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Spring 2018

September is upon us and spring is in the air. Our farmers and firefighters will be hoping for some soaking rain to ease the drought and ward off bushfires. Meanwhile, AFL and NRL fans will be hoping the sun shines on their team this finals season.

Economic news was overshadowed by political instability in August, culminating in Scott Morrison being sworn in as Australia's 6th Prime Minister in 11 years. Morrison is seen as a safe pair of hands economically, and consumer confidence rebounded after the vote. The ANZ-Roy Morgan consumer confidence rating rose 2.1 per cent, its biggest lift in 11 weeks.

Elsewhere the economic signs are mixed. As the latest profit reporting season ends, over 60 per cent of ASX 200 companies lifted profits in the year to June while 93 per cent paid a dividend. The unemployment rate fell to 5.3 per cent in July, while wages growth lifted slightly to 2.1 per cent in the year to June. Offsetting this, national home values fell 1.6 per cent in the year to July according to CoreLogic, the biggest annual fall in 6 years. The Reserve Bank remains positive, noting in the minutes of its August board meeting that the economy is improving, and its next interest rate move would be up. But it sees 'no strong case' to lift interest rates in the near term.

The Australian dollar fell to around US73c in August, down more than 7 per cent this year. In contrast, Wall Street hit record highs in August following comments from the Federal Reserve that it will continue to lift rates gradually provided 'strong growth in incomes and jobs continues'.

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Plugging in to TECHNOLOGY stocks

On August 2, Apple became the world's first company to reach US\$1 trillion in market value. It took 42 years to get there from humble beginnings in an LA garage, but a handful of younger technology companies collectively known as the FANGs – Facebook, Amazon, Netflix and Google – are already nipping at its heels.

What do they have in common? All have used innovative technology to create new markets, often beginning with a single product or service. Think Apple's early desktop computers, Amazon's online book retailer, Netflix's streaming service, Facebook's social network and Google's search engine.

According to Forbes magazine, these tech giants have become so much a part of everyday life that their products or services are regarded almost as utilities, as essential to modern living as power or water.ⁱ They have also used technology and digital transformation to redefine customer experience in a way that is leaving traditional companies behind.

While their products and services may be cutting edge, their investment appeal is old school. Legendary investor Warren Buffett has been a major Apple shareholder for some time. He is known to look for stocks with reliable, long-term earnings at an attractive price with a strong 'moat'. A moat might be a brand name, key products or high barriers to exit. Switch your iPhone for another brand for example, and you lose your iTunes music library and countless apps you downloaded.

China unleashes BATs

While Apple and the FANGs are US-based, they face stiff competition in the global tech stakes from China's BATs. Baidu, Alibaba and Tencent may not

be household names in Australia, but they deserve to be on investors' radar because they are a dominant market force not just in China but increasingly elsewhere as well.

Hong Kong-listed Tencent Holdings is known as China's equivalent of Facebook. Tencent was the first Asian company to reach the US\$500 billion stock market valuation mark. It's WeChat social media platform recently reached an eye-popping one billion members, and it's also involved in online gaming, music, e-commerce and smartphones.

Alibaba (China's Amazon plus eBay) is the world's biggest retailer. It's New York Stock Exchange (NYSE) listing in 2014 was the world's biggest and this year it became the second Asian company to be valued at more than US\$500 billion.

Baidu (China's Google) is the second most widely used search engine in the world. It's also moving into mapping, artificial intelligence and autonomous vehicles. And these are just the biggest of many emerging Chinese tech stocks.

Opportunities and challenges

The tech giants are also beginning to expand into new business areas such as cloud storage, music and video streaming. Some are also growing by acquisition, with Facebook buying What's App and Microsoft buying LinkedIn.

Yet big does not necessarily deliver success. Facebook's share price recently fell 19 per cent in a day. The sell-off was due partly to concerns about the company's ability to deal with privacy issues, but also to a flattening out of user numbers. China's BATs also face challenges from the worsening trade dispute with the US.

So how can Australian investors participate in the dynamic technology sector without getting burnt?

Getting down to business

Diversification is the key to investing in the world's leading tech stocks, while minimising the risk of individual companies performing poorly. The simplest way to gain exposure is via a traditional managed fund or an exchange-traded fund (ETF) which can be bought and sold on the Australian Securities Exchange (ASX) like individual shares.

For the broadest exposure there are global technology funds. A popular way to access the FANGs plus Apple, Microsoft and others is to choose a fund that tracks the Nasdaq 100 Index. Although the US-based Nasdaq exchange is home to a wide range of companies, it is well known for tech stocks.

Tech companies are often seen as exciting, but investors would do well to follow Buffett's lead and make sure that the fundamentals are sound, looking at their financial health and ability to deliver sustainable returns. If you would like to talk about your investment strategy, give us a call.

ⁱ 'Apple and the rise of the trillion dollar firm', 6 August 2018, <https://www.forbes.com/sites/dantedisparte/2018/08/06/apple-and-the-rise-of-the-trillion-dollar-firm/#6eecd0c631d>

Lessons from the RICH LIST

Most people who are intent on building their personal and business finances know there is no quick road to wealth. While some people dream about their lucky numbers finally being called, others are making every day count.

Of course, not everyone can make it onto the Forbes rich list, and some individuals rise to wealth largely through privilege and circumstance. However, for many others, their position can be directly attributed to exceptional work habits and a determination to succeed.

If you're committed to delivering a serious boost to your finances, then cultivating the techniques favoured by those on the rich list can assist you to achieve your personal and professional goals.

Having a strong work ethic

The wealthiest and most successful people in the world demonstrate a single-minded commitment to their goals; eating, sleeping and breathing their enterprises. You need look no further than Zhou Qunfei, the world's richest self-made woman, who started out working in a factory by day and taking accounting classes by night. She proves that determination over a sustained period produces undeniable results.

Pursue a dream

A number of very prosperous people don't start out pursuing wealth; they pursue a passion. Consider Bill Gates or Elon Musk, who both conceived an exciting, innovative idea. Passion compels people to continue pushing for their goals. In a society where many people just pursue income, successful people use their knowledge and talent to turn their passion into a revenue-generating venture.

Setting goals with a long-term view

Innovative ideas require big-picture thinking. The wealthiest people in the world didn't stop after one success (or failure). They remained committed to their vision and focussed on the long term. Ultimately, individuals who have accumulated significant wealth tend to be entrepreneurs whose determination to 'win' motivates them to map out the future and set specific and achievable goals.

Having support

Jeff Bezos, Amazon CEO, has a notoriously rigorous hiring process. Why? Because he understands the importance of surrounding himself with other driven people. Successful people act intentionally to nurture valuable professional and personal relationships, putting time and energy into helping these relationships grow.

Not being afraid to fail

Sir James Dyson, who literally made his fortune out of hot air, famously said '99% per cent of my life is failure', in reference to the number of prototypes his company makes before they get it right. What he shows us is that failure is an inevitable part of the process and that each failure is an invaluable learning opportunity. Realising that the insights gained from failing have practical applications, successful people continually find inspiration for new ideas and devise ways to execute them.

Making smart investments

Finally, there are many ways that affluent people go about growing and managing their wealth, and making smart financial investments is certainly a critical component of building capital. Whether you are looking to invest in the share market, a new venture or property, knowledge is power. It pays to do your homework and ask for expert advice where required.

While, the extent to which your own mindset and habits dictate how successful you are cannot be understated, it's always good to have an expert in your corner. We're here to help you maximise your wealth and achieve your vision of success.

Forbes 2018 top 5

- 1. Jeff Bezos \$112B**
Founder and Chief of Amazon
Attended Princeton and worked at a hedge fund before founding Amazon in 1994.
- 2. Bill Gates \$90B**
Founder of Microsoft
Now manages the world's largest private charitable foundation.
- 3. Warren Buffet \$84B**
Investor
Bought his first stock at age 11. Intends to give more than 99% of his fortune to charity.
- 4. Bernard Arnault & Family \$72B**
CEO of LVMH
Oversees an empire of brands including Louis Vuitton and Sephora.
- 5. Mark Zuckerberg \$71B**
CEO of Facebook
Dropped out of Harvard to found Facebook at the age of 19.

Is your money personality

set in stone?

Our upbringings hugely influence the attitudes we have towards money. Did you observe your parents working hard to put food on the table? Was money a cause of conflict in your household? Was it spent freely, or were budgets obeyed?

The money attitudes you were exposed to as a child aren't necessarily the ones you've taken on though. Some people exhibit money habits very different to the ones they grew up seeing, perhaps in a reaction to those circumstances or as a reflection of their personality. Take a look at a family of siblings and you might notice very different money personalities.

Here are four of the most common money personalities:



Avoider

As the name suggests, an avoider doesn't want much to do with money. They don't want to spend time thinking about it, which is why bills go unpaid and little attention is spent on investing and saving. There are many reasons why someone could be a money avoider, but two common ones are either feeling overwhelmed or confused around financial matters, or believing that money represents greed so it's bad to focus on it.



Hoarder

This money personality type excels with saving but struggles to spend. This can lead to Scrooge-like tendencies, as the hoarder finds it difficult to part with their money. They're anxious that money could be taken away from them and they must have substantial savings at all times. The hoarder doesn't have fun with their money – the greatest enjoyment they get is knowing it's untouched.



Spender

The opposite to the hoarder, the spender enjoys buying things for themselves and loved ones, making them very generous but sometimes irresponsible if they spend more than they earn. They risk falling into debt and struggle to save enough money for substantial purchases such as a house deposit. Delayed gratification is foreign to the spender, who'd rather buy on impulse.



Status seeker

Unlike the other money personality types, whose habits might go unnoticed at first, there's no mistaking the status seeker. They're the ones with the newest gadgets, flashiest cars, most fashionable clothes. The status seeker uses money to exalt their image. They have high standards and are deeply invested in how others see them. Like the spender, the status seeker risks going into debt if they can't afford their lifestyle.

Perhaps you identify strongly with one of these types, or can see yourself in several. None are inherently bad, but they all represent unbalanced attitudes to money.

While many of these beliefs can be quite entrenched, it is possible to change your thinking and foster a more positive money mindset.

Here are some tips to bring these beliefs into equilibrium:

Understand the emotions that drive your decisions

The money hoarder tends to be driven by anxiety, while for the status seeker it's insecurity. Identify your emotions – this observation will make you more aware of how you view and use money.

Create and maintain good money habits

A budget provides a clear picture of where money is going. They're useful for everyone to have, but are especially helpful for the spender and avoider.

Stop comparing yourself to others

The status seeker is the worst offender, but many of us also buy things to impress others. Focus on what you want and don't worry about keeping up with the Joneses.

Communicate with your partner about money matters

It's possible you and your partner are different money personality types. Ensure you're on the same page about shared spending, saving and long term goals.

Practice gratitude

Appreciating what you already have will cut down on any unnecessary spending and anxiety around your finances.

Get assistance

Whatever your attitude to money, it's always worthwhile having someone in your corner to assist you to make the most of your financial situation. We are here to help.