



**As a new year begins, we wish everyone a happy, healthy and prosperous 2023. Many families will be glad to put 2022 behind them and although challenges remain, we look forward to better times ahead.**

As 2022 drew to a close, investors remained focused on inflation, interest rates and recession worries. Inflation is running at around 7% to 11% in most advanced economies, including Australia (7.3%). The Reserve Bank of Australia (RBA) lifted its target cash rate by another 25 basis points to 3.1% in December, the eighth monthly rise in a row, up from 0.1% in May. The RBA noted that "inflation is expected to take several years to return to target range (2-3%)", and most economists expect at least one more rate increase.

High inflation and borrowing costs continued to weigh on consumers in December. The ANZ-Roy Morgan consumer price index was steady at 82.5 points in the run-up to Christmas, 26 points below the same period the year before. Slowing consumer demand and rising costs also dragged the NAB business confidence index into negative territory for the first time in 2022, down to -4.4 points in November.

But it's not all bad news. Australian company profits rose 18.6% in the year to September, the fastest pace in five years. Unemployment remains low, despite edging up to 3.45% in November and annual wages growth was 3.1% in the September quarter, the fastest pace in a decade.

The Aussie dollar lifted slightly to US 68.13c in December, down 6% for the year. Iron ore prices lifted 8% over the month but were down 1% for the year, while oil prices (Brent Crude) eased slightly but were up 11.4% in 2022 as war in Ukraine disrupted supply.

## Steve Putt, Partner

It is with pleasure that Stonehouse Financial Partners is able to announce the promotion of Steve Putt to Partner.

Steve has been with Stonehouse for a little over 3 years, but has extensive experience prior to this, including running his own business for over a decade.

Steve's experience and expertise covers most industries, and he can best assist clients looking to grow their wealth leading up to retirement.

Steve is proud to join the ranks of Partner at Stonehouse and looks forward to building on the reputation that Stonehouse has developed in the Australian financial planning market.

Please join us in congratulating Steve.



# Why Loss Aversion sends you running for cover



Steven Putt  
Partner

Imagine you had recently invested your super or personal investments and were experiencing your first real ‘bear market’. There’s a fair chance you would be questioning your decision. All major asset classes were impacted in 2022.

For many people, the natural reaction is to play it safe. Fly to safety. Stick your money under the bed even. But is that the rational answer, or is that thinking the result of loss aversion?

Loss aversion is a cognitive bias (a thought habit) that describes why, for individuals, the pain of losing is psychologically twice as powerful as the pleasure of gaining. The loss felt from losing money, or any other valuable object, can feel worse than gaining that same thing<sup>i</sup>. Simply put, finding \$10 is only half as fun as losing \$10 is upsetting.

As a result, people avoid losing in preference to getting an equivalent gain. Loss aversion is common whenever it comes to making decisions. In short, people don’t like change.

When it comes to investing there are several common mistakes that people make:

- People sell their investments when the market is down

- People keep investments that they own, even when an alternative has better prospects, and
- Having made the first two, they keep making them.

Almost all decisions of worth carry a level of risk, otherwise they aren’t really decisions. Due to the nature of the impact of the financial decisions that we make, these decisions are particularly susceptible to risk avoidance and loss aversion. But if we can’t make sound calculated decisions, these avoidant decisions can be particularly detrimental. Loss aversion can prevent people making the best decisions for themselves leading to long term inferior performance.

## How can you avoid it?

History shows that over the long-term shares average a negative return every 4 to 5 years. On face value that sounds scary, but what it means is that shares produce positive returns 4 out of every 5 years.

Doesn’t that sound better?

Collaborating with advisors who understand these behavioural issues (unfortunately loss aversion isn’t the only one) is proven to help<sup>ii</sup>. Research has shown that people who receive advice for between 4 – 6 years accumulate 60% more assets than people who don’t seek advice. Over 15 years, the difference is as much as 290%.

A good adviser can help in several areas, but specifically they can offer an objective view and review your situation without an emotional attachment. We may ask questions you do not like and highlight areas where you may be victim to biases instead of rationality.

It is in these ‘intangible’ areas, such as helping you make the right decisions at the right times, that perhaps most value can be added.

<sup>i</sup> Kahneman, D., & Tversky, A. (1977). Prospect Theory. An Analysis of Decision Making Under Risk.

<sup>ii</sup> Rice Warner Actuaries, (2020). Future of Advice



# Carry Forward Unused Concessional Contributions in action



*Michelle Poulsen*  
Partner

I started working with Steve and Donna in 2014 when Steve was 55. Steve enjoyed a successful career and was keen to retire early at age 56, when he reached preservation age. They had not sought advice before and were keen to see how financial planning would be able to assist them in meeting their retirement goals.

When we initially met, we identified that Steve had been very diligent with making concessional contributions to super and had built up a sizeable balance however, like many retirees, their main concern was whether their retirement assets would last. Steve and Donna also had an investment unit which they had eventually planned to sell in 6-7 years' time to assist in funding their retirement lifestyle. We discussed this in depth and the importance of the timing of the sale of the unit, understanding what was in their control and what was not in their control and the benefit of using their superannuation contribution limits when the time came to reduce their tax liability.

Wind forward to July 2022 and Steve and Donna reconnected and advised that they were ready to put their unit on the market and they expected to be able to sell it for around \$800,000. They had purchased the unit in 2001 for \$162,500 and had secured a contract for \$810,000 resulting in a discounted capital gain of around \$161,875 each.

By utilising the carry forward unused concessional contributions available to each of them and triggering the bring-forward rule and making non-concessional contributions to super, we were able to contribute \$718,000 to their superannuation and commence a tax-free income stream in retirement whilst reducing their tax payable to \$4,321 resulting in an overall net tax savings of \$55,475 (after considering personal and super tax).

Both Steve and Donna have been acutely aware of this strategy since the beginning and genuinely feel that the power of advice all those years ago, gave them peace of mind and comfort that they had a plan and have been able to achieve their goals.

## 5 MINUTES WITH...

Luke  
Woodhouse



A motivated and conscientious team member committed to providing the highest quality of service and support to our clients and the Stonehouse team.

Luke embarked on his career in the financial services industry with Stonehouse a year ago.

Luke thoroughly enjoys the financial planning process and in particular adding value to clients through his role as a Client Service Specialist. His time in hospital administration has left him well-equipped with strong customer skills, fine attention to detail and commitment to meeting deadlines.

Having completed his Bachelor of Business, majoring in Economics and Finance in 2021, Luke is currently undertaking the Kaplan Margin Lending course.

Luke's next study goal is to undertake a Graduate Diploma in Financial Planning. This will put Luke on track to achieve his goal of becoming a Financial Adviser in the future.

During his spare time, Luke enjoys camping and running. This also provides a welcome opportunity to enjoy soccer, which he plays competitively and enjoys watching. Luke is a keen supporter of the Brisbane Roar and Liverpool.

# Stonehouse successes for 2022 and hopes for 2023



**Andrew Stewart –  
Founding Director**

I am thankful and grateful for the love of my family, and I am hoping for a new work-life equilibrium in 2023.



**Jeremy Chiel –  
Partner/Financial  
Adviser**

Success was starting a family and the birth of my daughter, with my hope being I can be the best dad possible.



**Declan Baker  
– Partner**

Success was getting engaged and I hope she says yes again in 2023 at the wedding.



**Justin van den Boog –  
General Manager**

I'm thrilled to have recently joined the Stonehouse family and happy that I'm getting settled into my role. It has been a busy year for everyone, and it will be great for us all to relax over the festive season and return energised for an exciting 2023. I'm really looking forward to what we can do this year.



**David Peck – Advice**

2022 was a hectic, exciting and challenging year as I moved from my previous employer of 9 years to Stonehouse. I have had a lot of fun getting to know our clients this year and look forward to getting to know them better in 2023. On a personal note, our daughter is having twins so next year will be extra special.



**Taylor Boyce – Advice**

I'm glad that I was able to finish my professional year and I'm looking forward to now being able help our clients achieve a better financial future next year as a licensed adviser. I'm also looking forward to a trip to New Zealand that I am planning for the back end of 2023.



**Marian Grodzki –  
Paraplanning**

I am grateful for the opportunity to join the Stonehouse team in 2022 in addition to completing my second year of my Bachelor of Nursing. I look forward to seeing what 2023 will bring in terms of how my role at Stonehouse develops and completing my degree.



**Dakota Meki –  
Client Service Team**

I am grateful for my friends and family, as well as my professional development within Stonehouse. This year I am looking forward to commencing my studies in Financial Planning.



**Matt Devin –  
Client Service Team**

This past year I am proud to have completed my Bachelor of Commerce, majoring in Financial Planning. Looking ahead, I just recently started at Stonehouse and am looking forward to what the year will bring!



**Phoebe Mumbray –  
Advice & Paraplanning**

I am pleased to have completed my Masters in Financial Planning in the last 12 months and look forward to what 2023 brings when I complete my Professional Year with Stonehouse.



**Luke Woodhouse –  
Client Service Team**

Proud to have continued my professional development and undertake new and more complex tasks. Looking forward to hopefully doing some travel and undertaking further studies.



**Ekaterina Djuric –  
Client Service Team**

During a big year of change in 2022, I am grateful for the unwavering support of the Stonehouse Team. I am eagerly awaiting the new journey into Motherhood in 2023.

