

## Frog in a Pot

10<sup>th</sup> May, 2021

*Never depend on a single source of income. Make investments to create the second source.*

**Warren Buffett**

*The pessimist sees difficulty in every opportunity, the optimist sees opportunity in every difficulty.*

**Winston Churchill**

*Please sir, I want some more?*

**Oliver Twist**

*My wallet is like an onion. Opening it makes me cry.*

**Homer Simpson**

### *Lack of Interest – Part II*

In August 2019, yes before the bushfires and before Covid, we penned Lack of Interest (read it [HERE](#)). That article is not too dissimilar to the theme of this article.

When it comes to interest income from term deposits, bonds and cash the current investment climate tends to leave investors wanting more.

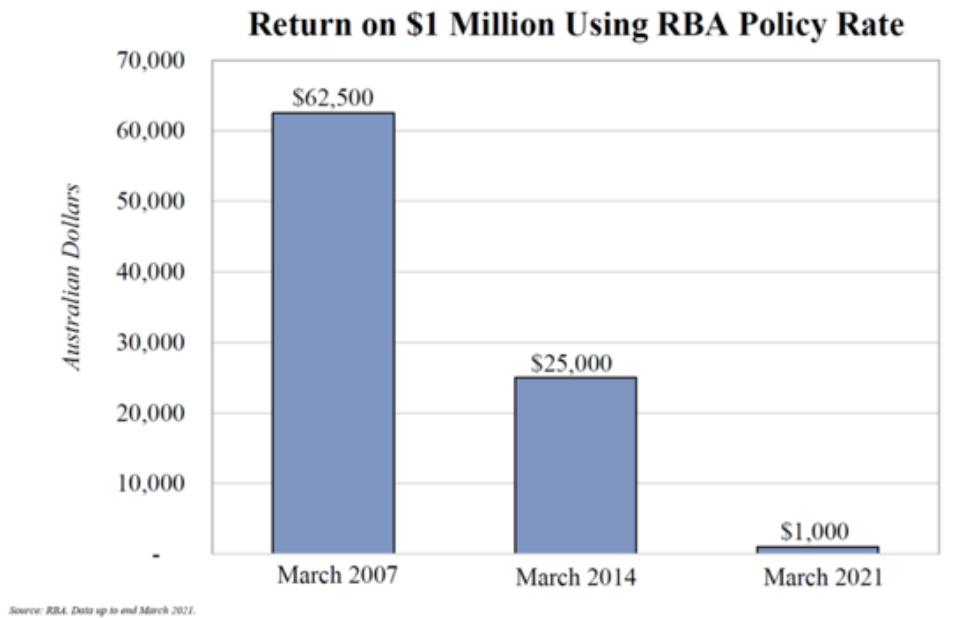
Interest rates, or lack thereof, represent one of the greatest challenges to having a comfortable retirement for present day retirees and pre retirees.



Oliver Twist, 1948 adaptation of the novel by Charles Dickens

The decline in interest rates cannot be summed up better than by this chart.

*A Million Dollars isn't What it used to be!*



This chart is almost terrifying if you are near to or past retirement age. It has occurred over almost 15 years so maybe like a frog in a pot you didn't notice the temperature rise, at least initially, but it is patently clear now to anyone with money to invest just how diabolically bad things are when it comes to interest rates.

Despite this factor, Covid19 and a myriad of other challenges we have managed robust portfolios that have stood the test of time and made sure our clients receive the lifestyle they want and deserve after a lifetime of hard work despite what the markets, central banks and the tax man have thrown at them.

In our article of August '19 I referred to the four key principles of investing, they are repeated below:

1. Maintain investment discipline
2. Remain highly diversified
3. Resist temptation and be very careful following the herd
4. Be patient

Looking at Bitcoin, Tesla shares or Sydney residential housing it would appear not many are paying heed to principle number 3!

At Lifestyle Wealth Partners we are constantly analysing markets, measuring risks and charting a course for our clients that will see them through the challenges that are thrown our way; but at the same time not be afraid to take opportunity when it presents itself.

### *Evolution but not revolution*

Since 2012 we have utilised managed accounts for a significant proportion of our client base. From that time until now the asset consultant used was Innova Asset Management. We have made a decision to alter this arrangement however, it is seen by as an evolution not a revolution. Innova has offered good value to our clients for many years, and we do not want this to change. We have however decided to alter the investment committee that supervises our managed accounts. Instead of Innova managing the accounts the investment committee will consist of David Lunn and Mark Johnson of Lifestyle Wealth Partners and the two Chief Investment Officers of Innova, Dan Miles and Dinyar Irani.

This solution will see us still being able to make full use of Innova's asset allocation and investment research skills to look after your portfolio however David and Mark will be able to more closely influence some of the finer points of the portfolio construction.

The key reasons for this change are:

1. *The world is a challenging space*; whether it is money printing, rising geo political tensions, especially with China, and now risks of inflation off the back of a trend in deglobalization, pivoting the portfolio quickly is becoming essential. This allows us to:
  - a. *Protect capital*; being able to defend the portfolio quickly, for all clients so that we can seek shelter in a financial storm
  - b. *Maximise Opportunities*; as Winston Churchill suggested to see opportunity in every difficulty, as Innova did with silver and oil trades during the depths of Covid

2. *Reduce Portfolio Fees*; we are exploring every opportunity to reduce the fees in client portfolios as we are in a low return environment. We are therefore working with Innova to get fund manager fees lower and reduce other portfolio costs to maximise returns to clients

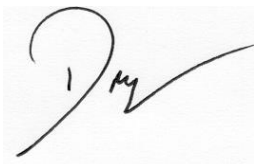
Importantly, although the two portfolios we have created have *Lifestyle* in the name we receive no additional revenue, directly or indirectly. As a result of this change, it is all about getting better results for clients and being able to be both patient and defensive when required but also to seek opportunity when it presents itself.

The ability to seek opportunity was made only too obvious during Covid, although the sell off was brutal, Australian equities off 32%, the rebound was just as dramatic. Being nimble, to be able to act prudently for the benefit of clients without being hampered by the excessive regulation and red tape that would otherwise restrict our ability to do our job for you is a tremendous advantage in our investment philosophy and portfolio construction objectives.

Using these portfolios is not a requirement to remain a client of Lifestyle Wealth Partners, it is entirely your choice. David, Mark's and their family's personal money is already invested in the managed accounts.

If you would like to discuss this paper or any other matter, please do not hesitate to contact us at [support@lifestylewealth.com.au](mailto:support@lifestylewealth.com.au) or (02) 9984 7774.

Kind Regards



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