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Financial Advice

Money Matters Newsletter - December 2017

We wish you all a Merry Christmas and a happy and safe New Year. Our office will be closed over the holiday period but we will be back in the new year.

December Economic Update

Within this month's update, we share with you a snapshot of economic occurrences both nationally and from around the globe.

The rally that keeps on giving

- Banks take a hit
- United States (US) economy stronger than expected
- Europe strengthening

We hope you find this month's Economic Update as informative as always. If you have any feedback or would like to discuss any aspect of this report, please contact your Financial Adviser.

The Big Picture

On the last day of November, Turnbull announced a Royal Commission into not just banking but the broader financial services industry. Turnbull argued that other politicians were destabilising the economy in their witch hunt over the big banks so he has called an end to the squabbling.

Importantly the Commission must report back by February 1st 2019 – short by Commission standards. And broadening the scope to even include superannuation – and industry super funds – might worry the opposition?

He is also guiding the Commission to avoid repetition by rolling some of the other banking inquiries into one big Commission set of findings.

The banks' share prices took sizeable hits immediately following the news but different banks have been hit disproportionately since.

Staying at home, NAB's business conditions survey produced the best read since 1997 and the labour force data were reasonably strong. But retail sales continue to struggle. The US economy is booming. The stock market was off on a tear and the November company reporting season was particularly strong.

US consumer confidence came in at the second best number in 17 years. That is, the index was 129.5 against the only higher number (in November 2000) of 132.6. Its Q3 GDP growth was revised upwards from the initial read of 3.0% to an impressive 3.3%. It was only 12 months ago some mocked Trump's forecast of 4% growth for around now.

Europe is also very strong. Its latest PMI manufacturing read was 60.0 – not only well above the '50' benchmark, but also well above expectations. Merkel has experienced some problems in forming a stable coalition government but life there will go on.

China too surprised on the upside with a growth figure of 6.9% and a PMI for manufacturing of 51.8.

It is true that there are a few less spectacular results here and there but the overall picture is extremely strong.

Going forward, Jay Powell looks set to lead the US Federal Reserve in a calm fashion with no major change in direction from Yellen when he takes over in February. The odds of a US rate hike in December rose to 93%.

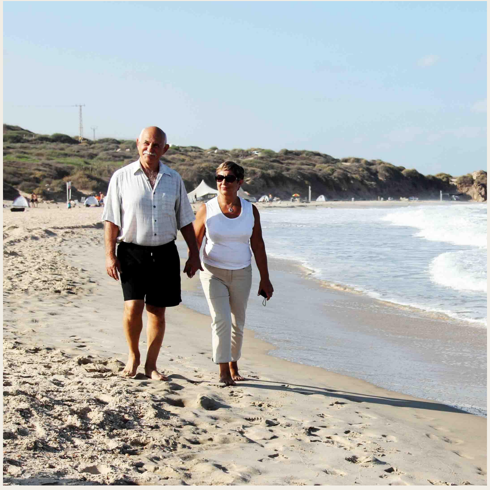
The US tax bill is taking shape but it seems a very complicated way of forming government policy from an Australian perspective. But, with 'core' US inflation at 1.8%, economic growth at 3.3% and unemployment at 4.1% a 'Martian' would be hard pressed not to say that the US economy has well and truly recovered from the 'Great Recession' or the GFC as we called it. Which western economy wouldn't want to swap its figures for these?

There has been a lot of chatter about Bitcoin. We do not claim to have any particular insights and, it seems, few others do either. But, having the price rising around 10-fold in 2017 only to go from $9,000 to $10,000 in days and then $11,000 in one day – only to fall around $2,500 in 90 minutes suggests that this is not a 'thing' ordinary investors should pay much attention to. It is difficult enough to form solid views about equities and bonds!

Whether or not we get a Santa rally should be of little consequence to us. We'll take gains in December, January or February with equal warmth. What is important is that we forecast 2018 to be another good year for equities both here and abroad. Our strategic asset allocations are largely unchanged.

To read more please visit: https://www.infocus.com.au/news/economic
update-december-2017/

Make The Most Of Every Dollar In Retirement



Avoid the temptation to take all of your super in one go

After working hard for a large part of your life, you may be tempted to take your superannuation savings as a lump sum once you reach retirement. There are advantages to accessing some of your superannuation as a lump sum, such as helping you clear debts, but withdrawing all of it could mean you end up worse off in the long term.

Without good management, you could end-up overspending and leave yourself without any money in the later stages of your life. To prevent people from finding themselves in this situation, the government offers people incentives to establish an income stream with their superannuation savings. These incentives include favourable treatments for tax and social security entitlements.

Types of income streams in retirement

There are a number of different retirement income streams available. The most common ones are:

- **Account based pensions**: With account based pensions, previously referred to as allocated pensions, you can decide on where you money is invested and the frequency and amount of your income payments, within government guidelines. An income stream is paid until your money runs out.
- **Annuities**: Annuities provide you with a fixed income in retirement and you can choose between fixed term, life expectancy or lifetime annuities depending on how much security you want. With annuities, you generally cannot access your money once it has commenced and extra features, such as indexed payments may cost extra.
- **Guaranteed income streams**: Other types of income stream available are life expectancy or fixed term income streams. These income streams combine a number of features from account based pensions and annuities and offer a guaranteed income amount until the end of the chosen term. As with annuities, the cost of these income streams may be higher and your money is generally locked away.

Benefit from the advantages of an account based pension

Despite providing less certainty about future income than other types of retirement income streams, account based pensions are one of the most popular type of retirement income stream. The main reasons for this are because they are widely available and offer a greatest amount of flexibility.

Also, you could end up with thousands of dollars in extra income each year by using an account based pension. This is possible for the following reasons:

- You benefit directly from growth of your underlying capital, and these earnings are tax free.
- They are assessed favourably under Centrelink's income test
- They are assessed favourably under the income test for aged care, which may help to lower aged-care fees.

For more information on establishing a retirement income stream that's right for your situation, you should talk to us.

If you have any questions please don't hesitate to contact the office.

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Are you over 30? You need to read this…

Superannuation is, and will continue to be, a hot topic in the financial advice industry. No matter what your age, once you begin your working life superannuation should be in the back of your mind, but MoneyTalk magazine have uncovered some confronting statistics that it's worth thinking about if you're around the age of 30.

If you're 30 years old today, you have 35 years left in the workforce and need to save enough superannuation to fund you for 35 years of retirement. Now, many of you may be thinking – 'Hold on a minute, I don't need to save for that many years!' well, with the ever increasing medical improvements you just might. The median age of death is increasing by 0.6 years every year, and currently sits at age 84. If this rate continues, by the time today's 65 year old's reach their mid 80's, life expectancy could have been bumped up to around 94 years old!

If you're in your 30's or 40's today, it's not unlikely that you could need to fund your retirement until the age of 100 – an intimidating prospect for many. If you're going to live to 100, and only work until you're 65 it is estimated that you'll need a nest egg of $3,000,000 – but how are you going to achieve this?

1. Review your superannuation fund now

When reviewing your superannuation fund, take a detailed look at the investment returns and any fees to be paid. Take special notice of tax being deducted from your account before payment needs to be made, this can equate to thousands of dollars' worth of lost investment returns over the years.

2. Consider making extra contributions

The younger you start contributing extra funds to your superannuation account, the better off you will be. However, there are strict limitations of how much money you can contribute to your fund, and in what capacity you can contribute- familiarise yourself with these rules so as to avoid any mistakes.

3. Build up non-superannuation investments

Think about bettering your financial situation as a whole, rather than focusing solely on your superannuation. Think of how best to build your investments outside of your superannuation, with a view to eventually transferring them into your super in the most tax efficient way. You Financial Adviser can help you to plan this out.

4. Consider gearing

Borrowing to invest money is not suitable for everyone, be sure to speak to you Financial Adviser if you are considering this as an option to boost your superannuation. If done correctly, gearing can be used both inside and outside superannuation.

No matter what your current age, you must consider and plan for your financial future – invest your time as well as your money into superannuation planning.

Source: Money Matters Magazine, December 2016.

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