MONEY MATTERS

Investing in belief

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WELCOME to the first edition of what will be an interesting and informative editorial series around the world of finance and of creating — and preserving — wealth.

'Where all money matters'

Investing is about having an end game in mind.

The key is to know what you are doing and why ... and if you feel you aren't confident, at least engage someone who can help you through the myriad of strategies.

The age-old questions of is it better to buy or rent, what types of loans, where should we be investing and so on, will all be explored.

Investing isn't just about doing it because everyone else is doing it because if everyone else is doing it, it doesn't mean therefore that everyone else must be doing it right.

This behaviour is driven by people's beliefs.

Where people are scared that they will miss out on something ... they do things they shouldn't do, just to be part of the 'crowd'.

This 'euphoria' or "irrational exuberance" is driven by fear or greed and often without any rational purpose whatsoever when put into context of an 'end game' strategy.

This behaviour can be a deciding factor as to why all markets the world over (including real estate in Darwin even) rise over a short to medium term (cycle) only to eventually slow or correct in the opposite direction.

The GFC of 2008 was a classic example of a collapse of the subprime mortgage market in the US which created a chain reaction that drove real estate prices down, banks to collapse, in turn the stockmarket to fall drastically.

The same in Ireland, England and on it went.

Global governments had to step in to stop a financial calamity.

Every asset class was affected.

Every human being invested or not, felt the repercussions.

All economic fundamentals are driven by human behaviour ... fear and greed.

Often the extended growth of a particular market or asset class is driven further upwards beyond the 'average' because of local economics only.

It just happens, in 'waves' or 'cycles' that in the short to medium term, see asset classes go up and down ... and as such, investors (speculators if a time horizon is less than seven to 10 years), may experience the pain of seeing their asset values rollercoaster.

However, one thing that can be said is that asset classes like property and shares always go up over the longer term.

So before we delve into the hows and whys Darwin, Australian and global markets might go up and down, or follow the same trends, we need to take a step back and look at the art of investing from a logical point of view.

And once we have clarity around this, we can then apply this knowledge against our own personal circumstances and consider our own long-term wealth strategy as opposed to doing or worrying about what everyone else is doing.

It must be understood that there is a difference between it being "the right time to invest "(timing) vs. "time in".

"Timing" can play a small or large part in the overall strategy however it can always be said that "time in" plays a greater part overall.

Creating wealth is about having a strategy and, of course, speculation plays a part.

Logic must prevail when making investment decisions as often is the case, irrational exuberance is followed by irrational fear.

In this case people are fearful of missing out on the next "wealth wave" and so they jump in head first.

This often occurs after an asset class has risen by an "above average return' over a longer than normal period ... where the experience was so overwhelming from a "euphoric feeling" point of view that they think now it is normal.

This "feeling" becomes a behaviour and so their confidence rises and so does that of everyone around them.

A classic example of this is what we call "barbecue investing."

Where your buddy is turning the sausages and while you stand in awe of his culinary skills, he tells you: "I purchased a property in Darwin last year and it has gone up by 20 per cent".

Guess what, you want the same ... so you dive in like blind Freddy ... to a market where the growth has happened, the boat has sailed, the horse is already out the gate and heading for the hills.

But you don't care! You want what everyone else is doing.

So now you chase the return. you are no longer investing ... You are speculating!

This behaviour or "irrational exuberance" can drive the value of the asset class higher because of irrational demand.

Which then brings more people into the cycle of behaviour patterning.

While it can be said that real economic factors drive confidence, a lot can be said that a lot of the growth comes from unsustainable demand.

So more product is developed and pushed on to the market.

Excess supply eventually follows and then at some point, demand slows down because there aren't waves of new investors coming into the market, beating down the developer's doors. No other logic can be had to sustain this "extended growth" and so "irrational exuberance" once again turns to "irrational fear".

And the cycle starts again.

One thing that also drives demand is population growth ...

In Australia, it just isn't happening like other parts of the world.

Our population is ageing.

Our millennium generation have a different view about buying property to that of the Baby Boomers.

All these things are real considerations.

When it is all said and done, economic cycles are driven by fear and greed, about how people view the future.

It is simply a turn in confidence.

Our future focus will be on managing behaviour, debt and loan structures and budgeting.

And importantly about achieving your personal goals and financial objectives.

From these articles, you will take something from these weekly insights that will give you a clearer perspective of when it comes to making the right investments decisions ... and how to go about doing it.

And to land safely at your end destination.

Whichever way we look at it, all money matters.

For more on All Money **Matters** and earlier features **join the** All Money Matters **Facebook** page or log on to **allmoneymatters**.cloud website.

■ *Paul Betti is Australian Financial Advisers Managing Director. His advice is general in nature and readers should seek their own professional advice before making any financial decisions.*

MORTGAGE TABLE

INSTITUTION	BASIC RATE	INTRO RATE	VARIABLE RATE	MONTHLY REPAY (VARIABLE)	1 YEAR FIXED	2 YEAR FIXED	3 YEAR FIXED	5 YEAR FIXED	HOME EQUITY RATE	TOTAL FEES
Bank of Sydney	-	-	3.54	1256.928474	-	-	4.19	-	-	1029
QT Mutual Bank	-	3.59v	3.59	1263.6584	3.99	-	3.99	4.57	-	$00-395
UBank	-	-	3.74	1283.967693	4.65	4.59	4.29	4.59	6.69	$150-745
Greater Bank	4.29	-	3.89	1304.455285	4.39	4.59	-	-	-	$232-732
Bank of Qld	5.03	4.61v	4.47	1385.327604	4.19	4.39	4.49	4.64	5.35	-
Your Credit Union	-	-	4.55	1396.685749	4.29	4.39	4.09	4.55	5.56	795
CUA	4.68	-	4.69	1416.679396	4.29	4.34	4.39	4.59	5.49	876
Heritage Bank	4.49	-	5.04	1467.30728	-	-	-	-	-	600
ECU Australia	-	-	5.12	1479.007034	4.29	3.99	4.19	4.59	-	$100-700
ANZ	4.55	-	5.25	1498.119288	-	-	-	-	-	750
NAB	4.1	-	5.25	1498.119288	4.64	4.44	4.54	4.94	5.6	600
Westpac	4.64	-	5.29	1504.024796	4.54	5.34	4.44	4.74	5.98	600
Commonwealth Bank	4.89	4.04v	5.35	1512.904846	4.49	4.29	4.34	4.69	6.04	-
Suncorp Bank	-	-	5.4	1520.324794	4.54	4.54	4.39	-	-	600
Auswide Bank	-	-	5.43	1524.785422	4.54	4.34	4.44	4.74	5.78	$764-779
Bendigo Bank	-	-	5.48	1532.234195	4.59	4.39	4.49	4.79	6	600
QBank	3.72	-		833.3333333	4.54	4.34	4.34	4.84	5.97	$600-990

Rates current as at 25 August 2016

Source: infochoice.com.au