

Smart money on next generation

NVESTING usually requires us to make some general assumptions about basic trends continuing.

Most are pretty straight forward. Population will continue to grow, every family will still need a house and the government will continue to tax our income.

Yet assuming that tastes and behaviours of different generations are the same can lead to wildly inaccurate forecasts., which can cost you real money. Generation Y, or "millennials" as they are commonly known, is the generation of those born between the early 1980s and the early 2000s.

And this generation has a number of characteristics that set them apart from other generations.

As noted by US President Barack Obama's Council of Economic Advisers in 2014, millennials are the largest and most ethnically diverse generation in the US

More millennials have a college degree than any other generation of young adults; and yet millennials value community, family and creativity in their work more than previous generations. Millennials tend to get married later than previous generations and are less likely to own a home than the young adults who have come before them.

Understanding the differences in behaviours of generations can have profound impacts on where you invest your money.

For example, while baby boomers would frequently visit McDonald's for meals, millennials perceive it to be too unhealthy.

Could this help explain why US same-store sales at McDonald's have been declining for seven out of the past eight quarters?

And while parents from generation X would routinely buy their young

daughters Barbie dolls. millennial parents are more likely to buy them STEM toys (science, technology, engineering and maths).

Could this help explain why Mattel's revenue growth has been negative for the past eight quarters?

Fashion preferences among millennials also stand in contrast to previous generations. "Athleisure" is a concept that incorporates comfortable sportswear into everyday fashion. Millennials are more than happy to wear yoga pants in place of jeans; they wear Nike sneakers in place of leather shoes.

Investors who assume fashion labels that have appealed to prior generations will appeal to millennials might be in for a rude surprise.

Perhaps the biggest difference of all is how millennials use technology.

Many millennials have not known a time without the internet. Their smartphone usage is significantly more intensive than that of older generations.

Communication is over the mediums such as Snapchat or WhatsApp. Free-to-air television hardly rates a mention when Netflix, Apple TV and YouTube is on offer. Most shopping is typically transacted online

Investors who fail to understand these differences will pay dearly.

The types of investments that have worked over the past 30 years are not necessarily the ones that will work over the next 30.

Investors need to make sure they are not driving forward while looking backwards.

ANDREW MACKEN IS PORTFOLIO MANAGER WITH MONTGOMERY **GLOBAL INVESTMENT**

THE SHORT CUT WITH ANDREW MACKEN OFE GOOMSayer

Analyst predicts slump into \$US30 range

ONE of the world's most bearish analysts on iron ore is predicting the beleaguered commodity will fall below \$US40 a tonne (\$55.60) before the end of the year and trade in the \$US30s throughout 2016 as demand in China sputters.

Economist Andy Xie, who has predicted a collapse since 2012, said steel mills in China would cut output and highcost miners would go under.

"The steel industry is reaching a critical point," the former Asia-Pacific chief economist at Morgan Stanley said.

JASMINE NG COMMODITIES

'They'll have to cut production," said Mr Xie, who made the prediction in February when iron ore was in the \$US60s.

Iron ore, a key steelmaking ingredient, fell 0.4 per cent to \$US44.75 (\$62.18) overnight on Monday, a four-month low.

Iron ore has been pummelled this year by rising lowcost supply from the world's four biggest producers in BHP Billiton, Rio Tinto, Fortescue

Metals and Brazil's Vale, and weaker steel demand in China.

"The four of them, their production costs are all in the teens." Mr Xie said.

"A lot of the marginal producers, the new guys, have to "I expect major bankruptc-

ies in this industry. "All these guys coming out to say 'it's not so bad, it's improving.' — these guys are still

hanging on. "They're going to go under, you know. They'll go bust."

The biggest miners are bet-

ting higher production will help them cut costs and raise market share while less efficient producers get squeezed.

BHP vice president of marketing for iron ore, Alan Chirgwin, has forecast that prices would gradually deteriorate in the next few years before finding a level well below \$US50.

Meanwhile, junior miner BC Iron told shareholders at yesterday's annual meeting falling prices continued to challenge its efforts to reduce

BLOOMBERG



Phoenix in court fight

AN education training provider is facing a court battle over claims that it reaped \$100 million from the Federal Government after allegedly misleading students to sign up.

The Australian Competition and Consumer Commission is taking the Phoenix Institute to court in an attempt to retrieve the money the training provider claimed for enrolling more than 9000 students in 17,000 courses.

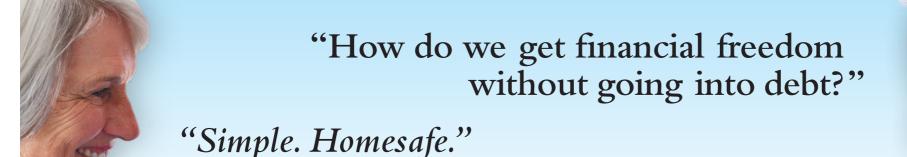
A directions hearing has been set for Sydney's Federal Court on December 15.

FERRARI'S NEXT FLOAT

LEGENDARY Italian carmaker Ferrari is aiming to list on the Milan stock exchange a month after roaring on to Wall Street.

The 9 per cent of shares in Ferrari placed by parent company Fiat Chrysler last month will be quoted in both New York and Milan once the Italian listing goes ahead.

The US float on October 21 valued Ferrari at \$US10.6 billion (\$14.8 billion). Fiat Chrysler owned 90 per cent of Ferrari before the float.



Like to know how you can free up the equity in your home without debt or a reverse mortgage? Contact Homesafe Wealth Release® for a solution that gives you the cash you need today, while you retain full ownership of your home.

1300 306 059 or visit www.homesafe.com.au

Homesafe Solutions Pty Ltd (ACN 106 784 918). Terms, conditions & eligibility criteria apply. Available in most metropolitan postcodes in greater Melbourne and Sydney



Smith said.