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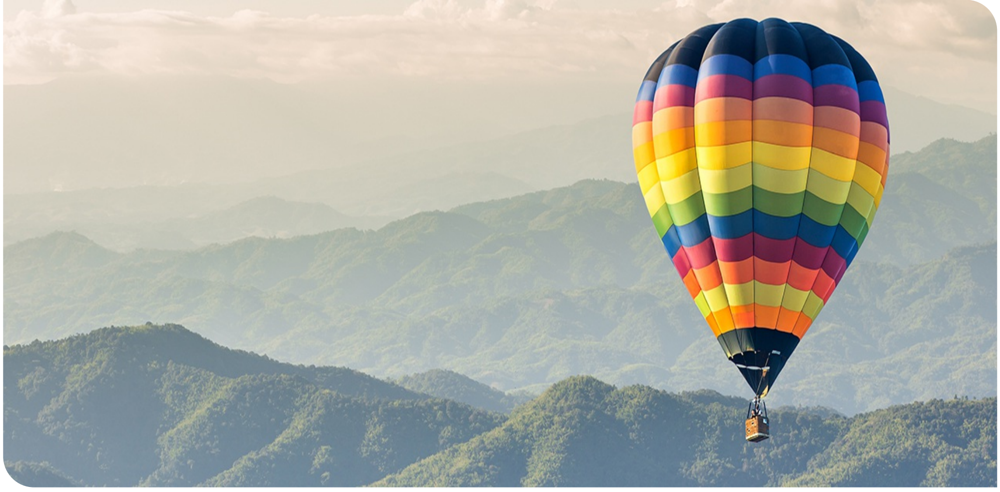
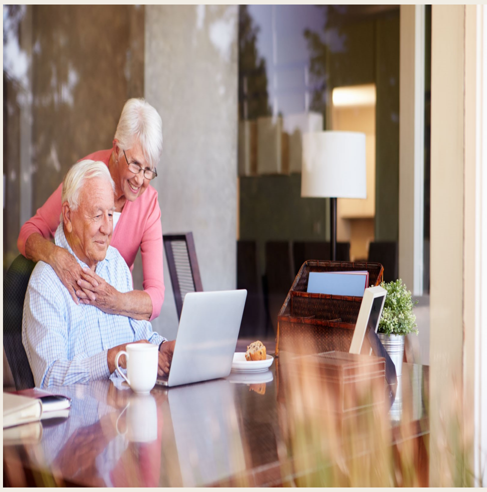
Your dreams, our passion, the future together.



Pattinson FS Newsletter August 2018

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.

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

A new break for first home buyers

Looking to buy your first family home or get into the housing market? As a result of recent legislation, the Government's First Home Super Savers Scheme (FHSSS) will allow individuals to save for their first home using their superannuation. Applying this policy will allow potential home owners to reap the benefits of the concessional tax treatment of super, so now you can save even faster than a traditional savings account would allow.

How will it work?

As of July 2017, individuals were permitted to make voluntary contributions into their nominated, pre-existing super account. Upon discussions with your employer, you may be able to make these contributions through your pre-tax income, allowing you to save on tax costs. If this is neither possible nor applicable, you are able to contribute your post-tax income and make a tax deduction claims after.

From 1 July 2018, you can apply to release the voluntary contributions and any associated earnings, to put towards your first home deposit. Is there a limit to how much you can contribute? Yes, you are able to apply to have a maximum of $15,000 of your voluntary contributions from any one financial year included in your eligible contributions to be released under the FHSSS, up to a total of $30,000 contributions across all years. Another benefit to this scheme is that if purchasing the home in question as a couple, you are able to contribute up to $60,000 collectively.

Am I eligible?

In order to take advantage of the policy that will help you buy your first home, you must:

- Be 18 or over at the time of applying for the release of the money from super
- Have never owned property in Australia, including a home or investment property
- Live or intend to live in the property for at least six months of the first 12 months of purchase
- Not have withdrawn an amount under this scheme before.

What should I be aware of?

- Non-concessional contributions must be released before any concessional contributions
- Super guarantee contributions, spousal contributions and government co-contributions cannot be released
- You have up to 12 months to sign a contract to purchase or construct a home. If you do not you may apply for a 12 month extension, recontribute the amount to your superannuation fund, or keep the released amount and be subject to the 20% FHSSS tax
- You must have received release amounts from the FHSSS before you sign a contract to purchase or construct a residential premise
- When making contributions into your super you must remember that you can only withdraw 85% of concessional (pre-tax) amounts
- It will take approximately 12 business days to process your request to release any amount under the FHSS Scheme
- All associated earnings plus any concessional contributions in a withdrawal will be taxed at their marginal tax rate with a 30% non-refundable tax offset.

For further information please visit the ATO website.

https://www.ioof.com.au/__data/assets/pdf_file/0
for-employers-February-2018.pdf

https://www.ato.gov.au/Individuals/Super/Super-housing-measures/First-Home-Super-Saver-Scheme/

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

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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/

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