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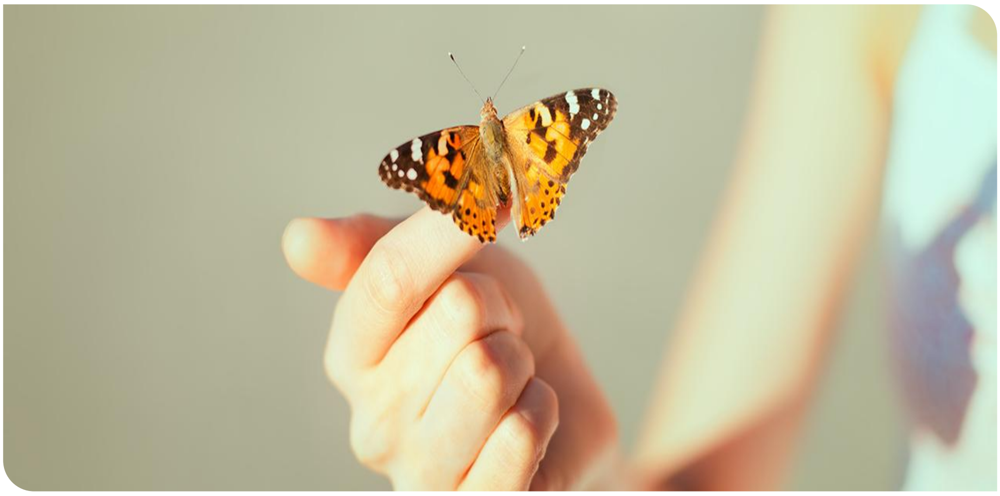
Your dreams, our passion, the future together.



September 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 'omnishambles' in Canberra- What are the implications for your financial future?

The "omnishambles" in Canberra – what are the implications for your financial future?

If you haven't heard that word before, it was being bandied about this morning by the media to describe the diabolical political situation in Canberra. According to Google it means "*a situation that has been comprehensively mismanaged, characterised by a string of blunders and miscalculations.*"

As with many Australians around the country today, you will no doubt have been eagerly anticipating the outcomes of the current political crisis in Canberra. Malcom Turnbull confirmed yesterday that he would call for a meeting of the party room after 12.00pm (AEST) Friday 24 August 2018 if Peter Dutton was able to deliver a petition with at least 43 signatories on it. Malcolm Turnbull confirmed that he would not contest the leadership and as a result would quit parliament.

Well, after a protracted, concerted and disruptive effort by the conservative right-wing of the Liberal party, we now have a new prime minister-designate, and perhaps surprisingly, it is not Peter Dutton. In what you might call severe mismanagement and miscalculation from the "Dutton camp", in a three way race (which saw off former foreign minister and deputy PM, Julie Bishop), Scott Morrison now leads the Liberal party, with Josh Frydenberg winning the position of deputy.

What are the implications of this for you and your family and for your business?

Much is still unknown, but from a helicopter perspective, the question now will be whether the new PM, Scott Morrison, can rally the party and form a cabinet that can restore the party, create stability and continuity and improve the confidence of voters between now and the next Federal election, earmarked for May 2019. If he can, the Coalition's policies are known and are in place and we would imagine, apart from any kind of cash-splash to woo voters prior to the election, it will be largely business as usual (not forgetting the challenges the Government has regarding energy security and affordability under the energy guarantee and the backdown on the corporate tax breaks). But if they can't shake the negative outcomes of the abovementioned "omnishambles" and Labor wins the Federal election, what are the implications for wealth creation, superannuation, social security, personal and business taxation and retirement?

Since the recent changes to superannuation which have introduced a $1.6m transfer balance cap to limit what can be used to fund tax-free retirement phase pensions, and to limit further concessional and non-concessional contributions to super and the myriad other measures we are all aware of, Labor has not released any final policies which would seek further changes to superannuation. But in terms of wealth creation, generation of retirement income and personal taxation, Labor has been quite plain on three measures they intend to implement if they win government, namely changes to restrict negative gearing to new housing, reducing the capital gains tax discount and putting restrictions on franking credits (which Labor did temper following significant blowback from the community). For other policy issues such as penalty rates, child care funding and social security reforms, school funding, health spending, tertiary education and the outcomes of the banking royal commission, a mandate for substantive change will come down to numbers and in some sense the timing of the election.

Is it probable that an election will be called earlier? No, not least because the Coalition does not have the candidates on the ground and the question concerning Malcolm Turnbull's prospective resignation from parliament, potentially forcing a bi-election in Turnbull's seat of Wentworth. The Speaker of the House makes the call on a bi-election and may decide to defer until the general election. However, Malcolm Turnbull has not made an announcement on his position and he may stay to support Scott Morrison in his challenge to retain government. Regardless, Scott Morrison and Josh Frydenberg have a challenging task ahead of them to unite the party.

We will keep you informed of any changes as they are announced and will work closely with you to ensure that whatever happens and whoever is in government following the next election that your financial strategy is best able to adapt to any legislative and regulatory uncertainty. Please do not hesitate to contact us with any questions.

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.

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.

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Economic Update September 2018

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

US trade deals

- US strikes a deal with Mexico over trade
- Global growth under control
- Australia gets yet another PM!

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

The US reported progress on trade talks with the EU. Then the US struck a trade deal near the end of August with Mexico – and markets loved it. But then Trump talked of leaving the World Trade Organization (WTO) and the market pulled back a fraction. Big US tariffs on China imports are due to be imposed by September 6th if a deal isn't struck before.

Such is the Trump style of negotiating – big threats followed by deals. All this trade talk means short term volatility and long term growth. The US quarter two economic growth statistic was just revised up to 4.2% from 4.1% and recent China trade data were robust to the trade chatter.

The US Fed's preferred measure of inflation just came in at 2% - in the sweet spot. Chairman Jay Powell stated that the US economy is not overheating but the Fed is expected to raise rates a notch in September and possibly once more in December. All this hiking does is to get the rate back to the so-called 'neutral rate'. Monetary tightening only occurs if the rate is pushed up above the neutral level and that's not expected until at least mid 2019.

In spite of the S&P 500 reaching new highs at the end of August we see no reason to start reducing US equity exposure. But, of course, we monitor the situation.

The Bank of England raised its rate for the first time since the GFC. The economy was looking in a bit of trouble until last week when hope of a Brexit deal was heightened by favourable comments from Europe.

On the other hand, the Reserve Bank of New Zealand pushed back its forecast for its next rate hike until quarter three, 2020. We read all of these signals as showing that central banks are reacting in measured steps that can support continued synchronised global growth.

There are some difficulties in emerging markets. The Venezuelan and Turkish economies are still struggling and Argentina just raised its interest rate from 45% to 60%! We do not expect these emerging market issues to impact on global growth. China is ready to act when needed and President Xi was admonished for being too aggressive over US trade talks.

At home our jobs' report was very solid. The unemployment rate at last fell and full-time employment growth started to improve.

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

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