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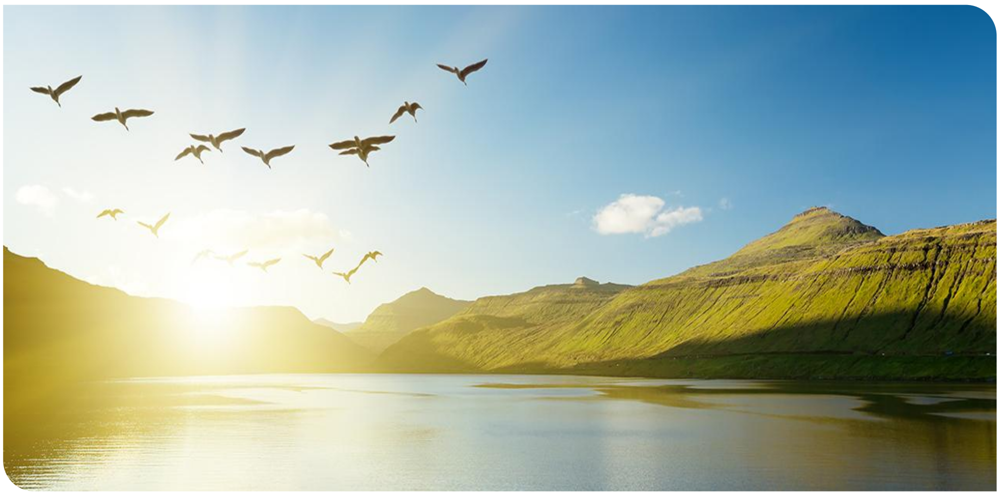
Your dreams, our passion, the future together.



November 2018 Newsletter

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.

The secrets of a successful saver

Everyone saves money differently. Some set aside a percentage of their pay regularly, others use lump sums from bonuses or tax refunds. The secret to reaching your savings goal is to choose the right account, understand how to use it and form a habit of saving regularly. Here are our tips to help you on your way.

HAVE A SAVINGS GOAL AND BUDGET

It's much easier to be a good saver if you have some sort of goal in mind. Whether it's a holiday, a house deposit or just saving for a rainy day, have an amount in mind.

To help you work out what that savings goal amount is, you should be realistic about what you can afford to save each week, fortnight or month. A well-planned budget will get you started on your savings path.

EARN YOUR BONUS INTEREST

Good savings habits can reward you with bonus interest on some accounts. Be disciplined and it will pay off in the long run by helping you save a little faster.

SET UP A REGULAR PAYMENT

Do you get your phone or power bill direct debited from your account? Well you can apply the same concept to your savings account. With a direct debit arrangement, each pay day you can make a regular automatic payment into your savings account.

It's best to make your payment early in the month, because transfers could take a few days to reach your account. You don't want to risk losing any bonus interest.

COMPARE SAVINGS ACCOUNTS

You compare insurance and mobile phone plans for the best deals and options for your needs, the same should be done with your savings accounts.

How do you decide on a savings account? You need to think about your needs and whether you want access to your savings anytime, or if you'd prefer to have a longer-term savings plan.

Think about whether you want an 'at call' account to put your savings into or let it grow for a set term. An 'at call' account means you can access the money anytime without fees or economic cost, but you might lose bonus interest for any withdrawals you make.

A term deposit means you put your money away for a longer term (months or years) and receive a fixed interest rate. The interest rate is usually based on the amount and length of time you put the money away for. This is fine if you don't need access to the money during the fixed term. If you need to withdraw the money before the fixed term is up, you may be charged additional costs.

TRACK YOUR SAVINGS GOAL

The final secret to successful saving is to keep track of your savings goal. This can help you keep focused by tracking how your savings are growing.

Contact the team for more information.

To Pay Off the House Or Salary Sacrifice?

If you're an employee, you may have the opportunity to set up a salary sacrifice strategy with your employer – allowing you to put some of your before-tax income straight into super.

The main benefit of this is that your salary sacrifice contributions are taxed at only 15% inside your super fund, compared to your marginal tax rate outside super. The biggest downside of this strategy is that the sacrificed portion of your income reduces the amount of money you can put towards paying off your debts, which may increase the amount you are spending on interest each year.

So which is the better use of your money, paying off the mortgage or salary sacrificing into super? Let's look at some of the things you need to consider.

What is your marginal tax rate?

People on higher incomes have more to gain from salary sacrifice strategies than those on lower incomes, as demonstrated in the following table:

Taxable income	Marginal tax rate (including Medicare levy of 1.5%)	Potential tax savings from salary sacrifice
0-$18,200	0%	0%
$18,201-$37,000	20.5%	5.5%
$37,001-$80,000	34%	19%
$80,001-$180,000	38.5%	23.5%
$180,001 and over	46.5%	31.5%

By contrast, the savings from paying off your home loan are based only on your home loan interest rate (currently about 5-6%p.a. for a typical variable rate home loan), not what you earn. For higher income earners, that generally tips the scales in favour of salary sacrificing. However, there are other important factors to consider.

Do you have room in your concessional contributions cap?

Your concessional contributions cap is the limit on how much you are eligible to contribute to super each financial year while accessing the tax concessions described above.

In 2013/14, the cap is $35,000 for people aged 60 and above and $25,000 for everyone else. From 2014/15, the higher cap will apply to anyone aged 50 and above. If you exceed these caps, your excess contributions will be taxed at your marginal tax rate, plus an interest charge.

One thing to be careful of is how much your employer pays you in Superannuation Guarantee (SG) contributions, as these contributions are included in your concessional contributions cap. For example, if you earn $100,000 p.a., your employer contributes a minimum of $9,250 p.a. to your super. That means you only have $15,750 in your cap if you are under age 60.

Should you have any queries in relation to this newsletter, please feel free to contact our office or your adviser.

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Economic Update November 2018

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

US rally ended with a thump

- Are fears of US rate hikes justified?
- Global growth still has strong prospects
- Australian unemployment rate falls but inflation stays low

We hope you find this month's Economic Update as informative as always.

The Big Picture
Six consecutive months of capital gains on Wall Street were ended with a correction in October – eradicating all of the gains made in 2018. It is important to note that this correction could not have been precipitated by gloomy economic data. There wasn't any!

While everyone is entitled to nominate reasons for the correction, it is not possible to attribute it to various causes with any degree of certainty. The best we can do is focus on what hit the headlines – and then look through the noise at the fundamentals.

The downturn did start within hours of US Fed chairman, Jay Powell, making a very strong statement about being able to be aggressive on rate hikes. And he made no soothing comments even as the market fell by up to 10%.

Of course, Trump was never far from the spotlight. His repeated 'upping the ante' in the trade war couldn't have helped. The latest is that he is reportedly planning even more tariffs for China trade if China does not make progress at the table.

The US mid-term elections are due on November 6th. Pundits are forecasting the Republicans likely to keep control of the Senate but lose control of the lower house. But both reported probabilities are sufficiently woolly to allow for an upset. If Trump loses even control of just the house, his presidency will lack the support he needs for further reform.

When we look at the new economic data reported in October, we see a glowing score-card for the US. Economic growth came in at 3.5% after a 4.2% in quarter two. The IMF just reported its US forecast for 2018 of 2.5% which is already now overwhelmingly seen as far too pessimistic. Three percent plus is on the cards.

The Fed's preferred inflation measure came in at 1.6% which is well down from 2.1% in the previous quarter and the 2% Fed target. There are no apparent inflation pressures bubbling under that might require sharp rate hikes. Indeed, very gradual increases in rates seem the way to go!

The US bond market did react pushing the 10-year rate well above 3% but markets can jump at shadows. When the Fed likely raises the rate in December the key information sought from the Fed press conference by analysts will be the so-called "dot plots" indicating the most likely course of action in 2019. Given the economic data, we feel that markets and the Fed will settle by then.

Even earlier, Trump may seal a deal with China over trade. It is said by many that he wins votes from both sides of politics by looking tough with China. Whether the race is won or lost after the mid-terms, Trump can then settle the trade talks before real harm is done to the US economy, hence we remain positive in relation to US stocks in the near term.

The IMF did forecast world growth of 3.7% for each of 2018 and 2019. These forecasts are now the same as those from the OECD. China reported growth of 6.5%, which was a slight miss, but very good producer and consumer inflation statistics were posted.

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

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