

# Control Your Finances, Don't Let Them Control You



By Nick Webb, Partner, Adviser

Everybody dies, but not everybody lives. This is a quote that I have lived by for many years and after recently losing a parent at the young age of 60, it is a belief I will continue to abide by for the years ahead.

All too often I am reminded of the need to 'live life' and not sweat the small stuff. My experience as a Financial Adviser has ensured that the majority of my conversations have been primarily centred around money and whether clients feel they will have enough for their desired retirement. Over the past ten years in the finance profession, it has become more frequent that I am the person asking the very question that clients typically pose to us, 'how much is enough'?

In the fast-paced world we now live in, it is quite easy to live outside our means and forego opportunities to improve our financial position. Many people have become conditioned to 'slaving away' at a job they do not enjoy, to impress people they do not like, by purchasing material items they do not need. We continually put emphasis on obtaining 'things' in a quest for happiness and yet, once these items are acquired, we are no happier than we were before (albeit, usually a little further in debt). Is this really an enjoyable and fulfilling way to live?

Ironically, it is not consumerism that is the main reason that people do not have enough to retire comfortably. In my experience, it is due to a lack of guidance and forward planning that exists in the everyday lives of most. As the saying goes, it all becomes 'too little, too late' when the realisation hits that you may not have enough. It genuinely saddens me when middle aged clients come in to see us for an initial planning appointment and we need to let them know that retirement is still far out of reach, traditionally due to a lack of professional advice, rather than their underlying lifestyle choices. People do not tend to knowingly self-sabotage, but rather, do not fully grasp the outcomes attached to their current actions.

The value that Financial Advice can provide is endless. Articulating a tailored financial plan earlier in life allows for some deviation from the plan, without harming your retirement goals. It allows for continual adjustments to your plan to allow for unexpected events, which is what life is after all. A tailored plan provides people with peace of mind and an environment where they can fully explore what is important to them and what funding may be required to undertake such endeavours for the rest of their days. A great plan need not only consider the numbers, but also,

the intangible aspects of life that may not be solely driven by money. When participating in this exercise, many clients realise that they already have enough money to retire and wish that they had more time to enjoy the product of their working careers.

In my own personal circumstances, forward planning and a long term 'vision' afforded my parents the ability to enjoy their money throughout their life, rather than waiting to a 'traditional' retirement age, which is the mentality that has been ingrained in each of us. I've lost track of the countless clients who have worked relentlessly only to retire and then pass away, foregoing the enjoyment of their hard-earned dollars whilst leaving these to someone else.

My wife and I recently spent a weekend at an old fisherman's cottage in Sydney, taking some time out from the usual hustle and bustle of life. I was again reminded of our ability to get caught up in the daily 'rat race' when seeing an old trinket (picture below) which quickly caught my attention:



## Never get too busy making a living that you forget to make a life.

It is all too often that we push pressing items off to another day; taking responsibility for your financial destiny ought to be one that you prioritise to ensure that you retain control of your finances, rather than allowing them to take control of you. Consult your Stonehouse Adviser today to explore all that is important to you – retirement may be closer than you think.

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# Royal Commission: Lending Implications

By Steve Kellaway,  
Partner, Credit Adviser



## What's all the hype about the Royal Commission?

In December 2017, the Australian Government initiated the Royal Commission into misconduct in the banking, superannuation and financial services industry. The commission was established following media reports of a “culture of greed in several Australian Financial institutions”. A subsequent parliamentary enquiry backed the need for the commission with accusations of impropriety in foreign exchange trading, statutory reporting misconduct and even involvement in money laundering and ignoring terrorism financing.

The final report, by QC Kenneth Hayne, was made public on the 4th of February 2019 recommending 76 changes, some minor and some with far reaching implications.

For more information on the Royal Commission or Final Report please follow this link <https://bit.ly/FinalHayneReport>.

## What has been proposed?

Outlining the 76 changes is beyond the scope of this article, however there are some recommended changes that may affect you as an Australian home or investment property owner.

The main changes the “Hayne Report” recommended for the Australian public is the removal of mortgage broking commission which could herald the possible collapse of the mortgage broking industry.

## How the Royal Commission changes may affect you

### 1. Less affordable mortgage

Mortgage brokers create competition. They do this by providing access to lenders that consumers don't have immediate access or exposure to. A study by Deloitte Access Economics (<https://bit.ly/DeloitteBrokerReport>) highlights that mortgage broking has created a competitive marketplace that has forced banks to reduce their interest rates by approximately 3%.

If there isn't a viable mortgage broker channel, past behaviour has seen banks increase their interest rates on home loans, making repayments more expensive

for their customers. This could impact the customer's household budget and affordability to buy items needed for their family. For example, a 1% interest rise could cost an additional \$95,335 in interest on a \$450,000 loan over a 30-year term.

### 2. Anti-competition

Many small lenders rely on mortgage brokers to introduce them to new clients (e.g. approximately 85% of all ING home loans are introduced by way of a mortgage broker). If these lenders no longer receive the flow of business from mortgage brokers, it impacts their capacity to offer competitive pricing, and makes the big four banks even more powerful.

It is worth noting that despite the commission being established to investigate misconduct into the banking industry there has been very little consequences for the banks and the senior staff responsible for the misconduct.

Ironically, the consequences of the fully implemented recommendations would likely be a large windfall for the big four banks whose misconduct was under scrutiny. This has already been borne out with an enormous \$20b added to the big four's combined share price on the day of the report's release.

### 3. Higher fees lock you in

One of the proposed changes is for consumers to pay an upfront fee to their mortgage broker, or lender, when applying for their loan (whereas right now, the lender, who the client selects, pays the broker for introducing a new client to them). The upfront fee would likely be in the thousands of dollars and if, at a later point, the customer wanted to switch lenders, they'll need to pay another upfront fee to the new lender or broker.

Most consumers will not want to pay these upfront fees to 'switch' lenders as it defeats the purpose of refinancing for a better deal. It also means a customer is more likely to be locked into their lender and incur higher interest payments. Further compounding the issue, the fees payable would likely be added to the loan over a 30-year term, effectively more than doubling the amount payable.

## Royal Commission: Lending Implications

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### 4. Reduced access to good advice and better products

As mentioned above, without mortgage brokers, clients would have reduced access to loan products from banks often not thought of (think ING, Macquarie, AMP, ME Bank, Bankwest to name a small few). Furthermore, mortgages written through a local branch tend to be written in the bank's best interest with a distinct lack of good estate, retirement or tax planning.

### What should you do?

As you can appreciate, these changes are significant, and, instead of delivering more choice, fairness and benefit to consumers, they stand to possibly impact you, our business and give more control back to the major banks.

The most effective way to mitigate these changes being

introduced is to express your concerns to your Federal Member of Parliament. The quickest and easiest way to do this is as follows:

1. Go to <https://www.brokerbehindyou.com.au/>
2. Click on "I'm a consumer" and follow the prompts to easily send an email message to your MP
3. You can also show your support at [change.org](http://bit.ly/ChangeDotOrgPetition) via the link <http://bit.ly/ChangeDotOrgPetition>

As you would expect, Stonehouse will continue to be here to help you.

Should you have any questions regarding the Royal Commission or relating to your finances, please contact your adviser.

## The Importance Of Using Your Adviser For An Insurance Claim

By Lara Baker,  
Risk Insurance Manager



Personal insurance, it is considered very important to have, but something we really don't hope to claim on!

With the Australian Institute of Health and Welfare reporting that '1-in-3 Australian men and 1-in-4 Australian women are developing cancer before the age of 75' the possibility of having to claim your insurance is a very real one. In the case where an unfortunate event does occur, it is important to notify your Adviser of the intent to make a claim on your personal insurance policy. Your Adviser can then liaise with the insurer on your behalf to start the claims process and can also be a 'middle man' during the claims process usually ensures the best outcome possible.

The importance of using your Adviser at claim time was recently highlighted by one of Stonehouse's clients. The client had become unwell and was diagnosed with cancer, however rather than contacting her Adviser, she lodged the claim directly with the insurer. Once the diagnosis had been established by a doctor, the insurer confirmed the claim and the trauma benefit was paid to the client, alleviating

financial stress and allowing her and her family to focus on the recovery. Great news right? Well yes, it was an excellent outcome for the client which they were very happy with, however when the Adviser was notified of what had happened it was identified that an additional benefit payment via the client's income protection policy had been missed by the client and insurer!

Upon contacting the insurer, they confirmed that the client was indeed entitled to the additional benefit and subsequently paid the client 6 months' worth of her income protection benefit upfront (which was a built in option within the quality policy selected by the Adviser many years prior to claim). Further, due to the insurers error we also successfully negotiated on the client's behalf to have them compensated for the missed claim payment.

So please remember, if a situation arises where you think you may be entitled to claim, your first port of call should be your Adviser who will aim to help in any way to ensure the best possible outcome for you.



## Azaria's India Adventures

By Azaria Bell,  
Assistant to Andrew Stewart

In October 2018, myself and nine of my fellow Griffith University Business Leadership students boarded a plane to Delhi. We were set to embark on a two-week adventure in which we would be travelling, learning and volunteering at a rural school. Despite all the preparation, research and fundraising we had done, there was an overwhelming sense of nervousness and anticipation in the air.

Our first week in India was like a whirlwind! Stepping off the plane in Delhi, I was instantly shocked by all the pollution in the air and the crazy traffic. It was like nothing I had ever seen. However, I was incredibly excited and couldn't wait to see what the week would bring.



In our first week of India, we walked through the red hues of Fatehpur Sikri. A tick off the bucket list was visiting the beautiful Taj Mahal, exploring the baby Taj, and trekking through the stunning Agra Fort. Having the opportunity to learn about the history of all those different landmarks was incredible. We were amazed by the hospitality and generosity of the Indian people, and the pride they displayed for their country.

Boarding our overnight sleeper train to rural Palampur, we were eager to meet the children we would be spending the week working with. Driving to the school on our first day was like heading into the unknown. Were there going to be language barriers? Would they be interested in what we were teaching them?

Our fears subsided as we pulled up to the gate and saw all the excited faces greeting us. They proudly showcased the benches that we fundraised for. Instead of sitting on the floor, the children now had chairs for their classrooms. I fought back tears throughout the welcoming ceremony as I was overwhelmed with gratitude for having the opportunity to spend time with such talented and welcoming kids.

In classic Australian fashion, we taught our small group of girls how to sing and dance to Home Among the Gumtrees. They loved singing, dancing and seeing pictures of the Australian icons mentioned in the song (including vegemite, possums, and underground houses in Cooper Pedy)!



The children love to teach us their language, and they would practice with me every day to fix my terrible pronunciation. They also taught me to be grateful for what I have, helping me realise that education is a huge blessing that should not be taken for granted. They taught me the importance of staying curious and open to new opportunities, as those are the times where you experience true happiness and personal growth. I'll forever be grateful for my time in India!

## Sponsoring Our Young Athletes



Introducing up and coming athletes Justine and Royce Ramsay as they head down to Sydney Olympic Park this month for the 2019 Australian Track and Field Championships.

Justine is the current Queensland U20 400m Champion and younger brother Royce is U17 400m State Champion. Stonehouse wishes them the best of luck competing at the National Titles.



Contact Us

[inhouse@stonehousegroup.com.au](mailto:inhouse@stonehousegroup.com.au)  
[www.stonehousegroup.com.au](http://www.stonehousegroup.com.au)



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