



# QUARTERLY INSIGHT

InterPrac Financial Planning Newsletter Summer 2018

## I'm bored of bitcoin already...



Bitcoin is not an investment; it is in our opinion a gambling instrument, in fact there are a number of gambling groups now offering odds on the movement of the coin.

Michael Glennon wrote an article for the Financial review over the Xmas period when bitcoin was soaring towards \$30,000.

He writes:

"One of the great things about the Christmas and New Year break is being able to relax away from the market and reflect on the year gone by.

Bitcoin was the hot topic for 2017, particularly in the second half.

Let me be clear. I'm bored of bitcoin already.

I'm bored with the influx of LinkedIn requests I'm getting from crypto currency traders I have never met and I'm bored of explaining how useless all crypto currencies are and how you're better to actually buy real businesses that make real profits.

But 2017 felt like the year that everyone I knew was asking me about bitcoin. I went for a walk with a friend who had invested \$20,000 six weeks ago into a basket of different currencies and that balance six weeks later was close to \$60,000.

A cabbie was telling me that he was a crypto currency trader and that driving the cab was no longer his full-time job. My brother-in-law had told me that his builder had borrowed \$400,000 against his house to buy bitcoin, an old analyst of mine owned some type

of crypto currency and the millennial sitting next to me at dinner was telling his date how he had invested \$5000 a week ago and it was now worth \$10,000, continuing to check the balance every few minutes and show her.

So for all of those people asking my opinion on bitcoin and other crypto currencies, I'm happy owning Aussie dollars and paying my bills with it.

When I start to see retailers accepting bitcoin or utility companies accepting it then I will believe that it's not just a quasi-ponzi scheme, selling something that has no value. It's a currency that doesn't do anything, is not backed by any sovereign nation, is not accepted anywhere, is hard to buy and sell, and has no fundamentals supporting it.

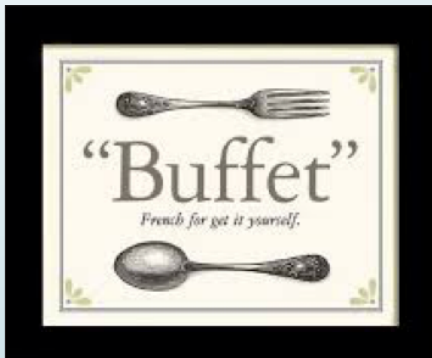
So here's my answer to anyone who asks me what to do about bitcoin: lock in your profits and think yourself lucky that you have made a profit in the greatest bubble in recent times. Then go and put your money into a real business that makes money.

Given the peer-to-peer nature of digital currencies and the potential for money laundering and tax evasion,

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# Some inspirations for



We often hear a lot of famous quotes referred to after historic events take place, and Mr. Warren Buffet is often referred as the world's greatest investor.

This picture tells it all and shows just how well his surname speaks to his investment style.

**Mr. Buffet** is reported as spending time by himself reading financial reports for more than 6 hours every day, and has a reputation for ignoring market noise, using his patience to move money from the impatient to the patient effectively as his namesake suggests getting his meal by getting it himself from his own personal effort.

**Michael Glennon**, the investment manager of the listed investment company GC1 that has had a track record of long-term investment out performance in small caps shared his thoughts for 2018 in a recent video available on the [www.glennoncapital.com.au](http://www.glennoncapital.com.au) website.

Michael has the belief Macro-economic growth is good and accommodative for equities, housing will not have the growth of previous years, disruptors are emerging particularly in Small caps, responsible Investment is moving towards mainstream and millennials are going to be a driver for growth and change.



**Benjamin Franklin** said an investment in knowledge pays the best interest. When you think of Warren Buffet reading for 6 hours per day every day to seek out knowledge to give him a point of advantage it says it all. The advice of Franklin is that when it comes to investing nothing will pay a higher yield than educating ourselves. When it comes to Buffet clearly study, and analysis are vital before making a buy or sell decision of an asset as complicated as a business in a field generally outside the buyer and sellers core competence.



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## I'm bored of bitcoin already.....

longer-term on a fundamental basis there are still huge legislative risks for any corporate looking to invest in rolling out the technology on a mass scale, so I don't see Visa or MasterCard rolling out the technology anytime soon.

I own a small handful of businesses that I know well. They are real businesses that make real cash profits. I can't understand buying something that cannot be used anywhere.

I get paid no interest on digital currencies and I can't use them for anything other than to sell to someone else. I would rather have my investments in the form of businesses that are growing or businesses that make real cash profits. As I always say, if the market was to shut down and I couldn't sell my investments I would need to own some businesses that pay me a dividend so I can put food on the table.

If the digital currency exchange shuts down and all my wealth is there, it is going to be hard to put my bitcoin in my wallet and pull it out at Woolworths to pay for my loaf of bread. It's hard enough finding somewhere to use an Amex card".

*Michael Glennon is the founder of Glennon Capital (GC1)*

# investing in a New Year



The stock market is filled with individuals who know the price of everything, but the value of nothing.

Phillip Arthur Fisher

**Phillip Fisher** is a legend in US investment market history. He had 70-year career managing money, and was known for his belief in investing in well managed, high quality growth businesses over the long term. One of his most famous investments was Motorola, which he first bought in 1955 and held that investment until he died in 2004. Fisher had a 15 rule policy he looked for in, but not dislike Michael Glennon's philosophy the qualities of the board and management and the quality of the financial controls around

accounting and margins dictated many of his decisions. His most famous quote was the backbone of much of my thinking about price and value. He claimed the stock market is filled with individuals who know the price of everything but the value of nothing. He claimed research was far more than listening to popular opinion; in fact it was about knowing your own opinion. For the record Motorola increased in value by more than 30 times in the period, compared to the index return of 6.



**Mr. Buffet** will tell you how to become rich, Close the doors, and be fearful when others are greedy, and be greedy when others are fearful, be prepared to invest in a falling price, and be prepared to get out in a market that is soaring.

**Albert Einstein** is not that well known for his investment advice, but one of the greatest quotes of all time in respect to investing is credited to the great inventor himself. His quote in respect to compound interest is a great lesson to all.

*“Compound interest is the eighth wonder of the world. He who understands it, earns it... he who doesn't... pays it.”*

**Ben Graham**, not the Geelong footballer is regarded as one the greatest investors of all time, and one of the teachers of Buffet. He argues we need to act consistently as an investor and avoid speculation. We cannot predict the future, so all our decisions need to base on real facts, and analysis rather than speculation. Arguably his most famous quote was not the one above but that price is what you pay, value is what you get.



**Sir John Templeton**

*“The 4 most dangerous words in investing are: This time it's different.”*

*“Bull markets are born on pessimism grown on scepticism, mature optimism and die on euphoria. The time of maximum pessimism is the best time to buy, and the time of maximum optimism is the best time to sell”*





# 11 Time Management

Do you feel the need to be [more organized](#) and/or [more productive](#)? Do you spend your day in a frenzy of activity and then wonder why you haven't accomplished much? Then these time management tips are for you - they'll help you increase your productivity and stay cool and collected.

## 1) REALIZE THAT TIME MANAGEMENT IS A MYTH

This is the first thing you have to understand about [time management](#): no matter how organized we are, there are always only 24 hours in a day.

Time doesn't change. All we can actually manage is ourselves and what we do with the time that we have. Appreciate this. Internalize it. And move on as soon as possible to the next tip.

## 2) FIND OUT WHERE YOU'RE WASTING TIME

Many of us are prey to time-wasters that steal time we could be using much more productively. What are your time bandits? Do you spend too much time 'net surfing, reading email, Facebook posting, texting, or making personal calls?

In a survey by [salary.com](#) 89 percent of respondents admitted to wasting time every day at work:

- 31 percent waste roughly 30 minutes daily
- 31 percent waste roughly one hour daily
- 16 percent waste roughly two hours daily
- 6 percent waste roughly three hours daily
- 2 percent waste roughly four hours daily

Are you a time waster? [Tracking Daily Activities](#) explains how to track your activities so you can form an accurate picture of how much time you spend on various activities, the first step to effective time management.

## 3) CREATE TIME MANAGEMENT GOALS

Remember, the focus of [time management](#) is actually changing your behaviors, not changing time. A good place to start is by eliminating your personal time-wasters. For one week, for example, set a goal that you're not going to take personal phone calls or respond to non-work related text messages while you're working.

(See [Set Specific Goals](#) for help with goal setting.) For a fun look at behaviors that can interfere with successful time management, see my article [Time Management Personality Types](#). Find out if you're a Fireman, an Aquarian or a Chatty Kathy!

## 4) IMPLEMENT A TIME MANAGEMENT PLAN

Think of this as an extension of the third time management tip. The objective is to change your behaviors over time to achieve whatever general goal you've set for yourself, such as increasing your productivity or decreasing your stress. So you need to not only [set your specific goals](#), but track them over time to see whether or not you're accomplishing them. See also: [Top Time Tracking Software Programs](#) and [27 Time-Saving Apps for Small Business Owners](#).

## 5) USE TIME MANAGEMENT TOOLS

Whether it's a Day-Timer, a software program or a phone app, the first step to physically managing your time is to [know where it's going now](#) and planning how you're going to spend your time in the future. A software program such as Outlook, for instance, lets you schedule events easily and can be set to remind you of events in advance, making your time management easier.

## 6) PRIORITIZE RUTHLESSLY

You should start each day with a session prioritizing the tasks for that day and setting your performance benchmark.

If you have 20 tasks for a given day, how many of them do you truly need to accomplish? For more on daily planning and prioritizing daily tasks, see [Start the Day Right With Daily Planning](#).

## 7) LEARN TO DELEGATE AND/OR OUTSOURCE

Delegation is one of the hardest things to learn how to do for many business owners, but no matter how small your business is, there's no need for you to be a one-person show — you need to let other people carry some of the load. [Delegation in Business](#) provides an overview of tasks you'd be better off delegating or outsourcing while [Decide to Delegate](#) provides tips for actually getting on with the job of delegating.

# Tips That Work

A man in a dark suit and white shirt is shown from the chest up. He has a wide-eyed, stressed expression with his mouth open as if shouting. A yellow sticky note is stuck to his forehead. He is holding a white telephone receiver in his right hand. In the background, there are white horizontal blinds. The overall image has a yellow and white geometric overlay.

## 8) ESTABLISH ROUTINES AND STICK TO THEM AS MUCH AS POSSIBLE

While crises will arise, you'll be much more productive if you can follow routines most of the time.

For most people, creating and following a routine lets them get right down to the tasks of the day rather than frittering away time getting started.

## 9) GET IN THE HABIT OF SETTING TIME LIMITS FOR TASKS

For instance, reading and answering email can consume your whole day if you let it. Instead, set a limit of one hour a day for this task and stick to it. (The easiest way to do this is to assign a solid block of time to this task rather than answering email on demand.)

## 10) BE SURE YOUR SYSTEMS ARE ORGANIZED

Are you wasting a lot of time [looking for files on your computer](#)? Take the time to [organize a file management system](#). Is your filing system slowing you down? Redo it, so it's organized to the point that you can quickly lay your hands on what you need.

## 11) DON'T WASTE TIME WAITING

From [client meetings](#) to dentist appointments, it's impossible to avoid waiting for someone or something. But you don't need to just sit there and twiddle your thumbs. Technology makes it easy to work wherever you are; your tablet or smartphone will help you stay connected. You can be reading a report, checking a spreadsheet, or [planning your next marketing campaign](#).

### Your Time Belongs to You

And here's the most important time management tip of all. You can be in control and [accomplish what you want to accomplish](#) - once you've come to grips with the time management myth and taken control of your time.



# How to Increase Business Success with Daily Planning

We all know the importance of starting our day by eating a healthy breakfast; a proper breakfast provides your body with the fuel it needs to function well after the night's fast.

It's just as important to start your work day right by starting with a daily planning session; it will provide you with the fuel you need to make the most out of your business day.

## Daily Planning Doesn't Take Long

A daily planning session of just 20 to 30 minutes will let you focus on your business goals and energize yourself for the day ahead.

And, spending this time organizing yourself at the start of the day will save you time during the day.

## The Purpose of the Daily Planning Session

Your daily planning session is your chance to:

- review your progress on the specific business goals you've set;
- set your daily agenda;
- prioritize your tasks of the day.

Getting your day organized and knowing that you're focused on achieving the business goals you have set for yourself will give you that "I've-gotten-out-of-bed-on-the-right-side" feeling.

## Add Some Inspiration

To pack even more punch to your daily planning session, include an inspirational moment in each session. For instance, I like to read and reflect on an inspirational quote from a successful person each day. It gives me positive motivation for my day ahead.

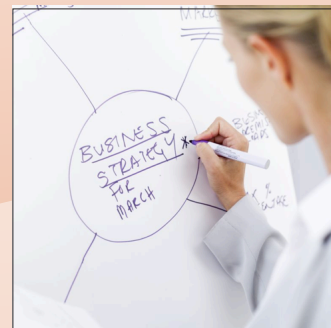
What inspires you? Some people like to look at a cartoon or artwork, read a short religious passage, or listen to a musical selection.

## Daily Planning Tips

Your daily planning session needs to be uninterrupted. Do not take phone calls during this time, or do your business planning in a place that other people are wandering through.

When you're setting your daily agenda, slot your most demanding tasks into your most productive working time(s).

For example, if you're a morning person, schedule whatever creative tasks you need to accomplish into the morning rather than into the late afternoon when your mental energy is low.



A quick way to prioritize is to highlight the three or four most important tasks of the day. It's not necessary to obsessively order tasks to get a sense of what's most important that day.

Resist the temptation to grade yourself on your performance of your daily agenda. If you don't accomplish all the tasks you've listed for that day, that doesn't mean you've "failed". It just means you didn't accomplish everything on your list.

## Homework Assignment: Daily Planning

Start each day this week with a daily planning session.

Make your preparations by finding something that inspires you, whether it's a humorous calendar or a collection of quotes. Arrange to be uninterrupted.

In each daily planning session, review your goals, think about how you're going to work towards each goal that day, set your daily agenda, and prioritize your daily activities. Close your daily planning session with whatever you've chosen to inspire you.

The renewed focus and energy from your daily planning session will get you off to a successful start each day.





# Two Rate Rises In 2018: ANZ

ANZ Banking group provided colour around interest rates in January.

They noted and we concur that more and more countries appear to be either in or at the beginning of the part of the interest rate cycle where rates are rising. The U.S raised its official rate from zero in late 2015 and has raised it another two times since the beginning of 2017. Canada, a country whose economy is often compared to that of Australia, raised its official rate in June and again this month. Australian economists now expect Australia to join the list of countries in 2018.

ANZ economists David Plank and Felicity Emmett have come out with a forecast of two 25bps (0.25%) increase in the cash rate in 2018. ANZ has slightly increased its growth forecasts despite lacklustre growth in household expenditures. Its expectation of inflation averaging more than 2% in the next twelve months has also increased. Perhaps the most important factor influencing the ANZ economists' view is the RBA's own language. ANZ has what it calls an "RBA Bias Index" and this index assesses RBA post-meeting statements. According to ANZ's analysis,

recent RBA statements indicate an unease with accommodative monetary policy. "The RBA's own language seems to indicate increasing discomfort with the aggressiveness of its policy stance."

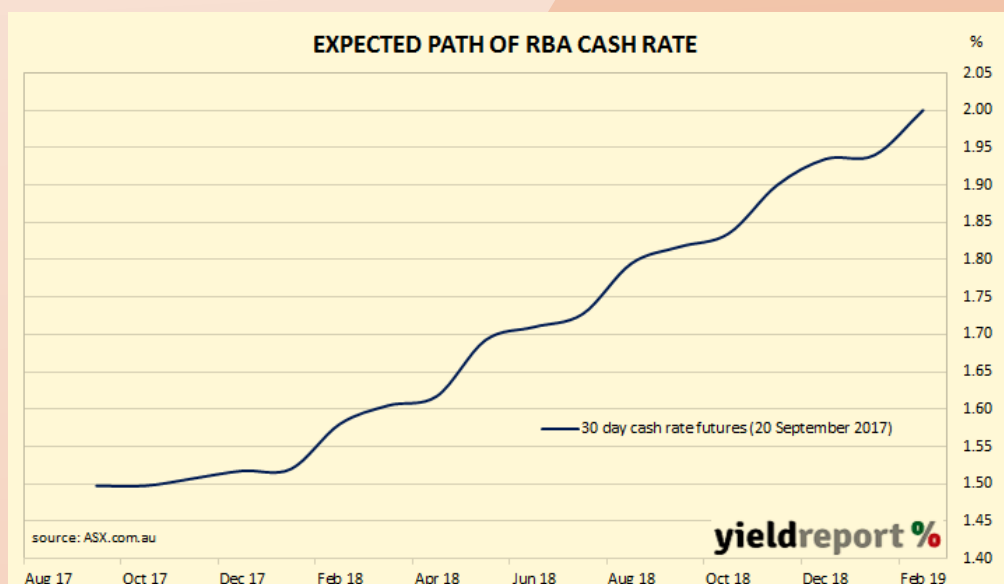
What ANZ means by the "aggressiveness" of its policy stance is a cash rate which is negative in real terms. By "real", economists mean adjusted for inflation. For example, the cash rate is currently 1.5%. There are different measures on inflation but if the consumer price index version is used, the last inflation reading was 1.9%. Thus the real cash rate is -0.4%. "We see the RBA tightening by 50bps in 2018. This would reverse the rate cuts of 2016 and take the real cash back to zero. After these hikes we see the Bank sitting pat in 2019 as highly-indebted households digest the impact of higher rates."

If a borrower pays interest at less than the rate of inflation then it is a good deal for the borrower and a poor deal for the lender. By having a negative real cash rate the RBA hopes to make borrowing more attractive and saving less attractive. (This is a simplified explanation but it captures the essence of the policy.) Negative real interest

rates occur from time to time but they are typically temporary in nature and mostly arise when a central bank seeks to stimulate an economy until its growth rate rises.

ANZ is not the only major bank to anticipate a more hawkish RBA in 2018. In August, NAB's Group Economics team, headed by chief economist Alan Oster, did not expect any rate rises in 2018. Now their view is quite different. "We are pencilling in rate rises of 25bps in August and November of 2018 and a further two 25bps hikes in 2019." Westpac is still officially forecasting no rises until 2019 while Commonwealth Bank is forecasting a rise "late in 2018." Cash rate futures have one August rise fully priced in and another partially factored in for November 2018.

The ANZ team has hedged its bets a little as they are open to the possibility of a future event which derails their forecast. A rise in the local currency to 90 U.S. cents is one future event. A fall in Australia's core inflation rate is another. ANZ has left room for a retraction or deferral of their forecast, which is quite reasonable given offshore disturbances have been the source of economic disruption since the 1990s.





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