Money Matters August 2018

With the help of this newsletter we hope to keep you updated on what is happening in the financial world today.
Welcome to our News Bulletin.

Economic Update: August 2018

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

US continues to drive growth!

- The 'old normal' is back for the US

- Australian jobs show strength

- China economy still growing at 6.7% p.a.

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

The US economy and stock markets powered ahead in July. At the start of his presidency, Trump predicted 4% growth and many scoffed. Quarter two GDP growth just came in at 4.1%! It is now a reality.

Trump also worked out the next step of the trade deal with the European Commission. Albeit rather awkwardly, Trump had a major summit with Putin with more slated to come.

On the inflation front, the US posted a six and a half year high of 2.9% but the Federal Reserve ("Fed") had already stated that it wouldn't react too eagerly. That didn't stop Trump berating the Fed for the hikes already committed. Presidents normally steer clear of commenting on monetary policy but Trump isn't normal. He is concerned about the effect of the Fed on international trade.

Now that the US has come through 'the new normal' growth path that was a popular talking point at around 2008-2010 it is back to the 'old normal'. That being said, prudent investors and their advisors need to start formulating plans to deal with the standard cyclical behaviour of markets.

There are no major known problems on the horizon but, if the US economy continues to grow rapidly – spurred on by Trump's expansionary fiscal push – the Fed might be forced to cool the economy. If the Fed is too aggressive, it might hike rates too quickly and cause a recession. That's how recessions usually start.

With the 'neutral' US interest rate at about 2.5%, and two more hikes expected this year, the Fed might well reach that neutral rate in mid-2019. At that time, we will be looking for any signs of emerging excessive monetary tightening.

Since this scenario suggests at least another 12 months growth in markets, it is far too early to be adopting a defensive investment strategy for typical equity investors. On the other hand, continuing a benign 'hold' strategy for too long could see some hard-won profits eroded.

It is not just the US that experienced a good month of economic data. Somewhat out of recent character, the Australian economy performed very well. Jobs data were unusually strong – turning the corner for a fading rally in full-time employment.

On top of jobs, inflation came in within the RBA's target range of 2% to 3% but the RBA's preferred statistical version of the inflation measure still fell just short at 1.9%. It seems highly unlikely that the RBA will hike rates in the current financial year. A cut is not out of the question if this nascent rally starts to fade.

The China economy grew at 6.7% which is well within the official range of expectations – although one notch down from the previous quarter.

The slightly below expectations inflation read in the UK put an August rate hike as being a little less likely. With the swirling political sentiment around the Brexit negotiations, no hike would be a good outcome.

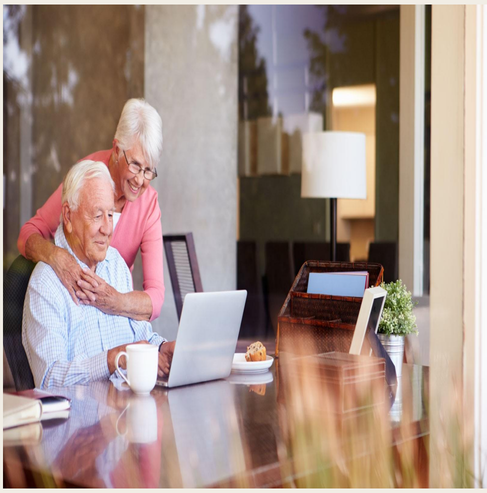
The European Central Bank (ECB) kept rates on hold but reaffirmed the end to its bond-purchase policy from December.

But for anyone thinking our inflation is hard to swallow, spare a thought for Venezuelan citizens. The IMF just forecast its inflation to be one million percent this year! For us Aussies, that would mean next year, a litre of milk would cost us around $10,000!!!

Reporting season for the ASX 200 just got started. Company forward statements will be the key to gauging the strength of our market.

To continue reading please visit: https://www.infocus.com.au/news/economic
update-august-2018/

Downsizing for Growth



From 1 July 2018, Australians aged 65 and older are eligible to make “downsizer contributions” into superannuation, as a result of recent government legislation. Its purpose from the 2017 Budget was to reduce the pressure on housing affordability in Australia. Encouraging downsizing should enable a more effective use of the housing stock by freeing up larger homes for younger, growing families. Essentially, the policy aims to give you more with less, seems counter intuitive right? Here’s how it works…

Upon the sale of your home, those aged 65 and over are able to make non-concessional (post-tax) superannuation contributions of up to $300,000. The term downsizing comes from the mind that homeowners once 65 will ‘downsize’ into a smaller home that meets their current needs and potentially invest some of the surplus into their superannuation.

You are eligible to make a downsizer contribution if you can answer **yes** to **all** of the following:

- You are 65 years old or older at the time of the downsizer contribution
- The contribution comes from the selling of your home on or after 1 July 2018
- You, or your spouse, have held the residence for a minimum of 10 years
- Your home was the principal residence, not a caravan, houseboat or mobile home
- You have not previously made a downsizer contribution to your super from the sale of another home.

If eligible you may ask, what are the benefits in investing some of the proceeds from the sale of my home into super? Perhaps the most attractive benefit is that where a qualifying home is owned by a couple, up to $600,000 ($300,000 each) can be contributed to super under the downsizer scheme. In addition, this contribution will not count towards the concessional or non-concessional contribution caps and the individual making the contribution will not need to meet the existing maximum age, work or $1.6 million balance tests. So if you have a total super balance greater than $1.6 million, you are still eligible to make the individual downsizer contribution.

What should I be aware of?

- Downsizer contributions are not tax deductible and are taken into account when determining age pension eligibility
- Contributions must be made within 90 days of receiving the proceeds from the sale
- Downsizer contributions are exempt from contribution rules but they still count toward the $1.6 million transfer balance cap
- The exchange of contracts on the home must occur on or after 1 July 2018.

If eligible, this scheme will provide the enhanced flexibility to contribute into your superannuation and reduce the current disincentive to downsize. Smaller is not necessarily less.

Need more information? Visit the Australian Taxation Office website.

The information contained in this article is general in nature and does not account for individual financial circumstances and outcomes.

https://www3.colonialfirststate.com.au/personal/c strategies/four-ways-to-boost-your-retirement-savings.html

https://www.ato.gov.au/Individuals/Super/Super-housing-measures/Downsizing-contributions-into-superannuation/#Eligibilityformakingadownsizer

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

PATRON Financial Advice
TWO88 GOALS BASED ADVICE

Stephen White
Director & Head of Wealth
Authorised Representative 463436
Authorised Credit Representative 462154
M. 0431 453 288
E. stephen@two88.com.au

Ian Malcolm
Director & Head of Loans
Authorised Credit Representative 502798
M. 0420 395 223
E. ian@two88.com.au

Peter Di Girolamo
Associate Adviser
M. 0405 143 009
E. peter@two88.com.au

Scott Williams
Adviser Assistant
M. 0412 509 947
E. scott@two88.com.au

6 steps to restarting your resolutions

The looming statistic that states 69% of us set New Year's resolutions and yet only 8% achieve them is not surprising. However, it is never too late to finish what we started, whether it is to look after ourselves better, take more photographs or spend more time with our friends and loved ones.

How can you be in that 8%? Written Goals.

→ Why set goals?

Without goals, we can veer off track and lose control hence, setting goals gives us purpose and direction, as well as great satisfaction and happiness when we reach them.

→ Review the year gone by

We are always learning and trialling new experiences, whether it is a new fitness regime, recipe or coffee shop. It is important to ask yourself, "Last year, what worked? What didn't?

→ Consider the lessons learnt

For each lesson learnt, writing down answers to the following questions, cements in our minds how we can improve:

What could I do differently? What did I accomplish? Did I miss out on any goals? How did I keep up?

→ Set your top goals

- Firstly consider what your personal values and passions are, this will make identifying goals easier
- Ask yourself, "What roles do I play in my life?" This could be a father, partner, son, sister or friend for example. Then decide which role will be the focus for this goal
- Now list your top 10 goals, they could be about family, career, financial, personal development or lifestyle.

→ Commit to taking action

This is where SMART (Specific, Measureable, Achievable, Relevance, Time bound) goals enter.

- **Specific** goals consider the 5 W's (Who, What, When, Where and Why), use direct and active words and list every step.
- **Measurable** goals put success in numbers whether that is a date to achieve it by or negotiating a salary increase by 5%. You are responsible for regularly checking their progress
- **Achievable** goals must also be realistic. Identify your constraints, capacity and ability to actually do it.
- **Relevance** of the goal must consider how much control and influence you have, how motivated you are and how well the goal fits into the big picture
- **Time bound** relates not only to a due date, but how working towards the goal will impact your work and life and how it fits with your present and future.

→ Maintain momentum

Simplifying and breaking the goals down will make you feel great when you do accomplish something, as well as maintaining your motivation.

Write it down and plan it out. Look at it each and every day by putting a copy on the fridge or at your desk. The satisfaction of ticking tasks off, no matter how small, will keep you motivated to be and do better with every goal you SMARTly set. You can be in that 8%.

Information from this article was written with MLC.

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