PATTINSON F.S

Your dreams, our passion, the future together.

October 2019 Newsletter

Welcome to the latest edition of our newsletter. We hope that you find the following articles to be informative - as we aim to help you make better financial decisions.

Want to Become A Millionaire? Start Now!

If you have been procrastinating when it comes to saving some money for retirement, you're not alone. There's always that new tech gadget to buy, that grand vacation to take. But you may be paying a higher price for these items than you realize. You may be giving up your chance to be a millionaire. Consider this: If you were to begin saving just $2,000 a year—$167 a month— at age 22 and you earned an average annual rate of 10% on your money over the years, you would be a millionaire before your 65th birthday. If you wait until you're 30 years old to begin saving this amount, you will have less than $550,000 in your account at age 65.

You might think that a return of 10% a year is an unrealistic expectation, but history says otherwise. The average annual return on the All Ordinaries Accumulation Index (XAOA) over the past 20 years (January 1997 through December 2016) was 10.2%. That takes into account a number of economic booms and busts. If we use data from the past forty years—1977 through 2016—the average is even higher at 14.7%.[1] Thus, it's possible that you might earn an average return of more than 10% on your money over the years. However, even if you were to earn a lower rate, it's still advantageous to start saving sooner rather than later.

The table below displays the amount that you can accumulate by age 65 if you begin saving $2,000 a year at varying ages and earn 5%, 8%, 10%, 12%, or 14% a year on your money:

Interest rate	**5%**	**8%**	**10%**	**12%**	**14%**
Age today		**Amount Accumulated By Age 65**			
22	**$285,987**	**$659,166**	**$1,184,801**	**$2,162,165**	**$3,983,418**
25	**$241,600**	**$518,113**	**$885,185**	**$1,534,183**	**$2,684,050**
30	**$180,641**	**$344,634**	**$542,049**	**$863,327**	**$1,387,145**

Regardless of the average annual interest rate earned, waiting the extra eight years from 22 to 30 years old results in a significantly lower account balance at age 65. This is because of the compounding effect. When you invest your money, earn interest on it, and leave the interest in the account, you earn interest on your interest the next year. And so on it grows.

You've paid off your mortgage! Now what?

Paid off your mortgage? Woo-hoo! Break out the champagne and celebrate the freedom you must now feel! But once the dizzy excitement has passed, what will you do next?

Discharge or not?

The first question is should you discharge your mortgage? You might be able to keep the loan facility open, with a zero balance, and retain the option to redraw on the loan account if you wish. This can be a handy way of meeting unforeseen expenses in the future, or opening up investment opportunities.

If you decide to close your loan account check first if there are any costs involved. For example, you may lose an associated credit card. Or you may be up for substantial break fees if you've paid off a fixed rate mortgage early.
One of the traditional delights of closing out a mortgage has been receiving your title deed. However, with many states moving to digital land titles settlement processes this will become an increasingly rare pleasure. If you do happen to receive a paper title, remember it is an extremely valuable document that requires safe storage – perhaps with the solicitor who holds your Will.

Cash flow and equity

With your mortgage paid down to zero but still open, a number of opportunities arise. The best one is the extra cash accumulating in your bank account. Do you want to spend this on lifestyle choices such as home renovations, holidays or regularly dining out? Or maybe save it for a rainy day? Or use it to boost your retirement savings through salary sacrifice? (You can, of course, do a bit of each).

Then there's the equity in your home to consider. It may seem strange to celebrate the paying off of your mortgage by immediately redrawing on it, but if done wisely, investing those redrawn funds in a portfolio of sound investments could hasten the day when you reach financial independence. You may also reap some tax benefits.

Explore the options

Perhaps you want to simply enjoy the freedom of being mortgage-free. Whilst this is a great choice, if you want to investigate the wealth creation opportunities that open up once your home is paid off always seek professional advice.

We can help you explore a range of options that are appropriate to your circumstances. With a well-crafted financial strategy and a little patience you can look forward to celebrating more of those woo-hoo moments in the future.

Source: Financial Writers Australia

Do you know a friend or a family member Getting Married? Starting a family? Or starting to plan for retirement? Tell them to drop by for a cup of coffee and a chat!

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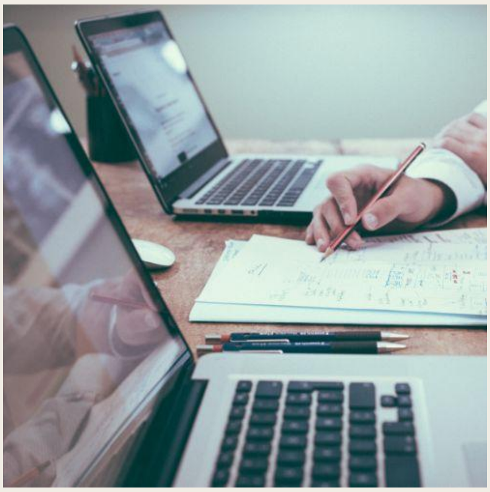
Economic Update - October 2019



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

Global share market recovers from August dip

- Australian property market appears to be stabilising
- US Fed cuts rate in split decision
- The RBA cuts again by 0.25%
- Europe returns to monetary stimulus

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

Amid largely anecdotal reports of an improving Australian property market, the private data service, Corelogic, produced hard evidence that September witnessed quite strong price growth in both Sydney and Melbourne.

While the June and July interest rate cuts from the Reserve Bank of Australia (RBA) may have been a contributory factor to house price increases, the regulator also slackened certain lending criteria. Moreover, Australian property prices typically have a strong surge every five or ten years followed by an extended period of flat or slightly falling prices. Perhaps recent price action is the initiation of the recovery after two years of declining prices.

Corelogic's data release occurred the day before the October 1st RBA board meeting. The collective wisdom of analysts and economists was that the RBA would cut its rate to 0.75% which it did. Of course, the RBA also has its eye on our labour market, overseas interest rates and our economic growth.

Australia's second quarter growth came in at the start of September at a weak 0.5% for the quarter or 1.4% for the year. On the other hand, the jobs market remains reasonably strong.

However, with the US and the EU cutting rates in September, the RBA is somewhat forced to keep in step to try to stop our currency appreciating.
The US Federal Reserve (the Fed) cut rates in mid-September but in a split decision. Three members voted against the cut and only seven of 17 members expect a further cut this year.

The mood around US rates materially changed over September. Gone are those predicting a near term recession based on the difference between short and long US rates. It seems that just one more strong retail sales data release of +0.4% for the month was enough to swing opinions. We were never in that near term recession camp.

Although there should always be a nonzero probability expectation of a recession, we see no current data sufficient to raise that probability to a significant percentage.

The US jobs data were again strong with wages growth at last solid at 3.2% and the unemployment rate remaining at a near 50-year low. The consumer is underpinning the US economy.

To continue reading please visit: https://www.infocus.com.au/news/economic-update-october-2019/

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