PATTINSON F.S

Your dreams, our passion, the future together.

Pattinson FS February 2019 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.

Get On Top Of Debt Before It Gets On Top Of You

Australians have more than $38 billion owing on credit cards, which is an average of $4,900 per card holder . And if you hold multiple credit cards (which many of us do) your total credit card debt could be double or even triple this average amount. If this is the case, you may be paying a lot in interest repayments.

The cost of borrowing money

The ability to borrow money is a wonderful thing. For example, it allows us to buy items when they're on sale rather than waiting until we have the spare cash. And how many of us would be able to purchase a house with cash? Unfortunately, many people get too caught up in the euphoria of buying things without giving enough thought to how they are going to repay the money. The simple fact is borrowing money comes at a price. This price is your interest repayments.

Interest charges accrue on your outstanding debt until it is repaid in full. All it takes is a few different credit cards with different lenders on top of a large mortgage or personal loan and before you know it, you're feeling the pinch of too many interest repayments.

The costs may be higher than they first appear

Money that you borrow for personal use, such as credit cards, car loans and mortgages, is called non-deductible debt. This term refers to the fact that the interest you pay on this debt is not tax deductible. So when it comes to the real cost of your debt i.e. the after-tax cost, you may be paying more than you think. For example, if the interest on your credit card is 7%, that's the equivalent of paying 10.8% on an after-tax basis assuming you're on a marginal tax rate of 35%.

Focus on reducing your non-deductible debt

Due to the high after-tax cost of interest on non-deductible debt you should make it a priority to reduce this type of debt. If you have any surplus cash, consider using this money to pay a lump sum off your non-deductible debt, such as a credit card or car loan. This will reduce the amount of interest you're paying, making your repayments more manageable and improving your cash-flow at the same time.

And you can use this extra cash to reduce your interest payments elsewhere. For example, if you have a mortgage, you could direct this extra cash-flow to your mortgage offset account. This way, it will still be available to redraw if you need emergency funds, but it the meantime it will help reduce the total interest you pay over the life of your home loan. This may even reduce the number of years it takes to pay off your mortgage so you'll own your home sooner.

Retirement Income Explained

Your retirement income may include some kind of pension payment or allowance from the government. Around 65% of older Australians rely on a government pension or allowance as their main source of personal income at retirement.How much you get will depend on how much income you receive from other sources and what your assets are worth. In this section, we list some Australian Government payments and explain some of the criteria you need to meet to qualify for the Age Pension.

The most relevant pensions for retirees are:

- Age pensions
- Disability support
- Sickness and mobility allowances
- Bereavement allowances
- Wife pensions
- Widow B pensions
- Carer payments and allowances

The Department of Human Services' Guide to Australian Government payments describes payment rates and eligibility criteria for all payments made by Centrelink and the Family Assistance Office. It also contains information on concession cards and healthcare cards. The booklet is updated quarterly to reflect any changes in payment rates.

To qualify for age pension, you must satisfy age and residency requirements. Centrelink then works out how much age pension is payable, which depends on your income and assets and other circumstances.

At what age do I get the Age Pension?

The qualifying age for an Age Pension is increasing. Talk to us today for specific information.

What are the residency requirements?

You must be an Australian resident and in Australia on the day you apply for the Age Pension. Generally you need to have lived in Australia for over 10 years.

How much will I get?

As at March 2018, the maximum rate for the Age Pension is $826.20 for a single person per fortnight. If you are a couple, the rate is $622.80 each per fortnight. These amounts exclude the pension and clean energy supplements, which you may receive as an additional payment to the base pension. For singles the maximum combined supplement rate is $81.40 a fortnight. For couples it is $61.30 each a fortnight.

Your age pension may be affected when your circumstances change. Your eligibility for the Age Pension is worked out by taking into account how much income you get (the income test) and how much your assets are worth (the assets test). The test that results in the lower pension rate will be the one applied.

Assets test

To work out how much pension you may receive, the value of your assets is taken into account. If you have any assets overseas, their value will be converted into the equivalent Australian dollar amount. Your home, if you live in it, is not counted as an asset. If your assets exceed a certain threshold, your pension payment will be reduced.

Find out more about assets on the Department of Human Services website.

https://www.moneysmart.gov.au/superannuation-and-retirement/income-sources-in-retirement/age-pension

As you know this email is in no way a substitute for a face to face meeting or phone call so if you have any issues you would like to discuss with us please do not hesitate to contact us on 1300 466 637.

2 / 11-13 Brookhollow Avenue
Baulkham Hills
NSW 2153
Australia

Phone: 02 8850 6888
Fax: 02 8850 6407
Email: info@pattinsonfs.com.au

Pattinson Financial Services

www.pattinsonfs.com.au

Economic Update February 2019

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

Markets roar back to life!

- Federal Reserve clarifies its position
- China data were weaker than expected
- Australian rate cuts on the horizon

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 us.

The Big Picture

We reported last month that we had the Australian and US stocks markets as being meaningfully under-valued. Well they are much less so now after a very strong rally during January.
The turn-around in markets started straight after Christmas and gained momentum throughout January as the US Federal Reserve ("The Fed") made increasingly dovish tones – so much so that the chance of a rate hike this year is now estimated by the market to be minimal. A chance of a cut this year now has gained some support among the analyst community.

The end of January Fed meeting produced a no-change result on rates and the chairman emphasised the word "patience" in his press conference about the timing of future moves. The accent is once again firmly on "data driven" policy changes rather than following a pre-set course.

The US-China trade stoush took a few more twists and turns. The threat of more tariff increases looms large but could well be averted. The China economy is clearly in need of avoiding that situation and so some solution may come soon. China did offer to reduce the trade balance with the US to zero over the next 6 years, however, more needs to be done to address what is characterised as the rampant abuse of intellectual property rights.

US employment data series were particularly strong. A much bigger than expected 312,000 new jobs were created. Unemployment came in at 3.9% pa and, importantly, wage growth was a far more respectable 3.2% pa. The weakness in the US economy mooted by some does not seem to be showing through in the data – at least not yet.

China inflation data – both consumer and producer variants – came in weaker than expected. GDP growth was 6.6% for the year – which was on expectations – but import and export data were weaker.
The weakness in China data is nowhere near as bad as some are making out. There is a natural progression from the double-digit growth of a decade ago to more moderate levels as any country matures. The Chinese government is putting in place policies to combat any slowdown so we do not see modest softness in GDP growth becoming a problem unless Trump brings the next round of tariff hikes into play.
To continue reading please visit: https://www.infocus.com.au/news/economic-update-february-2019/

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