PATTINSON F.S

Your dreams, our passion, the future together.

May 2019 Newsletter

Here's the latest newsletter from Infocus. Please don't hesitate to contact us if you have any questions in relation to these articles, or if we can help you with anything else.

Important Information : Superfund Letters

We are writing to you to let you know that you may receive a letter from your superannuation fund trustee. We ask that you please do not ignore this letter.

Under the Protecting Your Superannuation package[1], which was announced in the 2018 Federal Budget and which was designed to protect Australians' superannuation savings from undue erosion by fees and insurance premiums, superannuation fund trustees are able to cancel your life insurance from 1 July 2019 in certain circumstances.

In a nutshell, the bill contained measures to;

- prevent trustees of superannuation funds from charging certain fees and costs exceeding 3 per cent of the balance of a MySuper or choice product annually where the balance of the account is below $6,000;
- prevent trustees from providing opt out insurance to new members aged under 25 years, members with balances below $6,000 and members with inactive MySuper or choice accounts, unless a member has directed otherwise;
- require the transfer of all superannuation savings with a balance below $6,000 to the Commissioner of Taxation if an account related to a MySuper or choice product has been inactive for a continuous period of 13 months; and
- enable the commissioner to consolidate amounts that have been paid as unclaimed money, inactive low-balance accounts and lost member accounts into an active superannuation account where the reunited balance would be greater than $6,000

Important

The intent of the measure was supposed to be about protecting the super balances of young and inactive members with low balances who the Government felt would not benefit from small levels of life insurance which would potentially erode their small amount of accumulated superannuation with life risk premiums.

However, we have seen evidence that superfund trustees are sending opt-in letters to many clients like yourselves, including those with high balances and high levels of insured cover who (under the second point above) may have been inactive (meaning you or your employer may not have contributed to your superannuation fund account), for a period of at least 16 months. However, it has been reported that even active clients have been receiving these letters from their superfund.

We strongly recommend you to read this opt-in letter and complete it and return it to your superannuation fund trustee in order to retain your level of life cover within the fund (which may include life, TPD and income protection insurance).

We also recommend you retain a copy of this opt-in notification and send our team a copy to retain on your file in the unlikely evet that the superannuation fund makes a mistakes and inadvertently cancels your cover.

We are concerned that if a superannuation fund trustee, after making attempts to notify the member that their account has been inactive for 9, 12 and 15 months then cancels that cover after 16 months of inactivity, they can show they have made reasonable attempt to notify the member, even if you wanted to retain your cover and are under no obligation to reinstate it.

However, if you return your opt-in letter giving your direction to retain your cover in place, the Regulations place obligations on the trustee to acknowledge a member's direction to maintain insurance cover (even though the member's account may be considered inactive) and will then provide annual reminders to the member.

It is important to make sure you review your insurance and make sure you complete the superfund opt-in letter if you receive one. We strongly recommend you retain a copy for yourself (and for us as your Financial Adviser) and then submit it to the superfund.

Please do not ignore the letter.

If you have any other questions please give our office a call.

You CAN save one million dollars!

One of the most common questions I'm asked as a financial adviser is "will I have enough to retire?" It truly is the sixty-four thousand dollar question and if $64,000 was the answer, we'd all be on easy street!

With so many variables involved, there is no set answer, but these days with many of us expecting to live longer, at least one million dollars is the minimum required to fund a comfortable retirement.

This might come as a shock to many and a lot of people might think that figure is only achievable by winning the lottery, but I can assure you that it is achievable. All it takes is some planning and commitment… and a little bit of magic called compounding.

Below I have outlined some key tips that I would talk to you about if you were sitting in front of me:

Start with your focus. For this example, it's one million bucks.

Frequency – Regular deposits are recommended straight from your pay. What you don't see you don't miss.

Amount – Minimum 10% of monthly net income is recommended.

Rate – Choose investments that provide at least a 6-8%pa rate of return.

Type – High interest savings account to get started, then perhaps managed funds once you have saved enough for the minimum investment. As your balance grows, we will look at other assets to spread your investment. If you're taking advantage of the low tax applied to super, in addition to the superannuation guarantee, you may want to salary sacrifice to your super fund - as long as you don't exceed the concessional contributions cap.

Risk – Remember: high returns generally mean high risk. On the other hand, being too careful can slow progress. Everyone has a different risk tolerance which depends on age, personality and circumstances.

Age – Obviously it's best to begin as early as possible, but you can still save a substantial amount even if you start in your mid-late thirties.

Emergencies – Emergencies mean just that. If you withdraw money for a new car or big holiday, you're only undermining yourself. (That doesn't mean you miss out on these enjoyable lifestyle events. Fun is an important part of your savings plan.)

Goal – The figures I've quoted here are based upon a $1 million target, however, depending on your lifestyle and expectations, you can revise that amount to suit your circumstances.

How many years to save $1 million?

Obviously, the earlier you start saving, the smaller the contribution is needed. You can accelerate your contribution rate as your income increases. Savvy savers who pay a mortgage off early can accelerate their program considerably by directing the amount formerly devoted to the mortgage payment into savings.

And what about money you receive along the way? If you receive an inheritance of say, $100,000 (assuming an annual return of 6%), the $1 million mark can be reached in just 30 years contributing only $400 per month.

Regular investing is likened to building a "saving muscle." You grow accustomed to putting away this money over the years and are able to increase the amount as you would increase an exercise regimen. Eventually, it becomes habit, you don't notice the pain anymore, and the payoff can be enormous at the end. Like achieving a fit and healthy body, building your saving muscle results in a healthy financial outlook.

Being a millionaire may seem like an unattainable dream, but with the right amount of planning and diligence you can join the Millionaires' Club sooner than you think.

Notes: taxation and inflation have not been taken into account in these calculations. Calculation based on achieving $1 million in today's dollars.

Source: Financial Writers Australia

Do you know a friend or a family member looking to improve their lifestyle? Tell them to drop by for a cup of coffee and a chat!

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 - May 2019

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

Markets hit record highs

- US strong economic data
- China data impress
- Australian jobs hold up

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 our team.

The Big Picture

In March, Wall Street's S&P 500 reached all-time highs and our ASX 200 reached an 11-year high. To keep these results in perspective, both indexes are only just ahead of the 2018 September highs.
The US reported some positive economic data in March. In particular, economic growth came in at 3.2% when trend growth is only about 2%. The market was only expecting 2.3%. Given the longest government shutdown occurred during this quarter one (Q1) – and the weather was quite bad – this result is one in the face for the recession merchants!

In mid last year a significant number of commentators were calling for a recession starting with negative growth in Q1. In spite of the 'unexpected' economic strength, the Fed's preferred inflation measure – the so-called core PCE – came in at 1.6% which is comfortably below the Fed's target of 2%.

The US jobs data were also stronger than expected with 196,000 new jobs created in March and the unemployment rate is at 3.8%. Wage growth was a creditable 3.2% which is well above price inflation. If that wasn't enough, US retail sales came in at a big 1.6%.

China too beat market forecasts for economic growth. GDP came in at 6.4% and retail sales, industrial output and fixed asset investment also beat expectations. Exports came in at +14.2% growth over the year.

With the US and China firing on all cylinders, global growth is not under threat – even if Europe isn't doing well.

At home, the Reserve Bank of Australia (RBA) signalled that it will cut rates if the unemployment rate starts to trend upwards. The latest rate was 5.0% and it has been steady for some months.

A fair haul of new jobs were created in March; 25,700 in total and full-time jobs were at +48,300 swamping the part-time loss of 22,600.
So why are we all now worried about the Australian economy? The official data do not distinguish between food-delivery cyclists (and the like) seemingly growing exponentially and traditional jobs – and this switch also has an impact for average wage growth.

Moreover, our strong immigration numbers inflate job gains and economic growth. When per capita data are analysed our situation is more problematic.
The recent Federal Budget – if it all gets passed in parliament – is mildly stimulatory – and two RBA cuts if implemented, will provide a back-up monetary policy easing. Both parties are offering reasonably stimulatory policies going into the May 18th election.

In short, at last our economy may be getting the policy support it needs. That support can help our stock market especially as resources demand is supported by a strong China. There is also every chance of a compromise trade deal between China and the US being nutted out in May and presented in early June.

But the recent CPI data at home caused a stark reminder of what might happen if economic policies do not get through parliament and the RBA sits on its hands. Our latest inflation read was actually zero! When highly variable components are extracted to get the RBA-preferred number, inflation jumps only to 0.3% for the quarter, or 1.6% for the year. That growth is well below the 2% to 3% target of the RBA.

But, on a lighter note, maybe we should follow the Ukraine in voting in a TV comedian as the new president with a landslide victory. We doubt if anyone thinks he can do well but it is confirmation that people right across the globe are fed up with the current style of politics on all sides in all countries.

Asset ClassesAustralian Equities

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