CLIENT

INFORMATION BULLETIN

With compliments:
TENNI & ASSOCIATES

Ph. 9720 9880

grant@tenni.com.au
www.tenni.com.au

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Wow, what a year. Some would say, so much for 2020 vision. Who could have foreseen that happening, and a recession in 2020?

Even Queen Elizabeth asked her Cabinet why no one foresaw the 2008 GFC? Of course the answer was Fred Harrison, who predicted it to the then Prime Minister Gordon Brown years before, but no one was listening.

Fortunately, we did tell you 2020 was going to experience a recession.

Let us recap. Since 2009 Phil Anderson has been showing, via the Investment Cycle, that a recession was due in 2020.

In June 2015 I wrote the following in my very first Quarterly Economic Review, provided to all of our Ongoing Fee For Service clients, "the cycle will almost certainly time into a 2019 mid cycle high and then recession in the USA".

In our December 2015 Newsletter we stated, "We may well have the normal mid cycle slump around 2019…"

On the 28/4/2017 I wrote down for Garry Crole, head of InterPrac Financial Planning, there would be a "Recession around 2019/20".

In our December 2017 Newsletter we stated "Regardless of whether interest rates rise in the next couple of years or not, we are still going to go into recession around 2020."

In our December 2018 Newsletter we stated, "The recession that is due in the next year or so in the US, will it be caused by one of Donald Trumps policies, a trade war, a share crash such as the Tech Stock crash in 2001 or…… who knows?

In our December 2019 Newsletter we stated, "The Liberal government will now be in charge during the softening economic conditions, potentially an official Recession, around 2020/21"

Now we focus on the next 6 years.

The Investment Cycle

The next 12 months may be somewhat volatile as far as the share markets are concerned. However, they will most likely be consolidating, before developing a significant upward trend over the next 5-6 years. In recent months, Governments around the world have pumped Trillions of dollars into their economies. In every past Cycle since 1800 in the USA, the amount of money pumped into the economy has a direct correlation with the rise in land values over the next few years. This will be no different.

Governments will ease most, if not all, remaining restrictions they have on lending by the banks.

Governments will provide incentives to first home buyers.

Governments will try all manner of fancy schemes under the ruse of improving housing affordability. Which don't work.

The price of land will continue to rise until it peaks in 2026. By 2026 developers will be almost unable to buy sites cheap enough to do a feasible development. The prices paid by home buyers will have been stretched so far that mortgage defaults will be rising significantly. The share prices of companies that provide to the building industry will be falling. But no one will notice, as all around them the economy will be flying. A politician will state "we have never had it better!"

Except you will be noticing.

It doesn't matter who the President is for the next 4 years, or even 8 years. By 2026 we will have seen a repeat of the Roaring 20's, the 1920's that is.
The rich will have become even richer, poverty will have worsened. The 5 major signs of a forthcoming crash will be in place, just as they were at the end of every previous 18.6 year cycle for the last 200 years.

The Cycle will complete, and around 2027 we will see a major economic land driven crash, not a Covid driven crash. A major economic crash driven by excessive land prices and excessive lending. A repeat of the Fools Pyramid, where the price keeps going up until the last fool has bought.

How can we help you

Our business is here to assist you in many ways.

We provide an efficient, accurate and helpful, year round Tax Preparation service.

We prepare and review business and superannuation fund accounts to meet Compliance requirements. We also assist clients in reviewing the status of their businesses to try and identify areas of improvement.

Through InterPrac Financial Planning Pty Ltd Grant is authorised to provide financial planning services. This enables us to assist with your protection needs via life insurance, trauma cover and income protection.
As a Financial Planner Grant is also able to provide investment advice, especially relevant to those looking to obtain the best growth from their money by taking advantage of where we are in the Investment Cycle. Also very relevant to those who are retired and want their Retirement savings to

look after them for the rest of their lives.

The unique outlook we bring to our investment advice, both from a financial planning and an accounting focus, is our understanding of the Investment Cycle, and our use of this knowledge to protect and grow your money.

We are also unique as Grant is an accountant and financial planner, so is therefore allowed to provide advice to clients regarding investing in direct property. Financial Planners are not allowed to advise on direct property. Which is absolutely ridiculous if you think about the fact that 75% of the assets in Australia are property. Superannuation and shares only make up 25%. So much for believing you are getting "independent" advice from a financial planner!

We also spend quite some time educating the children of our clients on the economy and the Investment Cycle. We believe this is one step in helping our children have the better life we want for them.

We often become involved in a myriad of other types of assistance with you, our clients.

If there are other areas you value in the services we provide, or other services we can assist you with, please let us know what else we can do for you.

Property to 2027

Melbourne and Sydney prices generally grow faster than the rest of Australia in the first half of the Investment Cycle. Now that we have had the recession, it is the turn of the regional cities, such as Ballarat Bendigo, Geelong, and many of the other Capital Cities in Australia to grow faster than Melbourne and Sydney. That is how it has always occurred in the past in Australia.

Perth is already evidence that things are on the move. As the next resources boom gains momentum, let alone the fact that so many people now realise they don't need to go into the office every day, the suburbs of Perth will see terrific growth over the next few years.

If Perth is to avoid growing expansion of its metropolitan limits, there will be more and more sub divisions occurring.

Commencing a development project in the next 12 months in Melbourne will be an ideal move. Most people are struggling to get a loan, developers are struggling to get finance. If you are able to buy an ideal development site in the next 6 months, you will be sitting on a potential gold mine. In 1-2 years time, the banks will have changed their attitude to lending and everyone will be getting in on the act, meaning prices will have increased significantly. So a well researched purchase in the next 12 months may have already increased significantly in value by the time you get your plans approved and actually commence the build.

By the time you complete the development, you will be close to having 3 properties that are positively geared, that is, the rent covers All expenses. You will have also potentially solved 1 or 2 problems. One, you will have contributed enormously to having an extra $500,000 equity towards your own retirement, and two, you may have contributed enormously towards providing housing for your children, without having to lend them a couple of hundred thousand from the bank of mum and dad. A deposit from the bank of mum and dad would only be used to buy a place of their own, which they will never be in a position to pay back. Having your children involved in a property development is a far better outcome for everyone. (We can explain more on this in person, give us a call if you have any queries).

Recession

We told you when it would occur. It did. Now we focus on the next 6 years.

Interest Rates

Are low and staying there for a very long time! Keep an eye out for interest rates to start rising as we reach the peak in the markets, which will be around 2026.

Australian Shares

The Australian Share market actually has quite a number of factors that make it an attractive investment area for the next few years. There are plenty of small companies with great upside that may add to the returns you can achieve. Our blue chip shares have lagged behind the overseas markets, they may see some good results from companies who come out of the 2020 changes in a very positive manner.

Evidence of our share market not having performed as well as overseas markets can be summed up by the fact that on 1/11/2007 the All Ord's was 6851. Not a great 13 years since!!!

Knowledgeable, good advice is the most important fundamental in achieving good performance.

As was expected, once the election was over, (the only decision awaiting was who actually was the winner), the US share market showed that it just didn't really care. It started to grow immediately. Australia now has a growing market to follow, still some volatility over the next 12 months, but I fully expect this will be looked back upon as the start of the next growth phase in the share markets.

Club 2026

Preparing for the crash in 2027.
Oh, and did we tell you that we predicted the recession as far back as 2015? Apologies for repeating ourselves. Do you know of any other accountant or financial planner in Australia who did that? If they did, they must also be a student of Phillip Anderson's work.

2021

Congratulations on surviving the craziness of 2020. Time to get positive again, chin up, and charge into a great year ahead. We look forward to assisting you and your friends and family again in 2021.

Our office will be closing at lunchtime on Wednesday 23rd December, and reopening Monday the 11th January.

We again extend our deepest appreciation for your custom, your loyalty and your support during 2020.

Wishing you a very
Merry Christmas & a ripper '21

Grant, Jeanette,
Emma, & Rizwan