

Advice Matters

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Economic and market update

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What drove global markets in September?

Global shares made solid monthly gains of 2.2% in September in local currency terms.

US shares achieved record highs given President Trump's bold tax promises and solid economic activity data. President Trump announced a 'tax plan' in late September which includes a large corporate tax cut from 35% to 20% as well as significant income tax cuts. This was positively received by Wall Street. Solid US economic results featuring encouraging business surveys and job gains also helped US shares. The Federal Reserve (Fed) announced a plan to reduce their holdings of US government bonds and mortgage securities. However the Fed emphasised that this balance sheet reduction as well as further interest rate rises should be 'gradual'.

European shares made sharp gains of 4.3% in September. European economic data has been positive with robust business surveys and solid jobs growth. The German election result on 24 September suggests that Angela Merkel should continue as leader for a fourth term, thereby providing some comfort to investors concerned about political stability.

Asian shares also made solid gains. Solid Chinese business surveys and stable economic data proved supportive of Chinese shares. Japanese shares made strong gains given positive business surveys and despite concerns over North Korea's missile testing.

How about markets in Australia?

Australian shares disappointed in September with a flat return for the S&P/ASX 200 Accumulation Index. There were large falls in the Telecommunications (-4.6%) sector given competitive pressures with Telstra cutting their dividend. Utilities (-3.7%) also fell given concerns over government regulatory scrutiny as well as their sensitivity to higher bond yields. However there were some positive performances from the Health Care (2.2%) and Energy (1.2%) sectors, which helped stabilise the monthly return for Australian shares.

Australia's economy recorded improving data in September. Economic growth rebounded in the June quarter after a soft start to 2017. Jobs growth also picked up speed with the unemployment rate stabilising at 5.6%. Australian government bond yields increased in September with financial markets anticipating that the Reserve Bank of Australia may be raising interest rates next year.

The Australian dollar (AUD) fell slightly in September. The sharp decline in the iron ore price from US\$79 to US\$62 per tonne was a key negative contributor to the AUD.

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Financial Planning



Checking your super statement

Your annual super check up

Getting your annual super statement is a great trigger to do a quick review of your super. Here we explain what to check and what to do if you think there is an error.

What to check on your super statement

Whether you receive your statement by post, online or in an email don't ignore or delete it. Check the following details to see if you need to make any changes:

- **Personal details** - Make sure your address and contact details are correct so your money doesn't end up in lost super.
- **Balances** - Does the balance look about right, taking into account your starting balance, employer contributions, investment returns and fees? If something doesn't look right contact your super fund and ask them to explain.
- **Employer's payments** - Make sure you received all your employer contributions. Employers only have to transfer super contributions quarterly, however, they may choose to pay super more frequently.
- **Personal contributions** - If you've made personal contributions, either directly or through salary sacrifice, make sure they have been received by your super fund.

If you are concerned about unpaid super contributions, see the ATO's information on unpaid super.

- **Fees** - Do the fees look reasonable? Are they what you expected? And if you're not happy with the fees you're paying consider changing super funds.
- **Insurance** - Insurance is not a fee, it is a premium for personal insurance cover. Insurance through super can be a cost effective way of making sure you and your family will be alright financially if something goes wrong. Make sure you have the cover you need but are not paying for something you don't need.
- **Tax** - Employer and salary sacrifice contributions are taxed at 15%. Investment returns are taxed at a maximum of 15%. If you are paying a higher rate of tax than this your super fund may not have your tax file number. Check with your fund and give them any details they need.
- **Investments** - This is a good time to review your investment options and make sure they are still suitable for you. Most funds allow you to split your money across more than one investment option. Contact your super fund if you need help choosing the right options for you.

Check your super beneficiaries

A beneficiary is a person you nominate to receive your super benefits (death benefits) if you die. If you have not nominated one or more beneficiaries, the super fund trustee will decide who gets your super.

Beneficiary nominations can be binding or non-binding. A binding nomination is only valid for 3 years so it's important to make sure your nominations are up to date, especially if your circumstances have changed since you last made the nomination.

Problems with your super statement

If you don't understand the statement or think there is an error, contact your super fund and ask for a clear explanation. They may refer you to your employer if the issue is about how much super is paid into your account.

YOUR SUPER IS YOUR SAVINGS FOR RETIREMENT. MAKE SURE YOUR SUPER FUND HAS CORRECT DETAILS FOR YOU AND THAT YOU KNOW WHAT YOU'RE PAYING FOR!

Source: www.smartmoney.gov.au

Get your finances into shape

Being financially fit is about making sure all aspects of your financial situation are in order. But where do you start?

This questionnaire will help you identify areas of your finances that are healthy and strong and others that may need some improvements. It's a good starting point before visiting a financial adviser who can help get your finances in great shape.

Complete the questionnaire below:

1. Simply respond to each statement with 'yes' or no' if you're unsure tick 'no'.
2. If the question does not apply tick 'n/a' and add up your 'yes' & 'no' responses at the end to determine your financial fitness.

Categories	YES	NO	N/A
Super			
I know where I can find all my super			
I will have enough money (super and other) to support the lifestyle I desire in retirement			
I am aware of the benefits various super strategies including salary sacrifice, the government co-contribution, personal deductible contributions and spouse contributions			
I understand the type of investment strategy I have within my super and it is consistent with my risk tolerance/comfort level			
Investing			
I know where all my investments are, how much they are currently worth and what sort of returns I am getting			
I understand the fundamental principles of investing, such as compound interest, investment risk and gearing			
I know which types of investment suit my risk tolerance/comfort level			
I keep up to date with investment news and trends			
Income and cash flow			
I earn more than I spend and regularly save			
I know how to consolidate my debts to reduce the interest I pay			
I know how to maximise any Centrelink benefits or government assistance			
Insurance			
I know exactly what insurance cover I (and my partner) have			
If I became disabled or seriously ill tomorrow, I could still pay my mortgage and service my debts			
I have enough insurance to cover my family's needs should I pass away			
I understand the different types of insurance cover available			
Mortgage			
I am saving for a home deposit and have an effective savings strategy			
I am aware of all the different types of mortgages available and understand how they work			
I already have a mortgage and am paying more than the minimum monthly repayment			
I own my home and have paid off the mortgage			
Estate Planning			
I have an up to date will			
I know how my estate would be distributed if I died			
I have an enduring power of attorney			
I have nominated an executor for my will (with their agreement)			
The nominated beneficiaries of my super fund reflect my wishes			
Financial Outlook			
I have a financial adviser			
I have a plan for saving and/or investing money for short term goals (holidays, new car etc)			
Approaching retirement			
I am planning to retire in the next 12 months and understand how to structure my super and investments			
I understand how retirement incomes can work for me			
I know how much income I would receive from my investments as they currently stand			
I understand how a transition to retirement strategy can work for me			
I understand what my Centrelink and other government benefit may be			

What your score means

24 and over

Congratulations you seem very knowledgeable about your financial situation, but why not seek a second opinion if you don't have a financial adviser? They may be able to build upon the strategies you've already put in place. It's also important to review your investments on a regular basis to ensure you are still on track.

15 – 23

Well done, you seem aware of your financial situation but would benefit from some financial advice.

14 and less

Ooops! Although you have some understanding of your financial situation, you may need to make it a bigger priority. Why not make an appointment with a financial adviser and take control of your finances? They will review your financial health and suggest a basic strategy to help you maintain or improve your lifestyle now and in the future.

If your spouse is predominantly the homemaker and child carer, they should also ensure they have sufficient insurance.

If something should happen to the homemaker, the primary income earner usually has a limited number of options. They can reduce their working hours to look after the household and children, or they can hire someone else to do it.

But both options could have a negative impact on the household's disposable income.

A simple way to avoid putting a big dent in the household budget is to get the homemaker to take out insurances that can provide a lump sum payment if they suffer a critical illness, die or become totally and permanently disabled.

When deciding which of these insurances to buy, Critical Illness cover is potentially the most important.

This is because:

- Australian males and females between age 25 and 40 are, for example, three and five times respectively more likely to become critically ill than die¹ and;
- You need to be employed or self-employed if you want to take out Income Protection insurance

However, the homemaker should also consider Life and TPD insurance. This is because the death or total and permanent disability of the homemaker could have a devastating financial (as well as emotional) impact on the family.

Case study

Nicholas is married to Rebecca, who is taking time out of the workforce to look after their twin three-year-old boys. Nicholas is employed, earns a pre-tax salary of \$100,000 pa (or \$73,553 p.a after tax) and has already arranged a comprehensive package of insurances for himself.

However, they hadn't recognised the importance of insuring Rebecca and the financial impact of this oversight hit home when she was diagnosed with breast cancer.

During the three years it took Rebecca to make a full recovery, they spent a total of \$92,400 on childcare² and help around the home, as outlined below.

Also, things were particularly tough in the first two years, where these costs amounted to \$38,400 pa (of the total \$92,400 in

additional expenses in the above table). This represents a little over 50% of Nicholas's take-home pay, leaving him with little money to pay the mortgage and meet their day-to-day living expenses.

The financial impact of Rebecca's critical illness could have been reduced (or eliminated) if, after speaking to a financial adviser, she had taken out Critical Illness insurance to cover these and other costs.

¹Based on MLC Limited's claims experience.

²Net of Government rebates and benefits.

For more information

A financial adviser can help you determine how much cover the homemaker will need and in what circumstances. They can also review your insurance needs over time to help you make sure you and your spouse remain suitably covered.

Source: MLC

Commitments	Amount (pa)	Number of years	Total Amount
Full-time childcare	\$33,600 (\$70 per work day over 48 weeks for 2 children)	2 (until they start school)	\$67,200
After school care	\$6,000 (\$75 per week over 40 weeks for 2 children)	1	\$6,000
School holiday care	\$4,800 (\$300 per week over eith weeks for 2 children)	1	\$4,800
Housekeeping (part-time cooking and cleaning)	\$4,800 (\$100 per week for 48 weeks)	3	\$14,400
Total			\$92,400

Contact your local Adviser