# Money's state of play now

*Sophie Elsworth and Anthony Keane*


The financial outlook for 2020 is looking bright for most, write **Sophie Elsworth** and **Anthony Keane**

AS we prepare to sign off on another year, it's worth looking back on a big 12 months in finance, and taking a peek into 2020.

The big banks remained in the firing line in 2019, including most recently Westpac as it was entangled in a child exploitation scandal.

We've seen the top dogs' heads roll across financial services, and a scathing royal commission come to a close.

And don't forget we've had three interest rate cuts since mid-year, plus a bullish sharemarket.

So let's take a look at the factors affecting your finances right now.

1 **HOUSE PRICES**

It's been a topsy-turvy 2019 for house prices across the country.

Figures from CoreLogic show capital city house prices have been subdued in most cities, but fell dramatically in Darwin and Perth.

CoreLogic's latest numbers show that:

• **Sydney's** median home value is up 2.1 per cent this year, to $956,200.

• **Melbourne** is up 0.9 per cent, to $774,000.

• **Brisbane** is down 0.6 per cent, to $544,000.

• **Adelaide** has fallen 0.7 per cent, to $469,000.

• **Perth** is down 7.6 per cent, to $453,000.

• **Hobart** is up 4.7 per cent, to $509,000.

• **Canberra** has climbed 3.9 per cent, to $688,000.

• **Darwin** has dropped 12.5 per cent, to $463,000.

REA Group chief economist Nerida Conisbee said, since the Coalition won the federal election in May, prices had "picked up".

"A few things that could change the outlook is if we see more properties come on to the market and that starts to ease pressure on pricing," she said. "If we see a deterioration in economic conditions that could see things start to slow down."

But Ms Conisbee said there were many moving parts at the moment, as "finance is cheap, buyers are back and there is a housing stock shortage". **OUTLOOK:** Depending on the location, house prices should generally improve in 2020.

2 **INTEREST RATES**

Interest rates for both savers and deposit customers have continued to tumble in 2019. Reserve Bank of Australia governor Philip Lowe took his razor blade to the cash rate three times this year: in June, July and October.

It now sits at a record low of just 0.75 per cent.

Ms Conisbee said it was likely we would see another cut in the new year.

"It's terrible for savers. It's very tough with anyone with any types of savings – it's hard to make a return," she said.

Many home loan deals have interest rates with a "2" in front of them, giving borrowers the perfect opportunity to chip into their debt while rates are so low.

On the flip side, savers have had their returns decimated and some accounts have interest rates below 1 per cent. **OUTLOOK:** Another cash rate cut is expected in the first quarter of the new year.

3 **SUPERANNUATION**

Buoyed by booming sharemarkets, super funds are on track for a strong 2019 and a typical balanced super fund is tipped to deliver an investment return above 10 per cent – its eighth straight year of growth.

Financial strategist Theo Marinis described super's performance as "sensational but perhaps unsustainable".

Advisers usually expect a negative year once every five to seven years.

Mr Marinis said super fund members should check their assets were still in line with their investment risk profile, and rebalance if necessary.

"It's been going gangbusters and there's a correction coming at some point – whether it's a day, a year or 10 years away, nobody knows," he said.

The key is to stick with your super strategy whatever happens and not be panicked into knee-jerk reactions when markets fall. **OUTLOOK:** Super spreads money across many assets, so if financial markets rise, so will nest eggs. Positive results from US-China trade talks will boost the global economy and asset prices.

4 **DEBT**

Australia remains the second most indebted country, behind Switzerland, but despite this we are slowly shying away from credit card usage.

But RBA figures show Australians still owe $43.3 billion on personal credit cards and more than $27.7 billion is accruing interest.

More consumers are turning to buy now, pay later schemes.

The latest Australian Securities and Investments Commission research showed, in the 2017-18 financial year, more than two million consumers were using buy now, pay later schemes.

Among the most popular schemes are Afterpay, Zip Pay, Openpay and Humm. Consumer finance specialist Lisa Montgomery said using “credit in moderation to purchase things you need is a good idea if you are paying it off”. “But if interest is coming into the equation then it’s a habit that’s costing you money,” she said. **OUTLOOK:** Watch the boom in buy now, pay later schemes continue and an ongoing decline in credit card use.

5 **INVESTMENTS**

Investors have generally had a good year, with Australian and US shares hitting record highs, investment funds following suit with strong gains, and landlords benefiting from positive overall returns in most states. Labor’s federal election failure marked the end of its plans to punish investors with higher taxes. Australian stocks are on track to deliver annual investment returns above 20 per cent and CommSec estimates our market is ranked 21st out of 72 stock exchanges globally for 2019. Wotherspoon Wealth director Simon Wotherspoon said investors in healthcare stocks and real estate investment trusts were among the biggest winners. His key tip for investors going forward was to “block out the noise and focus on the longterm value” of shares. “You can go broke sitting on the sidelines, waiting for a correction,” Mr Wotherspoon said. “You will eventually be proved right but we never know when it will happen,” he said. **OUTLOOK:** CommSec expects Australian share prices to rise 4-8 per cent before dividends by next December, and property prices to climb 6-9 per cent nationally.

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