outlook

EDITION TWO 2014

Lucinda Dunn *still en pointe*

Insights from a fund manager

Creating *the right* environment

Easing out of the workplace

Perspective: *Social media grows up*

GODFREYPEMBROKE

Financial Advice Specialists

Toll Free Enquiry Line
1800 023 867

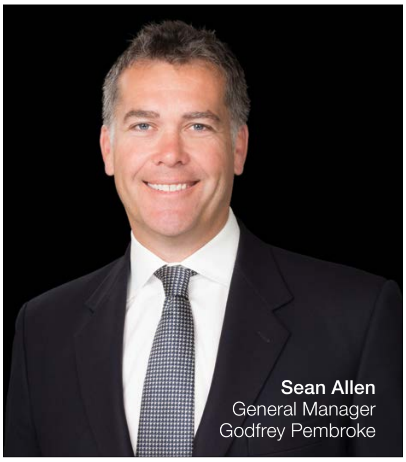
godfreypembroke.com.au

Published by
Godfrey Pembroke Limited 2014

Registered address:
105–153 Miller Street,
North Sydney NSW 2060

In this issue

Welcome to the summer issue of Outlook for 2014



Sean Allen
General Manager
Godfrey Pembroke

2014 is drawing to a close and the holiday season is approaching. It's the time for winding down, being with family and friends and taking a look back at the year that was.

There's no doubt that there have been troubling events in the geopolitical hotspots over the past year, particularly in the Ukraine and the Middle East. But there have also been times of celebration and connection through the nation and the global community.

We cheered as the Royal couple visited Australia, our athletes won gold at the Commonwealth Games, and Germany was victorious in the World Cup. Millions queued up to buy Apple's iPhone 6, or posted videos of themselves on Facebook taking the Ice Bucket Challenge.

The viral campaign to raise funds for ALS (Motor Neurone Disease) demonstrated what a large part of our day-to-day lives social media has become. So as Facebook turns 10, we take a look at how social media has transformed the way we communicate, consume and do business, and what to look for next in this brave new world of global connectedness.

In this issue, we also look at how investors can benefit from taking a global view. Check out our Insights from a Fund Manager feature, where Altrinsic's John Hock explains how global equities can offer new opportunities and diversification for your portfolio.

Our Specialisation feature explores how baby boomers are reimagining retirement, and explains how the Transition to Retirement strategy can help you retire on your own terms. And on the subject of retirement, we catch up with Australia's favourite and longest-serving ballerina, Lucinda Dunn, who took her final curtain call with the Australian Ballet in April this year.

We also chat with Eagle Boys founder Tom Potter, who — with the help of Godfrey Pembroke adviser Jason Misso — found himself rethinking his approach to wealth, after selling the business to enjoy an early retirement.

Throughout the year, our advisers have enjoyed helping you meet your life goals and dreams. We believe our advisers' relationships with our clients is the strength of our business, and we look forward to developing those relationships further in 2015. On behalf of all our team, I would like to wish you a safe and happy holiday season and a successful and prosperous 2015.

Remember, if you have any feedback or suggestions for the magazine, we're always happy to hear from you. Simply email us at: outlook@godfreypembroke.com.au

Yours sincerely,

Sean Allen
General Manager,
Godfrey Pembroke Limited

Active advice

Life after Eagle Boys

Even highly successful entrepreneurs can benefit from advice, as Eagle Boys founder Tom Potter discovered when he began working with Godfrey Pembroke adviser Jason Misso. The two talk about the value of sound financial management and a clear strategy to help build and protect wealth.

Specialisation

Easing out of the workplace

The baby boomer generation are redefining retirement, with some choosing to retire later or leave the workplace gradually. We look at how a Transition to Retirement strategy can help you ease into retirement, while offering valuable financial and tax advantages.

Perspective

Social media grows up

Once the domain of the young and tech savvy, it now seems that everybody has at least one social media account. We take a look at how social media has changed how we live and work, and find out who's using what sites — and why.

Lucinda Dunn *still en pointe*

In most careers, 40 is a very early age to retire — but not so in ballet. Australia's longest-serving ballerina, Lucinda Dunn, shares with us the highs and lows of her brilliant 23-year career at the Australian Ballet, and what she's been up to since the last curtain call.

Lucinda Dunn still en pointe

Many little girls dream of being a ballerina when they grow up. Was Lucinda Dunn one of them?

"While I never remembered saying to mum 'I want to be a ballerina' I did begin dancing at four," said Lucinda.

"My mother had been a musical entertainer in the west-end of London and a dancer on cruise ships and I just thought I'd follow in her footsteps onto the stage and possibly into musical theatre."

But under the watchful eye of ballet teacher Tanya Pearson, Lucinda's training changed paths after Pearson saw her potential for a classical career. With her guidance, Lucinda won a Prix de Lausanne scholarship to study at the Royal Ballet School, London. She spent two years there, immersed in her craft.

"We started at 9 and finished at 5.30, and we learnt all types of dance — pas de deux, contemporary, repertoire work as well as the classical ballet classes," she said.

The course also had an academic component, and during this time, Lucinda continued her school studies. Then, in 1991, while she was still at the Royal Ballet School, Lucinda was offered a contract to join the Australian Ballet. She ended up spending her whole career with the Australian Ballet, being promoted to principal in 2002.

The highlights

Lucinda's career would be the envy of any dancer. She has performed some of the most coveted roles in major classical ballets including Giselle, Romeo and Juliet and Swan Lake. She has also performed in contemporary works by luminaries like Graeme Murphy and Twyla Tharp. Yet she cites the rehearsal process as being one of the major highlights.

"We spent weeks, if not months, rehearsing a role — we were very lucky at the Australian Ballet to have ample rehearsal time," she explained.

"If you're only looking at the end picture and that's all you're aiming for, you're spending most of your career hoping for something that's at the end of the rainbow. That's why I always maintain that the time spent in the studio has to be as enjoyable as the time spent on stage.

"I always tried to make rehearsals fun-filled, successful and saw them as a chance to improve every day."

Lucinda particularly enjoyed performing ballets that allowed her to become a character and tell a story.

"If I had to choose a favourite it would be Manon, which I debuted in just this February. I'd been in a production of it before but had never danced the title role. It was a highlight and a turning point."

Before she retired, Lucinda was also awarded an OAM for her services to dance.

"It wasn't something that I had to wait for until I was 80 or 90, I got that now!" she said. "I'm very humbled by that."

Among her other achievements, Lucinda lists starting a family while in the midst of her dance career (Lucinda and her husband Danilo Radojevic have two daughters, Claudia and Ava).

"I took a minute out after the births!" she laughed.

"But after that I was able to return to the stage with the help of my family. I also had wonderful support from my husband. My girls were so generous in letting me be back on stage, and my mum was amazing, looking after the kids while I was on tours."

The challenges

Of course, her career was not without its fair share of challenges.

"The mental stress that is needed to be on stage and to strive for excellence is a challenge in itself," she said.

On top of that, Lucinda, like most dancers, experienced injuries throughout her career, which sometimes meant she was unable to perform a role.

"Being a dancer and having your body as your tool or instrument: if you're injured and taken out of rehearsal or performance, that's really hard to take — and it never gets easier," she admitted.

"It's never the right time. There's always something you're going to be missing out on."

The other major challenge for a dancer is not being cast in a ballet or role.

"Even as a principal, there were ballets that I wasn't in. So just because you're at the top, it doesn't give you a free ticket to perform every role that you ever wanted to do."

Despite the challenges, Lucinda is enormously grateful to have had the career she had.

"I can say that pretty much every day I enjoyed going to work," she said.

"There were some tough times, but generally I had a job that I looked forward to going to every day, and one that included many wonderful tours and performances."

When Lucinda retired in April this year, she was the oldest full-time ballerina in the history of the Australian Ballet, but she never dwelt on age as a limiting factor.

"Everyone thinks that by the time you get to about 30, the contracts finish.

But I suppose with the understanding we have today of the way the body works physically, and the medical teams and programs we have at the Australian Ballet, we can have a longer career. Also I'm a very determined person, and I felt I still had a lot to give."

While she admits that physically she tired more easily as she approached 40, she pointed out that with age, performers tend to peak artistically or emotionally.

The next act

Despite retiring in April this year, life is still busy for Australia's favourite ballerina.

"We've only just sold our home in Melbourne and moved to Sydney this week!" she said.

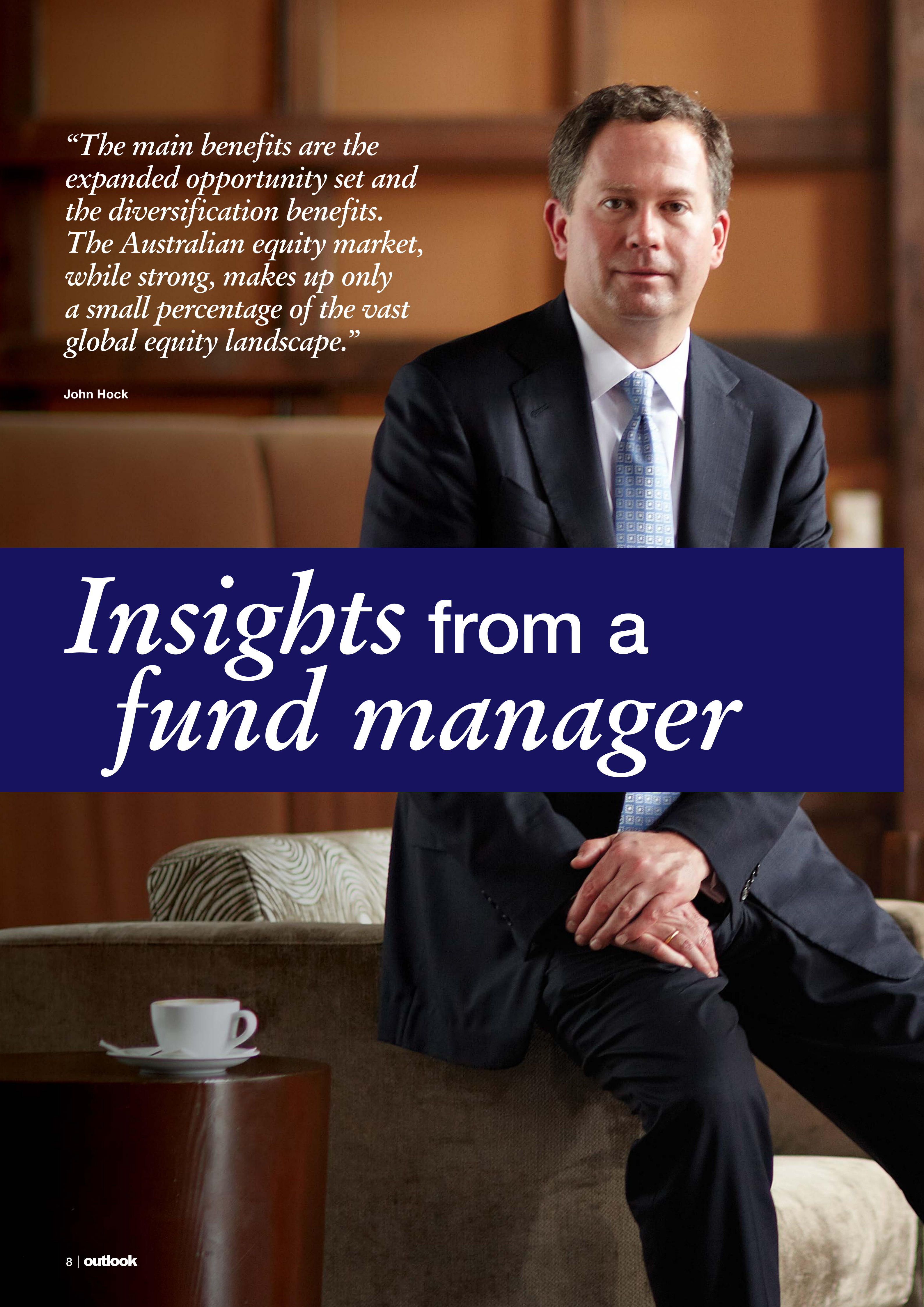
"I'm not that good at relaxing — I still don't have a lot of downtime. It was that way through my career. If I had been a lone ballerina, I could have come home, put my feet in ice and watched TV. But as soon as I walked in the door I was mum."

While no longer performing, Lucinda will continue to be involved in the world of ballet, doing some coaching and adjudicating. She's also preparing for a new role as Artistic Director of the Tanya Pearson Classical Coaching Academy next year.

Despite still having a full schedule, she is finding that the pace of her life is less hectic, allowing her to enjoy more time with her family.

"I have a wonderful husband and family and we enjoy spending time together. It's been fantastic to have more time with my girls. My eldest daughter, Claudia, has just started school, so I'm doing the drop offs and pick ups, which I love. I'm just loving not having to rush anymore."

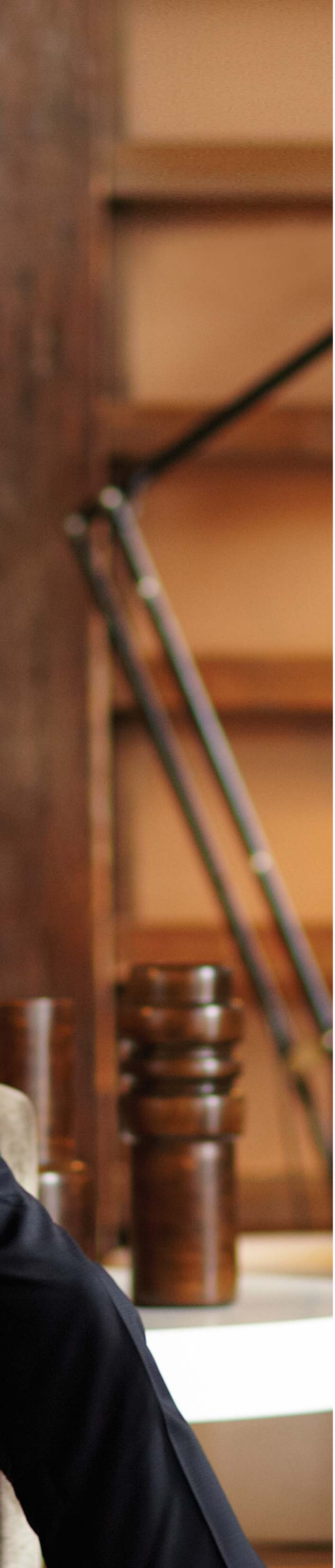
> *"I have a wonderful husband and family and we enjoy spending time together. It's been fantastic to have more time with my girls... I'm just loving not having to rush anymore."*



"The main benefits are the expanded opportunity set and the diversification benefits. The Australian equity market, while strong, makes up only a small percentage of the vast global equity landscape."

John Hock

Insights from a *fund manager*



Australian investors can benefit from the diversification and potential growth opportunities that global investing offers, says John Hock, founder and Chief Investment Officer of Altrinsic Global Advisers.

John, what are the benefits of investing globally for Australian investors?

The main benefits are the expanded opportunity set and the diversification benefits. The Australian equity market, while strong, makes up only a small percentage of the vast global equity landscape. By expanding outside of Australia, investors can get exposure to a much wider sea of opportunity — some of the world's most innovative companies, the fastest growing consumer markets, and a huge range of developing markets.

What's more, many companies in Australia are highly sensitive to developments in China and the domestic housing market, given the concentration of the banks and miners. So it's prudent to diversify and include companies outside Australia.

What sort of clients would most benefit from investing globally?

Every client could benefit, but the question is to what extent — and that depends on a person's stage in life and their financial circumstances. For instance, a person in their 20s and 30s with a long timeframe ahead of them should have more invested in the equity asset class, including global equities, while someone nearing retirement should have a smaller portion. Of course, that is a very personal decision that an individual should determine in consultation with their financial adviser.

What is Altrinsic's guiding investment philosophy?

Our philosophy is one that emphasises three principles: focus, fundamentals and alignment of interest.

We spend all our resources and time focused on global investing — it's all that we do.

The next principle is fundamentals and leveraging our cross-border perspective. We approach businesses as if we were to own them outright with our own capital. Our decisions are made at the company-specific level, trying to capitalise on the experienced perspective that we gain from travelling around the world and seeing companies in different jurisdictions, and applying lessons from companies in one part of the world to opportunities in another part when there's change or uncertainty. That's the essence of value investing.

The third principle is the alignment of interests: at the end of the day, we're the primary owners of the business here, and our capital is invested alongside those of our clients.

What are the key risks of global investment, and how does your strategy mitigate these risks?

The key risks are the same ones Australian investors face in their home market coupled with additional currency and sovereign risk. There are macro elements, company-specific fundamental factors, liquidity risk and valuation risk. If you're paying too high a price there's a risk that valuation could contract.

As investors move outside of Australia, the additional risks pertain to currency and sovereign risk factors. These can be positive or negative risks, depending on the circumstances. We seek to mitigate risk by being thorough in our analysis, disciplined about the price we pay for investments, and prudent in terms of our diversification — not having too many eggs in one basket. We typically hold between 60 and 100 investments, currently around 74 companies. This range gives us ample flexibility and solid diversification, but also the ability to express conviction in the most compelling undervalued opportunities.

At the company-specific level, we spend a tremendous amount of time thinking about what the down side risk is if we are wrong in our analysis — about as much time as we spend on figuring out what happens when we are right in our analysis. So we conduct a thorough 360-degree assessment of our investments as outright owners of those businesses considering the upside and the downside.

What we're ultimately looking for is that unique, favourable asymmetry. So if our analysis proves wrong, our downside is modest, but if we're right the upside far outdistances the downside.

Do you hedge out the foreign currency risk to the Australian dollar?

Currently, the fund does not do that. However, we may introduce a class of units that are fully hedged back to Australian dollars.

I know that hedging back to the Australian dollar and taking out foreign currency exposure has been very popular in the Australian market, especially when China was growing strongly, commodities were rising and the Australian dollar was on a major uptrend. But given the current fundamentals, I believe investors would be better off gaining exposure to foreign currencies.

The global market and political landscape change quickly. What can investors do to maximise profits in such an environment?

The key is to focus on the long term and to have a disciplined investment program. No-one can predict short-term outcomes on all these different events. Nobel Laureate Paul Krugman noted that only a handful of forecasters predicted the global financial crisis. Of these forecasters, each predicted a dozen downturns that never transpired. We don't try to time markets and currencies. Instead, we believe that sensible companies run by sensible people, aligned with our interests and those of our investors, are best equipped to navigate the waters we're in.

The great piece of advice that was given to me many years ago is the benefit of dollar cost averaging — not putting all your money in a particular fund, market or security at one point in time, but spreading it out over time at a disciplined and measured pace, and rebalancing it accordingly.

From a global fund perspective, what should high net wealth clients be focusing on in the next financial year?

Honestly, I would say their health, their family and friends. I would strongly discourage anyone to worry too much about what's happening in the headlines, and instead focus on investing for the long term, diversification and dollar cost averaging.

As dedicated investors, looking at the remainder of 2014, Altrinsic is very comfortable with the companies we're invested in and their underlying fundamentals, valuations and prospects. The risk factors that we are interested in mostly relate to policy and developments surrounding these policies. We've just had a period where central bankers have applied unorthodox policies, such as quantitative easing, which deflated a lot of assets in some parts of the world, including in the US. As some countries are currently trying to ease out of this while others are trying to intensify their efforts, this is creating a certain risk.

Policy is something we always keep an eye on. For example, we are concerned about the condition of the European banking system and we are finely tuned into developments relating to policies that could impact the system, including the upcoming stress test.

We're also keeping an eye on the pace of progress in Japan, at both the company and macro level. Progress in Japan is two steps forward one step back, so there will be ebbs and flows.

Lastly, the geopolitical environment is quite fragile. Developments in the Middle East are widely covered, but still warrant close attention. Perhaps the greatest risk is that social tensions around the world intensify in a disruptive manner, since the benefits of aggressive central bank policies around the world, particularly those of the US Federal Reserve, have disproportionately accrued to the wealthy. The resulting wealth and income disparity is unhealthy and likely to be unsustainable, particularly in countries and regions faced with high unemployment. With history as a guide, these conditions raise the profile of extremist political parties and increase the risk of populist policies rather than those necessary to address critical imbalances.

What would the potential impact of a falling Australian dollar have for international investors wishing to invest in Australia?

A falling dollar makes the appeal of assets brighter as they are cheaper, typically boosting foreign investment. However, I don't think the currency movements seen so far are enough to have that big an impact. Further weakness could change this.

Although a weakening currency could give a boost to the Australian economy, deeper reforms aimed at strengthening productivity, competitiveness, and encouraging innovation are necessary to get the economy on sounder footing.

"As dedicated investors, looking at the remainder of 2014, Altrinsic is very comfortable with the companies we're invested in and their underlying fundamentals, valuations and prospects."

Life *after* Eagle Boys

Twenty years after founding the successful Eagle Boys Pizza franchise, Tom Potter was ready to move on to the next phase of his life. But he soon discovered that making money and managing it were two very separate skills. That's when he decided to enlist the help of Godfrey Pembroke financial advice specialist Jason Misso, of MISSO Wealth Management.

When it comes to success stories, Tom Potter's is one of Australia's most inspiring. After leaving school at 15, then finding himself jobless at 23, Tom went on to grow Australia's largest privately owned pizza company and effectively retire at 43. How did he do it?

After opening the first Eagle Boys Pizza store in Albury, NSW in 1987, Tom saw a gap in the regional high-volume pizza delivery market which he quickly addressed by opening three regional stores in Albury, Wagga and Dubbo. The business then grew to become a successful franchise with the opening of a substantial number of new stores — earning Tom the Australian Financial Review's Young Business Person of the Year award in 1993.

Keen to build on his practical knowledge, Tom then attended Harvard Business School as a mature age student, and was selected to give the valedictorian speech at his graduation.

But after more than 20 years building the business, Tom decided that it was time to sell out of it and move on.

From business owner to wealth manager

The sale of the business meant a radical change in Tom's financial circumstances.

"Eagle Boys as a company was a greenfields investment company — the money was constantly put back into the business, so I never really had a lot of cash," he admitted.

"I'd only ever had one investment, and had reinvested for 20 years. When you haven't had much cash and suddenly you do, it's a whole new world."

Tom quickly realised that he would need a strategy for making the money last. Although he had had some negative experiences with financial advisers in the past, his business experience meant he understood the benefit that specialist advice could bring.

"After working 21 years to make this wealth, you don't want to lose it through stupidity," he said.

"Going to university in the US gave me a much better idea of money management and wealth creation as an art in itself — and not necessarily something that people could manage by themselves."

Bringing it all together

It was around this time that Tom was introduced to MISSO Wealth Management adviser Jason Misso by a trusted business associate. According to Jason, it was a critical time in Tom's life.

"Tom's wealth was all in the business when I met him," said Jason.

"But he was at a stage where he was about to sell the business and convert it to cash."

> *"Tom is very good at the big picture and understanding the here and now. So he needs someone who is watching the detail and providing advice on decisions."*

Jason also noted that Tom was very focused on the business — to the point that most of his life was about work.

"He wanted to take some time off to rest, rejuvenate and refocus, which came ahead of the financial," Jason explained.

"What he needed to know was that the money was going to be looked after, so he didn't need to go back to work, and could continue to focus on the things that were important to him."

A vital part of Jason's role was in helping Tom gain a full understanding of the wealth management process.

"At that point, Tom hadn't really been exposed to personal financial management and reporting, and having someone translate and articulate things like cash flow, investments, tax, estate planning, bank structures and insurance. He was being fed information from different sources, but no one was talking about how these things came together to help him achieve what he wanted to achieve.

"Other specialists he had consulted weren't taking a holistic approach, so the left and right hand weren't talking. We were able to bring those things together, working with other specialists as well as his bank to make sure he was getting good deals, and not getting distracted with the offers that came by every other week."

Tom was impressed that Jason went out of his way to make sure he understood what was going on.

"Initially, I found that the level of reporting was very technical and didn't give me a clear picture of what was going on. So I told Jason that if we were to work together, I would need a single document that tells us how we're tracking that I could easily understand. That's how it's been for around eight years now, and it's been good."

A disciplined approach

According to Jason, one of Tom's greatest challenges was changing his approach from an entrepreneurial, risk taking one, to taking a more strategic, long-term view.

"Tom is a hard-working, very successful entrepreneur who is used to being in control and having the final say," said Jason.

"This creates challenges in the advisory sense. When you have been taking this approach for decades, you can't take the expectations of returns of private business and apply them to how you manage wealth over the long term."

Jason helped Tom place some structure around how he made investment decisions, to ensure they were all in line with his long-term strategy and goals.

“Entrepreneurs are natural risk takers, and it can be hard for them to accept returns will be lower than their own business — but it can be very easy to undo years of hard work and destroy capital, by doing things that seem like a good idea at the time.

“Tom is very good at the big picture and understanding the here and now. So he needs someone who is watching the detail and providing advice on decisions.”

Tom agrees that the most important aspect of Jason’s advice was the disciplined framework he put around his financial decisions.

“My background means I love taking risks. That was a habit that he needed to help me control.

“In the early days there was a substantial amount of discussion and debate: what are you trying to achieve, and what amount do you want to put into new businesses, blue chip or property?

“We literally set up rules for what we wanted to achieve.”

Enjoying life

While Tom is still involved in business — as chairman of the new Burger Urge group of franchise stores, director on a number of private companies, and sharing his business wisdom through corporate speaking engagements — he’s also finding time to enjoy himself on the golf course with friends.

His experience with Jason has changed his view on the value of financial advice.

“I’ve had advisers who were happy to take your money and invest it — and if you lose money, too bad,” he said.

“With Jason, it’s about having a complete wealth management plan, with a set fee for ongoing advice and services.

“When you have a strategy and a set of rules to stick to, you sleep well at night.”

In their youth, the baby boomer generation played a huge role in redefining social and cultural norms. **Now they're redefining retirement, too.**

It's no secret that Australians are living longer — and that our increasing longevity is already putting pressure on health and aged care services, and our pension system. As well enabling us to live longer, medical advances mean we're also likely to remain healthier — and therefore more active — after we retire. And a more active retirement generally means a more expensive one.

So with retirement lasting for longer and costing more, it's no wonder that many Australians are concerned that their retirement funds won't give them the kind of lifestyle they've become used to.

Easing out of the workplace

On top of the financial considerations, for many people, work can be a major source of personal satisfaction, so they may not want to completely bow out of the workforce.

Recent statistics suggest that most Australians — about 79% of those aged 45 years and over — intend to eventually retire, but around half the remaining 21% (605,400) said they had no intentions of ever retiring, while the other 385,500 said they were unsure[1].

The GFC effect

Mike Mitchell, Senior Consultant at ThreeSixty Technical Services, says the impact of the Global Financial Crisis (GFC) on baby boomers' super balances caused some to postpone their retirement.

"When the GFC hit, it really pushed out some people's retirement plans who were tight on money as they approached retirement. They saw a drop in their super and they thought 'I may have to work a bit longer to achieve what I need to be comfortable,' and that did have a psychological impact," he explained.

"Now markets have recovered somewhat. But there is still a hangover given that we've got some volatility within the recovery."

With the memory of the GFC still fresh, many baby boomers may be approaching retirement more hesitantly, either deciding to push it forward, or taking a more gradual approach.

1 Australian Bureau of Statistics (2013)

Take the plunge — gradually

If you're in the age bracket where you can access your superannuation (currently 55 to 60, depending on when you were born), but you're still keen to stay in the workplace, a Transition To Retirement (TTR) strategy might be the ideal way to ease into retirement.

Mike Mitchell explains how the strategy works.

"With TTR, you substitute your current salary with the money you have in super, converting it into an income stream. For people under 60, that money is still taxable, but it generally attracts a rebate of 15%, which effectively lowers your tax, especially if you're being taxed at a rate of 34% or above," Mitchell said.

"To compensate for the money you're drawing out of your super, you salary sacrifice back in to the fund.

"Then you (or your company) receive a tax deduction on those contributions, which you can also recycle back into your super fund.

"In other words, you're replacing income that's taxable at a marginal tax rate with income that's taxable at a much lower rate.

"Then, once you start accessing your pension, any earnings your super fund investments make will be tax free. This means you can save more for retirement."

Make the most of super

Mitchell says that pre-retirees who have considerable funds outside of super might want to put more of their money into their super to benefit from its tax advantages. One way of doing this is through the 'bring-forward rule'. He explains how it works:

"Currently, you're only allowed to make $180,000 worth of non-concessional contributions each year, but with the bring-forward rule, if you're under 65 you can put an additional two years' worth of non-concessional contributions (up to $540,000) into your super in the one year. But you need to remember that this means you won't be able to make any more non-concessional contributions for the following two years."

Because everyone's financial situation is different, these strategies won't work for everyone, so it's best to work with your adviser, who can help you tailor a retirement strategy to suit your personal needs.

Edging into retirement: Russell Barton

Journalist Russell Barton is one of the new wave of baby boomers who's approaching retirement on his own terms.

He began his career in 1963 as a cadet with The Sydney Morning Herald, and worked on Australia's best-known newspapers, including The Australian, The Herald and The Age. In 1988, he took up the role as Head of the Bureau for ABC Television in Canberra.

During this time, Barton was awarded a Centenary Medal for his services to journalism, but after 15 years in this position, he felt that he could no longer do the role justice, and it was time to take a break.

"You know when you've had enough — and being Head of the Bureau at the ABC is a full on occupation," Barton explained.

"The role attracts a great deal of criticism from politicians of all persuasions. Then there's making day-to-day decisions about what stories to cover and how to cover them, plus a lot of administrative work.

"In 2005, I quit the role and took six months' leave."

Barton realised the time wasn't yet right to stop working and returned to the ABC as Economics Correspondent for four days a week. Then, at 65, he announced his intention to retire. But the ABC had other plans.

"They kept offering me jobs to keep me there," he laughed.

"So I took presenting parliamentary question time on ABC TV. It was a nice transition — it kept me sharp in what I was interested in and in contact with colleagues.

"I was, and always will be, a news junkie: I'd be listening to parliament anyway. And to be able to work four hours a day, and only on parliamentary sitting days, suited me."

The job has also allowed Barton to supplement his public service pension, which means he hasn't needed to draw on his personal super yet. Despite these advantages, Barton recently announced that he would retire at the end of the year.

"I was awarded a 25 year medal this year for being at ABC that long, and I'm approaching 70, so I think this is the right time. Having said that, they'd like me to come back to cover the Budget — but that's only a day's effort, so I think I can do that!"

Even if he sticks to his decision to retire, Barton still plans to be very active.

"We live on 350 acres south of Canberra, so there's plenty to do. We also have a place on the coast, and a camper trailer, so we'll be doing local and overseas travel and skiing at Perisher and Thredbo next winter."

Perspective: *Social media grows up*

Once the playground of the young and technologically savvy, social media has matured into a mainstream force to be reckoned with — transforming the way we connect, consume and do business.

This year, the largest and most well-known of the social networking sites, Facebook, has celebrated its 10 year anniversary. The site has come a long way since its launch at Harvard University in 2004[1], boasting 1.3 billion active users worldwide.

Over the past decade, Facebook and other social media networks have become not only household names, but near-essential tools of modern life — allowing us to keep up with the lives of everyone from close friends and family to long-lost primary school buddies and distant relatives.

Sam Mutimer, Director of Social Media at ThinkTank Social, says that social media has not only connected us but has influenced the way we communicate.

"It's much easier to quickly access information and get in touch with your friends, family and colleagues. We're getting much more comfortable with the speed and form of this communication now," said Mutimer.

"Social media gets information out and helps us understand what's happening on the news and what's trending, through platforms such as Twitter. For example, if there has been an earthquake, people can find out about it quickly, and find out if everyone is OK."

THE MOVE TO MOBILE

One of the biggest factors in the evolution of social media has been the shift to mobile devices. In the past two years, mobile devices have surpassed desktops and are continuing to take over as the most popular device for social media — up from 67% in 2013 to 71% in 2014[2].

And we're not just consuming social media on the go — we're finding new ways to use it.

"People are now also using social media to instant message instead of calling. They're also using platforms like Snapchat more to share photos and clips and get a message across very quickly," said Mutimer.

SHIFTING DEMOGRAPHICS

At the same time, platforms themselves are changing rapidly, and are attracting (and repelling) different demographics.

"Facebook is no longer cool to the 13 to 24 demographic because their parents and grandparents are on it. So while they may have a Facebook account, they'll spend hardly any time on it.

"Facebook is also becoming dominated by brand content, as brands can highly target their products and services to Facebook users," said Mutimer.

1 Digital Trends (2014) The History of Social Networking http://www.digitaltrends.com/features/the-history-of-social-networking/
2 Frank Media http://frankmedia.com.au/2014/06/17/how-when-where-why-australians-are-accessing-social-media-sensis-report-2014-part-13/
3 Sensis (2013) Yellow Social Media Report p 14 http://about.sensis.com.au/IgnitionSuite/uploads/docs/Yellow%20Pages%20Social%20Media%20Report_F.PDF
4 Cowling, David (March 2014) Social Media News http://www.socialmedianews.com.au/social-media-statistics-australia-march-2014/

AUSTRALIA'S TOP PLATFORMS – WHO'S USING WHAT[3]

FACEBOOK

Over 13,400,000 Australians (95% of social media participants) say they use the social networking site.

Major demographic: 20–30 year olds, although the 50-plus group are the fastest growing demographic.

LINKEDIN

The business networking site is now the second-most used social networking site in Australia.

Major demographic: 40–49 year olds, with more men (25% of social media users) than women (15%).

INSTAGRAM

16% of social media users favoured the photo-sharing site.

Major demographic: 14–19 year olds, followed by 20–29 year olds.

TWITTER

A social networking site that allows you to send news in 140-character 'tweets' and catch up on news from anyone from friends to the famous.

Major demographic: 40–49 year olds.

SNAPCHAT

A photo messaging app that allows you to send photos, videos, text and drawings to a chosen group of people rather than sharing it with all your 'friends'.

YOUTUBE

The video sharing site goes from strength to strength, with 12,600,000 users[4] in Australia in March 2014.

TINDER

A mobile app that allows you to find potential dating 'matches' within a certain radius of where you are located.

"Teenagers are getting annoyed at being bombarded with ads from different pages and brands, and they're missing out on that instant connection with friends. Instagram and Snapchat all give them a cleaner environment to get their message across to friends without being attacked by advertising."

Similarly, the 18–24 demographic are spending a lot more time on the dating site Tinder, sharing photos through Snapchat and listening to music on Spotify.

While Facebook still dominates the social media landscape, experts are saying that it has reached saturation point. However, it is the most popular site among the 49-plus demographic.

"Older users are now the largest growing group on Facebook. They are enjoying being able to catch up with friends and family and the nostalgia of connecting with people from their past and finding out what they're up to.

"The older demographic like Facebook as they can get to see 'Ooh, look at what little Johnny's doing' or they get to see what their friends are doing without having to actually pick up the phone."

However, Mutimer says that in the next two years, Facebook could be knocked off its number one position in Australia.

"Instagram is on the rise and YouTube has over 13 million users now, from a range of demographics but predominantly from the 13–25 age group, many of whom use the site daily."

MIXING BUSINESS AND SOCIAL

As well as transforming our personal interactions, social media is also changing the way we do business, with more marketing and advertising activities directed at getting a targeted — and potentially viral — message to consumers. But not all businesses are using it particularly well.

"While a high percentage of businesses are now in the social space, it's not about just being there — it's about the value you add," said Mutimer.

Astute businesses will be keeping an eye on social media platforms that are growing in popularity and then finding a way to enter that market.

"People tend to gather in communities that cater toward their taste," Mutimer said.

"For instance, Pinterest has a high percentage of female users, who use it to plan a wedding or a baby shower, or put together a wardrobe."

As well as understanding where their demographic is gathering, businesses need to respect the space that they are attempting to enter.

"Businesses need to think 'This is someone's social space and we're invading — so we need to add content that will gain traction," Mutimer explained.

"It can actually be detrimental to a business if it distributes content from print or billboard and doesn't use it in a savvy way to gain cut through. If you play in the space, you need to do it well and not just repurpose content."

To use social media effectively, businesses need to integrate it into their marketing strategy from the start, rather than tacking it on at the end.

"Far too many businesses will do an ad hoc social media campaign and chuck it up at the end. The successful businesses are the ones that will integrate it above, through and below the line, and have touch points that link all their media together."

By using an integrated approach, businesses can also measure how successfully they've used social media and its role in the company's marketing and communications strategy.

"For instance, ThinkTank Social is currently running a campaign for a university information course. We've put a hashtag on the billboard advertising, which we can pull and see whether people are talking about it, and see whether our advertising on LinkedIn is targeting the right audiences for the course."

SAVING FACE

Finally, while social media can generate massive brand awareness, it can also create a huge PR nightmare in seconds if negative feedback is not handled quickly and appropriately. Sam Mutimer recommends that businesses have a crisis management plan in place for such events.

"On social media, people expect a turnaround of about 15 minutes, so if something happens, you need to know how you're going to deal with it, and the timeframe you're going to do it in," she said.

If there is a complaint or campaign against a company, the first thing a brand needs to do is to understand the root of the problem: why the customer is unhappy.

"Sometimes it can be trolls who deliberately pull down a brand, and you can block those. But others are disgruntled customers, and a company does have to acknowledge them to a point."

For consumers, this can mean a more direct and immediate conversation with the companies they buy from, potentially giving them a better and more timely response.

"If the brand has done something badly, it needs to be transparent," said Mutimer.

"They should explain they have messed up and what they're doing to rectify it."

However, Mutimer cautions against companies having too much conversation in a public space. Instead, they should treat it just as they would if it were a face-to-face issue and ensure that they have an online customer service policy.

Summer's just around the corner

NSW: Tropfest
7 December 2014

Love film? Then you'll love Sydney's Tropfest, the largest short film festival in the world. This competition showcases the finest filmmaking talent in Australia, as voted by you — the audience.

Victoria: Australian Open
19 January – 1 Feb 2015

Melbourne is where tennis comes to life for two weeks. Experience the excitement and be part of the action as world-class players head down under to compete.

South Australia: Crush Festival
January 2015

Know your shiraz from your merlot? Crush is not just a wine festival. Set in the scenic Adelaide Hills, it is a celebration of food, fashion, music and art — and, of course, wine.

Queensland: Woodford Folk Festival
27 December 2014 – 1 January 2015

This iconic six day folk festival features over 2,000 local and international performers and artists, lively debates, film, art exhibitions, craft workshops and street theatre — all in a picturesque woodland setting.

Tasmania: The Taste of Tasmania
28 December 2014 – 3 January 2015

For food lovers of all ages, this festival brings the best gourmet produce and cuisine from around Australia and the world — featuring a tasty New Year's Eve party to see in 2015 in style.

Western Australia: Circus Festival
24 – 26 January 2015

Enjoy three days of music, circus, comedy and cabaret as the stunning Margaret River region raises the big tent for the young, and the young at heart.

Northern Territory: Australia Day Breakfast
24 January 2015

Where better to toast Australia Day than in the outback? Head to Tennant Creek for a traditional breakfast followed by a day of Aussie fun and games.

Australian Capital Territory: National Multicultural Festival
13 – 15 February 2015

Come and celebrate our nation's diversity with a weekend of fun and festivities. Enjoy the best of cuisine and culture from our vibrant local communities.

SA NSW VIC QLD: A Day on the Green
Nov 2014 – Feb 2015

Catch a great lineup this summer at this travelling festival, with over 30 concerts, including Sting and Paul Simons, and sit back and enjoy a classic open-air concert among the grapevines.

Important information

This advice may not be suitable to you because it contains general advice that has not been tailored to your personal circumstances. Please seek personal financial advice prior to acting on this information.

Views expressed and products endorsed by external contributors cannot be taken to be endorsed by or to represent the views of or opinions of Godfrey Pembroke Limited. The views and opinions of external contributors are provided in their personal capacity and are their sole responsibility.

Before acquiring a financial product, a person should obtain a Product Disclosure Statement (PDS) relating to that product and consider the contents of the PDS before making a decision about whether to acquire the product.

Past performance is not a reliable guide to future returns, as future returns may differ from and be more or less volatile than past returns.

The material contained in this document is based on information received in good faith from sources within the market, and on our understanding of legislation and Government press releases at the date of publication, which are believed to be reliable and accurate.

Opinions constitute our judgement at the time of issue and are subject to change. Neither Godfrey Pembroke Limited or any of the National Australia Group of companies, nor their employees or directors give any warranty of accuracy, nor accept any responsibility for errors or omissions in this document.

From time to time, members of the National Australia Group of companies, associated employees or agents may have an interest in or receive monetary or other benefits from the financial products and services mentioned in this document. Godfrey Pembroke Limited is associated with issuers of MLC Investments Limited, MLC Limited, WealthHub Securities Limited, Jana Investment Advisers Pty Limited, PFS Nominees Pty Ltd, MLC Nominees Pty Ltd, Aviva Australia Holdings Limited and National Australia Bank Limited products and services.

Godfrey Pembroke Limited ABN 23 002 336 254, an Australian Financial Services Licensee, has its registered office at 105–153 Miller Street North Sydney NSW 2060 and is a member of the National Australia Group of companies.

Toll Free Enquiry Line
1800 023 867

godfreypembroke.com.au

GODFREYPEMBROKE
Financial Advice Specialists

M1014
53963M0514