



MESSAGE FROM MANAGER

Clients sometimes ask why we need to get bigger as a business, and sometimes I ask myself that too. Managing myself was certainly easier than managing a team of 40 staff, but never was it more obvious than now that increasing the size of the business is critical if we are to continue to offer quality services to clients.

Our business is, in many ways, unique. The original underlying philosophy was to provide highly individualised service at a price point equivalent to that of the wholesale markets. Over the years we have successfully done that, but the challenges increase, especially in terms of costs.

These costs, often driven by the demands of regulators, have to be offset. Lately we had to pass some of them on, but for a long time we were able to absorb them through the efficiencies gained as the business became bigger. And over that time we have not cut any services, even though the time we have to spend on the phone to organisations like Centrelink, managed funds and super funds has increased

markedly (staff regularly spend up to 40 minutes just waiting on hold!).

There are other reasons for getting bigger. One is that providing the sort of service we do is very demanding. Staff need a rest; they have to take a holiday. You cannot do that when you are very small. Soon enough you'll be run into the ground.

Over a short break on Great Keppel Island I was thinking about how our business has changed. One of the risks of getting larger is the potential loss of that "personal touch", especially when for more than a decade I knew every client by name. Many of my client facing tasks have now been passed on to our excellent staff – Sue, Dean, Robert, Josh, Stephen, Tracey and others, and we have dedicated staff providing ancillary services like portfolio building, Centrelink and implementation.

"NEVER was it more obvious than now that increasing the size of the business is critical if we are to continue to offer quality services..."

We are continually looking at other businesses and it is extremely rare to find a business that provides the level of personal client engagement offered by The Investment Collective.

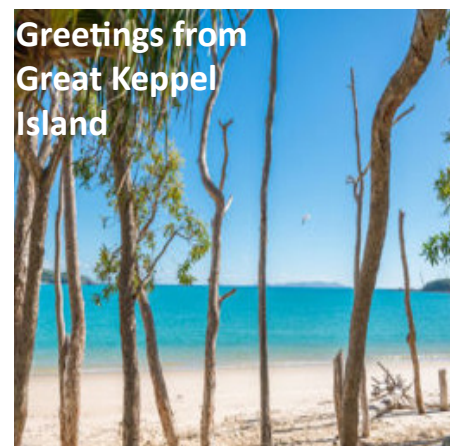
So, what do I do with my time now? Well running the business itself does take up a lot of time, but that does not mean I am not involved in client affairs. At a high level I am involved in the investment recommendations made to clients, and ensuring that services are delivered to clients in the manner intended. I still get involved in more complex client matters, including just in the last month

helping a long standing elderly client with some personal complexities arising from the rapid onset of terminal illness, and helping the owner of a small business with a business plan by which she'll (hopefully) be able to take a holiday and preserve her marriage. A project I am particularly proud of is helping a woman who found herself quadriplegic, to set up a business that provides for her own care and support – giving her the ability to control exactly how she is supported and cared for!

It's interesting looking back, because my motivation for getting into this business was to help people. Aside from my formal education and experience, I knew how to apply experience from the more sophisticated wholesale markets to the average person – largely through experience helping my parents (both

teachers, but with no real knowledge of investing, superannuation, Centrelink, retirement planning and the like). With about \$600 million under advice and

almost 1,000 clients, it seems that the idea resonated.



David French
Managing Director

SHOULD I INVEST OR PAY OFF MY

HOME LOAN

It's a common dilemma for Australians all over the country. Do you use spare money to pay off your mortgage and reduce debt? Or do you invest it elsewhere in the hope of boosting returns and improving your overall net worth? Making a decision based on numbers alone is relatively straightforward. However, it is not that simple. For all of us, there are other considerations that come into play, including our emotional response to money and security. Let's take a look.

It may be worth investing if the 'after tax return' you get on your investment is greater than the interest rate on your mortgage.

Let's say, for example, that the interest rate on your mortgage is 5 per cent, with your investment returns 7 per cent at after tax and other costs. Financially, you are 2 per cent ahead. You could reinvest this money or even use it to pay down your mortgage – helping you achieve both goals.

Of course, this approach depends on your personal income and the marginal tax rate you pay.

In the table on this page, you can see how much investment return you need for this strategy to make sense. If, for example, you earn the average Australian full time income of \$81,530 (with a marginal tax rate of 32.5 per cent), you need 7.4 per cent pretax from investment to achieve an after tax return of 5 per cent.

Can you see what this table shows us? The higher your income, the more you need to make on your investments in order for this strategy to work.

There are other things you need to consider such as the impact of variable interest rates and the actual return of the investment. But it does give you a general idea of where your money might be better off.

Your Personal Income Bracket	\$18,201- \$37,000	\$37,001- \$90,000	\$90,001- \$180,000	\$180,001 and above
Your Marginal Tax Rate	19%	32.5%	37%	45%
The pre-tax investment return required to return 5% after tax	6.2%	7.4%	7.9%	9.1%

Other reasons people choose to invest their money instead of paying off their mortgage include diversification and accessibility. Some people worry about having all their money tied up in their home. What happens if prices fall dramatically? We can't predict the property market but diversifying investments can offer some protection. In terms of accessibility, you need a lot of money to buy a property. Investing in shares or managed funds, on the other hand, requires much smaller amounts. It's also generally easier to get your money out when you need it.

Reasons you might pay off your mortgage instead of investing

Peace of mind: The emotional aspect is just as important as the numbers. If your goal is the security of owning the roof over your head, then that's what you should do.

Pay less interest while getting a guaranteed return: Additional money you pay into your mortgage reduces the interest you'll need to pay and the duration of the loan. Plus, it acts as a guaranteed return. If the interest rate is 5 per cent, you're effectively getting a guaranteed 5 per cent return on any extra money you add to your mortgage.

Build equity:

The more you pay off your loan, the more equity you have in your home. Coupled with capital

growth over the long term, you can borrow against this equity in your home to accumulate wealth.

At the end of the day, we all want to sleep easy at night. For some of us that means feeling comfortable with our financial decisions. If your focus is debt reduction, then go with paying down your mortgage. On the other hand, if your goal is long term wealth creation and the numbers stack up, then look to invest your money at an appropriate level of risk.

Joshua Scipione
Financial Adviser



Investment Update

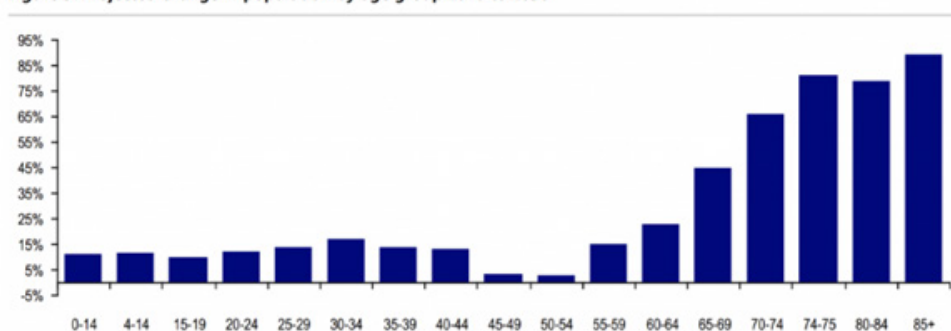
Resmed

Resmed (ASX: RMD) is a company with a bright future. They are a global company involved in the manufacturing, distribution, marketing and development of medical devices and cloud based software applications that diagnose, treat and manage respiratory disorders including sleep disordered breathing, chronic obstructive pulmonary disease (COPD), neuromuscular disease and other chronic diseases. It is (unfortunately) a growing industry. Sleep apnoea affects us more as we get older and heavier. Common symptoms include snoring and feeling tired in the morning. Left untreated, longer term it can lead to heart disease, diabetes, chronic fatigue and depression.

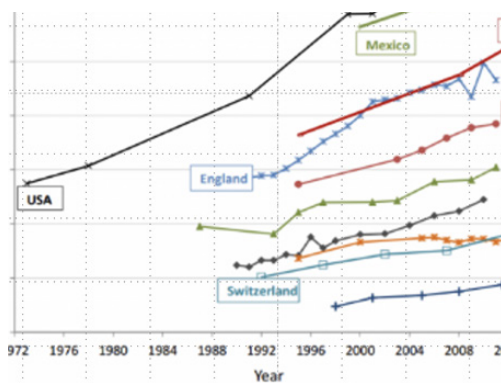
The shares trade on the ASX as Chess Depository Interests (CDI's). What this means is that you would require 10 ASX listed shares for every share listed on the New York Stock Exchange. Having said that they also trade at one tenth the value after you make an allowance for the exchange rate. You still have the same call over the assets and the same proportionate dividend as the US stockholders.

The addressable market itself is underdiagnosed with only 4% of the US population receiving treatment. Therefore, there's plenty of room to grow.

Figure 3: Projected change in population by age group 2010 to 2030



As a society we are not getting any younger. As we age the muscles in our throat weaken and we are at a greater risk of suffering from sleep apnoea.



Obesity is the other major cause of sleep apnoea. Unfortunately, our love of sugar, processed foods and a sedentary lifestyle also have made us larger across the globe.

Something that elevates Resmed above its competitors is that it is a service oriented company. They do not just sell you the equipment and then go away.

The results from your machine are monitored over the internet and sent directly to your GP or your sleep doctor. They will automatically send you any disposable items as and when you need them but most importantly of all, if you and Resmed remain engaged, you are more likely to continue with the treatment, benefiting you and the company.

People that use Resmed's equipment tend to remain a client for other reasons. For example, the cost to change to another supplier such as Philips or Fisher and Paykel are high.

The unit itself is several thousand dollars and secondly a doctor is more likely to say that if it is not broken do not fix it.

While we find this a great company, at current prices we are keeping our powder dry but if there is a pull back then it may be time to pin your ears back and jump in.

Ian Maloney

Manager - Share Trading



For Every 100 U.S. Adults...

4 know they have sleep apnea



22 don't know they have it



CDIF

The Capricorn Diversified Investment Fund (CDIF) is a managed fund that was established in 2010 to provide small investors the opportunity to invest in much larger, more stable infrastructure based projects that would otherwise be out of reach for individual investors.

The fund is currently approaching a significant growth cycle, and is seeking potential investment opportunities that align with the funds core strategy and purpose. Opportunities we are interested in include annuity style investments that deliver attractive ongoing returns, in particular infrastructure investments including ports and renewable energy opportunities, retirement living and leasing.

If you, or someone you know are aware of any opportunities that could be of interest to us, please feel free to contact the fund's management team via The Investment Collective.

Here's to a long life!

As more Australians are spending longer in retirement than previous generations, how are we managing our clients' longevity risk?

As financial planners, we know the risk of clients' outliving their retirement savings is very real, however, it's also a risk that clients often prefer not to face up to. For me, the starting point for managing longevity risk is persuading clients to accept the possibility of outliving their money and then providing them with the strategies, portfolios and behavioural skills to set them up for success.

Behaviour changes: We spend much of our time encouraging clients to understand and appreciate that there is a real risk they'll outlive their money. When there is an understanding of various trade offs, most clients think that it's easier for them to make informed decisions and take ownership of their actions.

Portfolio risk: The portfolio needs to be aligned to the client's risk tolerance. However, in the case of retirees, we need to be cognisant of the impact a loss may have. The desire to generate healthy long term returns is also important, so the risk/return trade off takes on different meaning for a retiree.

Legislative risk: Social security can make up a significant portion of a client's income and can't be dismissed. Consideration of tax implications on a client's finances is also fundamental as we know, tax and social security rules change often, so it's important to be aware of the impact changes have on a strategy and adapt accordingly.

Strategy and products: Using a range of products can make a strategy more robust and flexible for the future. Providing an element of guaranteed income, whilst maintaining access to capital, is nirvana to some clients, particularly if it also provides an uplift in social security benefits.

We approach client's longevity risk in a number of ways, however, the most effective strategy is regularly talking to our clients about this issue during regular review meetings, revisiting potential outcomes and empowering the client to make smart decisions for the long term

Joshua Scipione
Financial Adviser



The artistry of Ikigai: getting paid for what you're good at

One of the exciting things about working in financial services is the sense of synchronicity between what we learn in theory and how we see it play out in practice.

Rarely a day goes by when I'm not reminded how meaningful our work is, in breaking down the complexities of the financial world, so our clients can move toward achieving their goals in a way which seems simple.

Helping my clients provide for their future, for their families' future, is how I make a living and in turn provide for my family... Could there be any better motivation for getting out of bed each day?

I saw this concept of motivation and purpose illustrated when I attended a symposium for health professionals, as part of my work for an organisation that is involved in helping doctors manage their own health.

Like other great graphic organisers, this one looks impressive in and of itself. The overlapping outer circles look like petals of an iconic Asian flower such as the chrysanthemum, which features prominently in Chinese artwork as a symbol of survival.

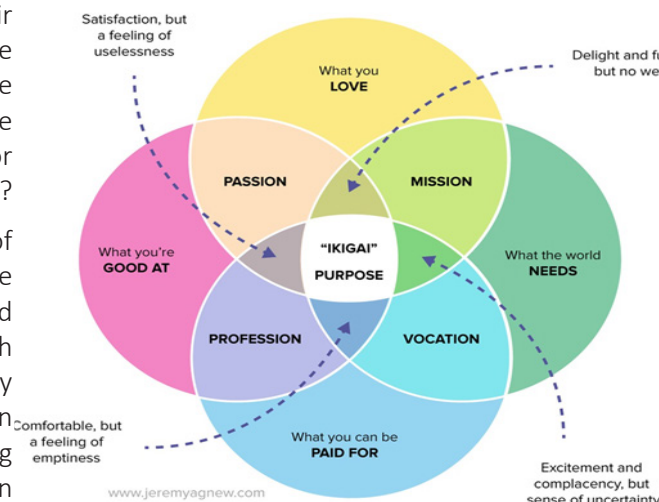
In the 'inner petals', one can make out a face or a star, and those layers meet in the middle, in its heart – as all good treasures do – at the point described as ikigai, which loosely translates to your reason for being.

The Japanese island of Okinawa, where ikigai has its origins, is said to be home to the largest number of centenarians in the world. Researchers who try to understand their vitality have arrived at varying conclusions – about their diet and exercise, the quality of their air –

but they also keep coming back to the concept of a meaningful life directly contributing to a longer life.

To put it another way, a meaningless life – a sense of emptiness, uncertainty or uselessness about how you spend your days could well shorten your lifespan.

"Helping my clients provide for their future, for their families' future... Could there be any better motivation for getting out of bed each day?"



Just days after I saw this concept of ikigai illustrated for the first time, I read in the paper about a local sculptor who is using her previous experience in retail to develop her artistic products and processes.

She said the hardest thing about art is the stigma that artists make their pieces 'for the love of it.'

"If you go into making art with the mentality you won't make money then you won't," she said.

Now I think that's a very clever and very pertinent observation.

I hear all the time about other artists – photographers, designers, website developers and musicians – who are invited to donate their work or time in exchange for 'exposure.'

About these so called 'influencers' who make demands on retail business to donate their goods or services in exchange for a shout out on their Instagram page.

It's all good and well to be good at art, to love making art, and to justify its importance in contributing to a given region's cultural offerings

But, if at the end of the day, you don't plan to at least recoup your costs – in terms of materials, packing, postage, transport and so on – let alone pay yourself a wage for the hours you put into each piece, then it seems unlikely your art is going to bring you much peace of mind.

Worse, pouring all that money into something you don't get paid for is probably going to cause you some degree of uncertainty – about how to pay the bills, for example – and leave your pockets empty.

Making an appointment with a trusted financial planner is the first step to balancing out what you love and are good at with how society values your work and what you get paid for it.

David French
Managing Director

How's your ikigai?

- Are you slogging away at a job which bores you because it pays the bills?
- Are you barely paying the bills in a job which you nevertheless love because you're helping people?
- Are you getting paid heaps to do a job which you're not even sure you're very good at?

Marketing Update

My Urrwai

The Investment Collective were very proud to sponsor My Urrwai by Ghenoa Gela on the 31st of July at the Walter Reid Cultural Centre. A number of staff and clients were in attendance and enjoyed the wit, humour and inspiration that Ghenoa provided.



Senior's Expo

On Thursday the 15th of August The Investment Collective attended the Seniors expo that was hosted by Oak Tree Retirement Village, Yeppoon. We enjoyed being able to talk with the residents, visitors and the other businesses about topics ranging from aged care, superannuation and Centrelink.



Challenge the Mountain

Challenge the Mountain ran from the 6th – 8th of September, starting with the Sportsman's dinner on the Friday and finishing with the Running of the Bulls on Sunday. We attended the main event on Saturday and had multiple staff both volunteering and 'challenging the mountain.'



Client Seminars



The October client seminars were held on the 15th of October in Rockhampton and the 24th of October in Melbourne.

We'd like to once again thank Ian Maloney and Owen Evans for attending and presenting at both seminars. The topic of the seminar was 'our investment philosophy'. Ian and Owen discussed how we invest, what we look for in a company, how we avoid problems and gave an update on our performance over the last 12 months.

Thank you to the clients who attended. Those who missed it can watch the presentations through the client portal. The next client seminars will be held in April 2020.

Welcome to the team!



In July, we welcomed Hayden Searles to the team! Hayden is our new Marketing Assistant.



In August, we welcomed Justin Burggraaff to the team! Justin is our new Business Assistant.



In August, we welcomed Larissa Dowdle to the team! Larissa is our new Reception/ Admin Support Officer.



Centrelink Update

For many retirees entitlement to the Centrelink Age Pension forms a significant part of their cash flow. It's important to make sure that they're receiving the correct payment in a timely manner. One of the valuable services we offer our clients is to act as their nominee with Centrelink. In this capacity we provide Centrelink with updates on financial assets and income on a regular basis and attend to any questions or issues that Centrelink may have. Those of our clients who have engaged us to act as their nominee with Centrelink know this to be a valuable service.



As of the 20th of September 2019, the maximum Centrelink Age Pension:

- for a single person is \$933.40 per fortnight (pf), or \$24,268.40 per year. These amounts include the pension supplement (\$68.90 pf) as well as the energy supplement (\$14.10).
- for each member of a couple is \$703.50 pf, or \$18,291.00 per year.

These amounts include the pension supplement (\$51.90 pf) as well as the energy supplement (\$10.60).

Below, is an update of the Centrelink Assets and Income thresholds from 1 July 2019

Standard pension asset test

Your Centrelink Age Pension will start to reduce when your assessable assets are more than the amounts below. The rate at which your Centrelink Age Pension will reduce for assessable assets above the amounts below is sometimes referred to as the 'taper rate'. Since 1 January 2017 the taper rate is \$3 pf for every \$1,000 of assessable assets you own over the amounts shown below.

If you're	Homeowners	Non home-owners
Single	\$263,250	\$473,750
In a couple, combined	\$394,500	\$605,000
Illness seperated couple, combined	\$394,500	\$605,000
One partner eligible, combined	\$394,500	\$605,000

However, your Centrelink Age Pension cuts out altogether when your assessable assets are more than the following amounts :

If you're	Homeowners	Non home-owners
Single	\$574,500	\$785,000
In a couple, combined	\$863,500	\$1,074,000
Illness seperated couple, combined	\$1,017,000	\$1,227,500
One partner eligible	\$863,500	\$1,074,000

Standard pension income test

Single Person

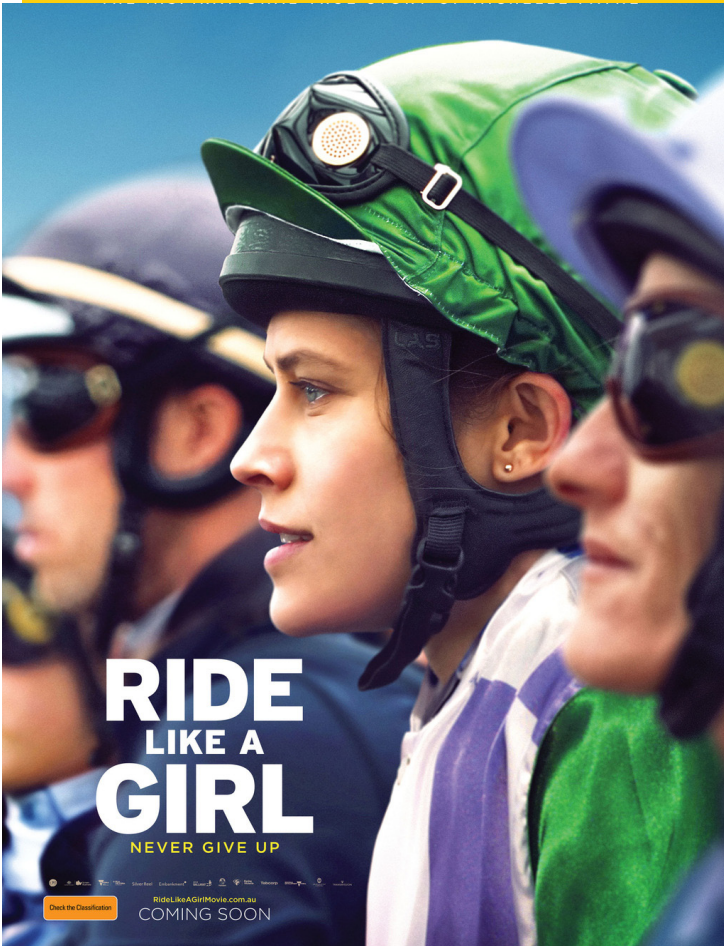
If your income per fortnight is	Your pension will reduce by
Up to \$174	\$0
Over \$174	50 cents for each dollar over \$174

Couple living together or apart due to ill health

If your income per fortnight is	Your pension will reduce by
Up to \$308	\$0
Over \$308	50 cents for each dollar over \$308

Robert Syben
Head of Financial Planning





Movie Night!

On Friday 1st November, please join us at a private screening of

Ride Like A Girl

"The only thing that matters are the odds you give yourself,"

Please contact your nearest office for more details and to RSVP.

Staff

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Dean Tipping	Financial Adviser
Diane Booth	Executive Assistant
Rebecca Smith	Senior Administration Support Officer
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John Phelan	Compliance Manager
Bronwyn Nunn	Senior Administrator- Compliance & Training
Katrina Tearle	CHESS Administrator
Natasha Kuhl	Portfolio Administrator
Dylan Tyler	Funds Administrator
Christine King	Bookkeeper
Sandra French	Bookkeeper
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Rebecca Vassil	Investment Assistant
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Please note that the content in this newsletter is general in nature and has not taken your personal or financial circumstances into consideration. If you have any questions please contact your adviser.



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