manager at Magellan, discussed the positioning of the Magellan Infrastructure portfolio against the backdrop of the complex economic conditions, Gerald's current views on listed infrastructure and the opportunities and risks.

Meet The Manager – Charter Hall Direct Office Fund

We held our fifth webinar for the year on Wednesday, June 30, providing an update on the Charter Hall Direct Office Fund.

James Malliaros, our Senior Financial Planner and special guest Steven Bennett, CEO, Charter Hall Direct Property, discussed the positioning of the Charter Hall Direct Office Fund portfolio against the backdrop of the complex economic conditions, Steven's current views on commercial property and the opportunities and risks in the years ahead.

Meet The Manager – Stewart Investors Worldwide Sustainability Fund

We held our sixth webinar for the year on Wednesday, July 28, providing an update on the Stewart Investors Worldwide Sustainability Fund.

Patrick Malcolm and special guest Nick Edgerton, an Investment Analyst with Stewart Investors, discussed sustainable investing, reflected on recent market events and provided an update on the Stewart Investors Worldwide Sustainability portfolio.



GFM IS NOW ON FACEBOOK

GFM has recently established a company Facebook page, and we will share our webinars, articles of interest and a range of other informative content.

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