



Carthills

TAILORED ACCOUNTING

Personal . Commercial . Strategic

Season's Greetings

Best wishes to you and your family for a safe and happy holiday, from everyone at Carthills.

Our office will close at 4pm on Thursday, 22 December 2022 and will reopen on Tuesday, 3 January 2023.



Summer 2022-23

Welcome

It's December, summer is here and holidays are just around the corner. We take this opportunity to wish you and your family a happy festive season!

For a different take on the traditional season of giving, we look at gifting shares to children – a gift that will keep on giving financially but also in terms of investment education.

If you are facing some decisions in the new year, having some knowledge of the process can help you to be more self-aware when dealing with those big ones.

And finally, if you are looking forward to some time away over summer, it's not uncommon to arrive back from a holiday more tense than ever, so here are some tips to ensure your break is all you want it to be.

Whatever your plans for the holidays, we wish you and your family a happy festive season...

Kind regards

Neil McLennan – Partner
Carthills Financial Services Pty Ltd

Economic update

The big story on the global economic front continues to be inflation, and how high interest rates will go to tame it. November began with the US Federal Reserve hiking its federal funds target range by another 75 basis points to 3.75-4.00%. There are signs the tough approach is working, with the annual rate of inflation falling from 9.1% in June to 7.7% in October.

In Australia, the Reserve Bank lifted the cash rate another 25 basis points to a decade high of 2.85%. Inflation fell to 6.9% in the year to October, down from 7.3% in September, but remains high and economic signals are mixed. Reserve Bank governor Philip Lowe is keeping a close eye on consumer spending, where higher interest rates are having an impact. Retail trade fell 0.1% in October for the first time this year. And while the ANZ-Roy Morgan consumer sentiment index was up 5.6% to 83.1 points in the last three weeks of November, it remains 22.9 points below the same week last year. But rate hikes are not yet affecting the labour market, with unemployment falling to a 48-year low of 3.4% in October, while annual wages growth rose 1% to 3.13% in the September quarter, the fastest growth in a decade.

The Aussie dollar lifted 3c to around US67c over the month, crude oil prices fell 10% while iron ore lifted 0.5%. Shares remain skittish but positive overall. The ASX200 index rose more than 5% in November while the US S&P500 index was up more than 2%.

Buying shares for kids:

a gift that keeps on giving



Many parents and grandparents worry about how to help the children in their lives achieve financial independence. But the value of long-term investment can seem like a dry and complicated idea for kids to get their heads around.

In fact, many young people would like to know more about money, according to a Young People and Money survey by the Australian Securities and Investments Commission MoneySmart website. The survey found more than half of the 15-21-year-olds surveyed were interested in learning how to invest, different types of investments and possible risks and returns. What's more, almost all those young people with at least one investment were interested enough to regularly check performance.ⁱ

One way to introduce investment to children may be to begin a share portfolio on their behalf. The child can follow the progress of the companies they are investing in, understand how the market can fluctuate over the short- and long-term, as well as learn to deal with some of the paperwork required, such as filing tax returns.

How to begin

Setting up a share portfolio doesn't need to be onerous. It's possible to start with a minimum investment of around \$500, using one of the online share trading platforms. Then you could consider topping it up every year or so with a further investment.

Deciding on which shares to buy comes down to the amount you have available to invest and perhaps your child's interests.

If the initial investment is relatively small, an exchange traded fund (ETF) may be a

useful way of accessing the hundreds of companies, bonds, commodity or theme the fund invests in, providing a more diversified portfolio.

ETFs are available in Australian and international shares; different sectors of the share market, such as mining; precious metals and commodities, such as gold; foreign and crypto currencies; and fixed interest investments, such as bonds. You can also invest in themes such as sustainability or market sectors such as video games that may appeal to young people.

Alternatively, buying shares in one company that your child strongly identifies with – like a popular pizza delivery firm, a surf brand or a toy manufacturer – may help keep them interested and excited about market movements.

Should you buy in your name or theirs

Since children cannot own shares in their own right, you may consider buying in your name with a plan to transfer the portfolio to the child when they turn 18. But be aware that you will pay capital gains tax (CGT) on any profits made and the investments will be assessable in your annual income tax return.

On the other hand, you could buy the shares in trust for the child. While you are considered the legal owner the child is the beneficial owner. That way, when the child turns 18, you can transfer the

shares to their name without paying CGT. Your online trading platform will have easy steps to follow to set up an account in trust for a minor.

There is also some annual tax paperwork to consider.

You can apply for a tax file number (TFN) for the child and quote that when buying the shares. If you don't quote a TFN, pay as you go tax will be withheld at 47 per cent from the unfranked amount of the dividend income. Be aware that if the shares earn more than \$416 in a year, you will need to lodge a tax return for the child.ⁱⁱ

Taking it slowly

If you are not quite ready to invest cash but are keen to help your children to understand share investment, you could consider playing it safe by playing a sharemarket game, run by the ASX.ⁱⁱⁱ

Participants invest \$50,000 in virtual cash in the S&P/ASX200, a range of ETFs and a selection of companies. You can take part as an individual or a group and there is a chance to win prizes.

Another option, for children able to work independently, is the federal government money managed website. This is pitched at teens and provides a thorough grounding in savings and investment principles.^{iv}

Call us if you would like to discuss how best to establish a share portfolio for your child, grandchild or a special young person in your life.

ⁱ <https://files.moneySMART.gov.au/media/kjvjabp5/young-people-and-money-survey-snapshot.pdf>

ⁱⁱ <https://www.ato.gov.au/Individuals/Investments-and-assets/In-detail/Children-and-under-18s/Children-s-share-investments/>

ⁱⁱⁱ <https://www2.asx.com.au/investors/investment-tools-and-resources/sharemarket-game>

^{iv} <https://www.financialcapability.gov.au/teens>

GETTING THE
BALANCE
RIGHT IN

decision making

We all approach decision making in our own way, making a multitude of decisions every day: 'Should I hit snooze again on the alarm?', 'Do I take the train to work, or do I drive,' 'What should we have for dinner?'

In fact, researchers estimate that the average adult makes 35,000 decisions every day.ⁱ While most of these are fairly insignificant, we also constantly make complex decisions that may support us in many areas of our lives - from navigating a change of career, handling a new project at work, or even managing the complexities of interpersonal relationships.

Having some knowledge of the decision-making process can help you to be more self-aware when faced with those larger, more complex decisions.

The biology of thought

The human brain is an intricate organ. It contains about 100 billion neurons and 100 trillion connections and controls our emotions, thoughts, and actions. Our brains appear wired to work in complex ways to enable us to make the best decisions possible with the information we're given. In very simple terms the process is a little like a court trial. Our brains register sensory information like sights and sounds and then act as a jury to weigh each piece of 'evidence' to make a judgement or decision.

Thinking fast and slow

Nobel laureate Daniel Kahneman in his hugely successful book *Thinking, Fast and Slow* – suggests that there are two distinct and different ways the brain forms thoughts.ⁱⁱ

'Fast thinking' is automatic, intuitive, and used for most common decisions.

It is our brain conserving energy by making the bulk of its decisions on some degree of autopilot. This style of thinking uses cognitive shortcuts to let us respond quickly and instinctively to a wide range of fast and ever-changing inputs, like discerning emotions from facial expressions, ducking when something is thrown at us, reading words on a billboard, or driving a car on an empty road.

On the other hand, 'slow thinking' is more thorough and logical but also takes more time and is resource intensive. It kicks in when you focus on a task or problem, monitor and control your behaviour, formulate an argument or do anything that causes your brain to exert itself.

Different thinking for different situations

Of course, both styles of thinking have their place. It's important to be able to make fast decisions when required - in fact, fast thinking comes from the most primal part of our brain to help us make the kind of snap decisions integral to survival. However, there are times when you need to analyse and think through all the implications of a complex decision like whether to accept that new job offer interstate or buy that new car.

Amongst the multitude of small decisions we face every day, it can be hard to find the time and energy

for the big ones. Steve Jobs famously explained that he wore the same outfit every day to have one less easy decision to make so that he could focus his energy on the more complex decisions he was dealing with.

Minimising mistakes

If you find you rely heavily on fast thinking in your life, making choices based on gut instinct with little research or consideration, it may be time to consciously slow it down.

While that may not mean wearing the same outfit day in, day out, you might be able to have a few things in your life on autopilot, like putting together a weekly meal plan so thinking about what's for dinner is one less decision to make in your busy day.

Slow thinking takes discipline and effort. It's important to approach critical decisions in a measured way and give yourself the time and head space to think things through, rather than being swayed by emotion or the cognitive biases associated with fast thinking.

Good decision-making, either financial or otherwise also benefits from having a sounding board to talk things through with, and of course we are here to assist with any important financial decisions you may be faced with.

ⁱ <https://iise.org/details.aspx?id=46559#:~:text=Among%20the%20biologically%20related%20factors,decision%20making%20is%20described%20next.>

ⁱⁱ https://en.wikipedia.org/wiki/Thinking,_Fast_and_Slow



Holidays should be blissful periods where you can do exactly what you want – usually involving relaxing and enjoying time with loved ones. However, it's not uncommon to come back even more tense than ever and feeling like you need another vacation after what should have been a lovely break.

Here are some ways to make sure your well-deserved break is all that you want it to be.

Dealing with disruption

It is more common now to face some level of disruption to holiday plans if you are flying – whether that be long queues at airports, flight cancellations or lost luggage. It's important to recognise that there may be factors outside your control that impact your plans and deal with them as and when they happen. Keeping your cool, knowing your rights and trying to be constructive when faced with a problem can mean you are more likely to get assistance but there are also measures you can take to reduce the likelihood of problems.

Planning

There is a lot you can do in the way you plan your trip to avoid problems. When travelling consider leaving more than enough time at the airport before boarding and it's also worthwhile taking earlier flights as they are less subject to being cancelled. Book direct flights where possible and ensure you allow adequate time for layovers in the event of delays.

There is a lot of demand for accommodation and hospitality services at present, so the days of spontaneity are

over for now. Arrange accommodation in advance and research restaurants and attractions you'd like to go to and make bookings, so you don't miss out.

Even the best laid plans do sometimes go astray so try to make the best of less-than-ideal circumstances. Your kid's best memories of your holiday just might be when you got stuck overnight and had to stay in a funny little hotel in a strange city you had planned to visit only in transit.

Staying safe and well

You don't want to get sick on holiday so take the basic precautions we all learnt during the pandemic to avoid catching lurgy and stay well.

It's also quite common for people to let their guard down and take risks they may not take at home when they are on holiday, so think before hopping on that motorbike or crossing that flooded monsoonal river.

Travel insurance can be an important part of holiday planning so decide what may be appropriate for your circumstances and shop around to get the right coverage.

Switch off

Achieving the right headspace to enjoy your holiday can be as challenging as the planning and organisation. As tempting as it may be to check in and respond to

work-related queries while you're away, doing so may make it harder for you to relax and enjoy the moment.

If you are in a role where it's not possible to completely switch off from work while you're away, planning to check in for a limited time at the same time every day means you are not constantly 'on call' or thinking about work.

Ensure your holiday suits your style

Everyone's idea of the ideal vacation is quite different. Some people like nothing better than a vacation filled with adventure and frenetic activity and for others the ideal holiday consists of lying around by the pool with a glass of something cold in their hand.

Know yourself and plan for a holiday that ticks the boxes for you, but also consider your travelling companion or companions, and make sure if you aren't on the same page about how you want to spend your time, you are OK to spend some time apart doing your own thing.

Whatever your holiday style and preferences, a vacation is very much about what you make of it – so don't sweat the small stuff (or even the big stuff that's out of your control!) and make yours a happy, relaxing, and safe one.