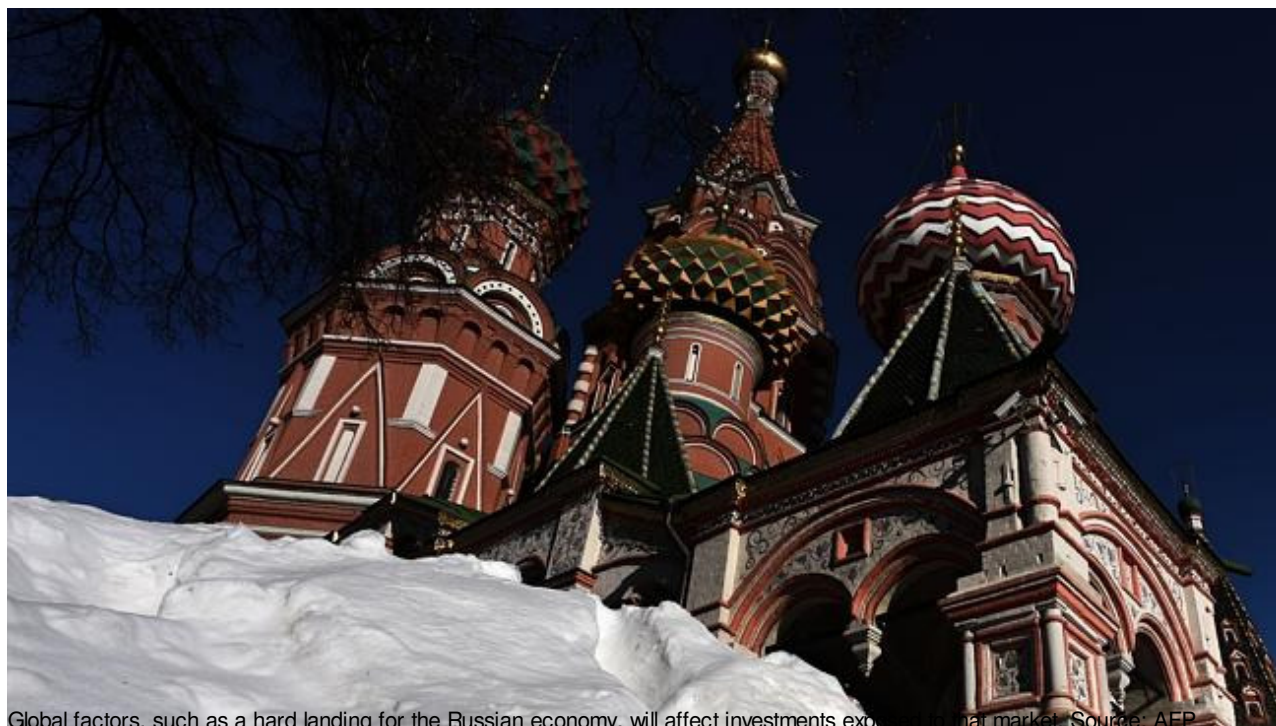


THE AUSTRALIAN

STOCK QUOTES			
Enter company code			
MARKET	TLS +0.95% 6.37 IAG +1.50% 6.1 CSL +1.97% 92.24 NAB +0.74% 37.9		
S&P/ASX 200	AUD/USD	TOP GAINER SPO	TOP LOSER EVN
+0.34%	+0.13%	+3.98%	-9.63%
5928.8000	\$0.78	\$2.09	\$0.84

How to find assets that will provide lasting wealth

STIRLING LARKIN THE AUSTRALIAN FEBRUARY 28, 2015 12:00AM



Global factors, such as a hard landing for the Russian economy, will affect investments exp... at market. Source: AEP

MOST professionals are too busy earning an income to make any real and lasting wealth.

A good example would be professional doctors, specialists, veterinarians or dentists who may earn high incomes but because they are heavily taxed and don't necessarily have the time or the opportunity to look and find the assets that ultimately provide them great wealth, struggle to become high net worth (HNW) individuals.

For any professional to be considered HNW — those with investable assets generally between \$10 million-\$50m — they need to invest as wisely and diligently as they have worked in their chosen profession. Those who confuse an income with an asset quickly learn that their savvier colleagues become more affluent in a shorter period of time irrespective of how many hours they work or effort they make.

Misallocating an income can be a perilous blunder but, excluding life events such as marriages, family planning, health and unforeseen misadventures, steps can be taken to ensure an appropriate proportion of one's income is invested wisely.

To achieve such sapience, as well as seeking out sterling advice and strong high yielding investments,

it is imperative for the time-starved professional to both maintain their own “world view” and establish an appreciation of the expected events in the year ahead.

In these respects, investing, unlike clinical endeavours, is as much a subjective art as it is a science (economics and finance are sciences). Fortunately, the most significant and impactful expected events of this year are either already well known or plausibly foreseeable.

Unfortunately, compared to last year, there are a lot of forces currently at work. Prime among these is the expected interest rate “lift off” by the US Federal Reserve sometime in the months ahead.

Whether this rise in US interest rates begins symbolically — a rise by 25 basis points, or 0.25 per cent, or more dramatically — a jump by 100 basis points, or 1 per cent — it is fair to envisage that markets across asset classes and geographies will move with scale and force.

Highlighting how precarious this inflection point is, attentive global investors have noticed how loquacious the most recent US Federal Reserve Federal Open Market Committee meetings have become.

As noted on the graph, excluding fixed sections such as the roster, statement and other repetitive “boilerplate text”, the January FOMC minutes recorded a verbose 8099 words of roundtable discussion.

This exceeded the average of 5931 minutes recorded during last year’s eight meetings and showed a demonstrably large increase since the days of Alan Greenspan’s stewardship.

Why this matters is this level of excessive diligence could be interpreted by some as an effort by the FOMC to precast their forthcoming change in stance towards monetary policy tightening.

However, by and large, given how fragile the US and global economies still are, this degree of circumspection could be viewed by the global investor as a sign within itself — a sign that the FOMC still harbours deep reservations about the health of their own economy.

Another plausibly foreseeable event this year is that of a “hard landing” for the entire Russian economy. On February 20 this year Moody’s cut Russia’s credit rating to “Ba1: outlook negative”, meaning that Russia has now officially lost its investment grade status.

Russia is vexed primarily on four significant fronts: sanctions, oil, currency (rouble and Swiss franc) and trade. This matters because albeit more marginalised — economically, financially and politically — than any time since the fall of the Soviet Union, in an integrated globalised economy, the hard landing of any medium-to-large economy has impact not only across jurisdictions but also across asset classes.

Russia is undoubtedly heading for a hard landing and fallout from such should certainly not be underestimated. A doctor, for instance, may have to swear a Hippocratic oath to help the sick but as an investor, they are under no obligation to help anybody but themselves.

Following this analogy, Russia is without question fatally ill and all global investors should take every precautionary step to ensure their investments are not exposed to either its primary market or those affected by the expected hard landing fallout, such as Mongolia, which competes head-on with Australia’s coal exports.

To attain HNW status, an investor also needs to willingly accept that such prominence can only be achieved by a strategic investment across several uncorrelated asset classes.

In other words, referring to our medical professional analogy, too many doctors who do invest, do so

in too high a concentration of too few asset classes and these are, namely, listed equities and direct real estate assets. Unlike medicine, where a narrow specialisation may be advantageous, sound and savvy investing involves a commitment to building a portfolio that is smoothly distributed over what is referred to as the “efficient frontier”.

Simply put, this frontier refers to the varied curve along which any investor can smartly balance their dual considerations of risks versus rewards when investing in different assets.

In contrast, the over-concentrated approach to investing partly explains why many hard-working professionals took a disproportionately large hit during the Great Recession or GFC: their investments were too concentrated in what turned out to be the higher risk asset classes.

It would be safe to say that almost all of us wish to acquire great wealth if it was achievable, but in the specific circumstances of hardworking, time-poor professionals, the path to such success may be somewhat different.

That being said, a smart investor always finds the time and, in the words of Rudyard Kipling, they can fill the unforgiving minute with sixty seconds’ worth of distance run.

Larkin Group is a Wholesale Wealth Adviser focusing on high yielding global investments.
www.larkingroup.com.au

×

Share this story

Facebook ([http://facebook.com/sharer.php?u=http://www.theaustralian.com.au/business/wealth/how-to-find-assets-that-will-provide-lasting-wealth/story-e6frgac6-1227241919956&t=How to find assets that will provide lasting wealth](http://facebook.com/sharer.php?u=http://www.theaustralian.com.au/business/wealth/how-to-find-assets-that-will-provide-lasting-wealth/story-e6frgac6-1227241919956&t=How%20to%20find%20assets%20that%20will%20provide%20lasting%20wealth))

Twitter ([https://twitter.com/intent/tweet?url=http://www.theaustralian.com.au/business/wealth/how-to-find-assets-that-will-provide-lasting-wealth/story-e6frgac6-1227241919956&text=How to find assets that will provide lasting wealth](https://twitter.com/intent/tweet?url=http://www.theaustralian.com.au/business/wealth/how-to-find-assets-that-will-provide-lasting-wealth/story-e6frgac6-1227241919956&text=How%20to%20find%20assets%20that%20will%20provide%20lasting%20wealth))

LinkedIn ([http://www.linkedin.com/shareArticle?mini=true&url=http://www.theaustralian.com.au/business/wealth/how-to-find-assets-that-will-provide-lasting-wealth/story-e6frgac6-1227241919956&title=How to find assets that will provide lasting wealth](http://www.linkedin.com/shareArticle?mini=true&url=http://www.theaustralian.com.au/business/wealth/how-to-find-assets-that-will-provide-lasting-wealth/story-e6frgac6-1227241919956&title=How%20to%20find%20assets%20that%20will%20provide%20lasting%20wealth))

Google (<https://plus.google.com/share?url=http://www.theaustralian.com.au/business/wealth/how-to-find-assets-that-will-provide-lasting-wealth/story-e6frgac6-1227241919956>)

Email ([mailto:?body=http://www.theaustralian.com.au/business/wealth/how-to-find-assets-that-will-provide-lasting-wealth/story-e6frgac6-1227241919956&subject=How to find assets that will provide lasting wealth](mailto:?body=http://www.theaustralian.com.au/business/wealth/how-to-find-assets-that-will-provide-lasting-wealth/story-e6frgac6-1227241919956&subject=How%20to%20find%20assets%20that%20will%20provide%20lasting%20wealth))