

# Low rates are the new norm

13<sup>th</sup> November 2020

We are sure you remember 4 years ago people were fixing their mortgages under 4% per annum and thinking “it can’t get better than this!”

Fast forward to 2020 and you can fix your mortgage under 2% following the recent RBA rate cut.



The outcome is great for those that have debt, not for those who need to generate income from their savings. We expect there to be a trend towards dividend paying stocks, higher yielding credit, and in general growth assets to offset the lost income. What is concerning, is those who do not have a professional adviser as there may be a lack of understanding around the risks that can be undertaken.

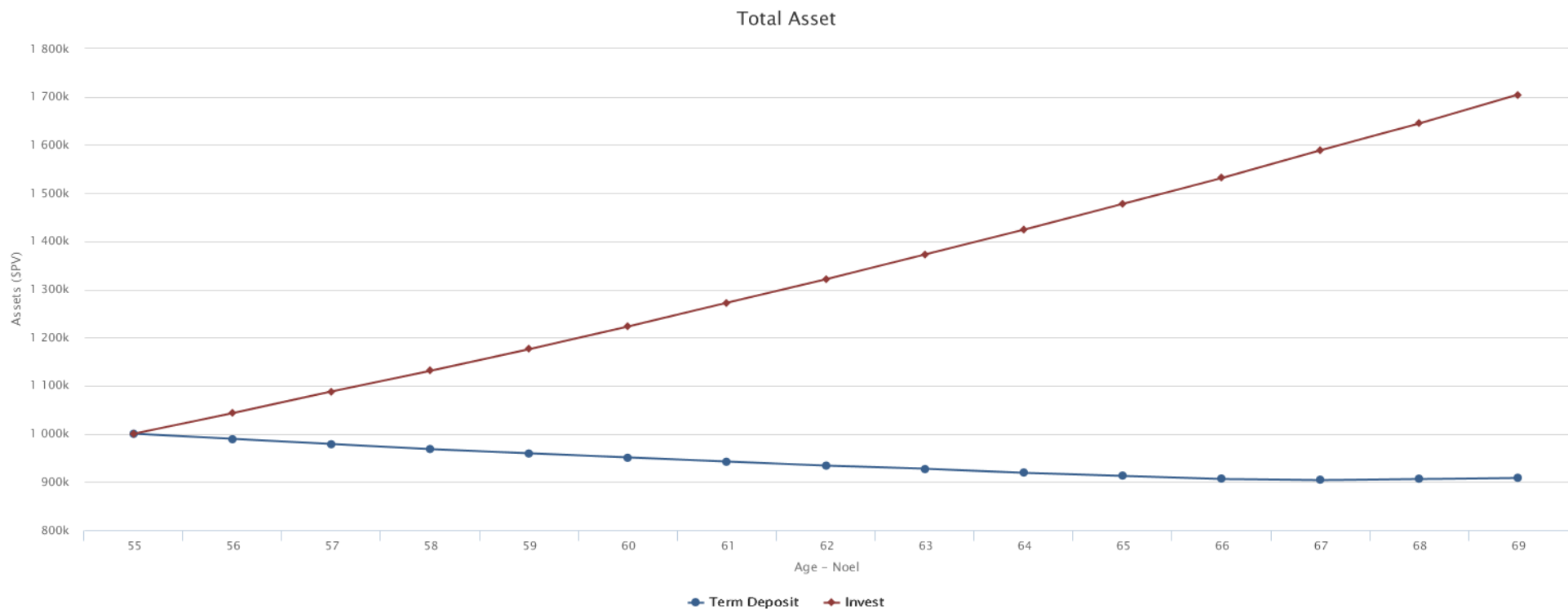


We have spent a lot of time reviewing client portfolios, concentrating heavily on how to generate returns without unnecessarily jumping up the risk curve.

The major concern in the current environment are those clients who sit in cash. Term deposits were an option to support income when the yield was 5 – 7% per annum, now we are generally seeing 1% or less. After inflation (let us assume 2.5% per annum) you are going backwards BEFORE any income is drawn!

If you thought the market downturn we experienced due to COVID was uncomfortable, let us demonstrate the long term impact of a cash position versus an invested balanced portfolio. We have used a starting balance of \$1,000,000 and all income/growth is reinvested, we have included the impact of inflation which results in a negative real return on a term deposit.

What this demonstrates is how important it is to have a properly invested portfolio. This becomes vital if there is a requirement for income to support living expenses. If you would like to see a further case study for a retiree, [click here](#).



If you have any queries, or if there is anyone you may know that would appreciate a no obligation meeting to explore their options, feel free to contact our office.

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