

# Advice Matters

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## Economic and market update

ANZ Wealth Chief Investment Office | May 2018

### A month of two halves

- Global shares rose 0.4% in unhedged terms (1.3% hedged) in May as a strong start on the back of better-than-expected economic data and easing US-Chinese trade tensions softened a mixed second half as President Trump cancelled talks with North Korea, and as political uncertainty heightened in Italy and Spain.
- Over May, the US S&P 500 index increased by 2.2%. In Europe, the French CAC40 fell -2.2% while UK's FTSE100 rose 2.3%. The major bourses in Asia were lower.
- Threat of Turkey's President taking over its central bank spooked markets about emerging markets. The region was down -3.8%.
- Minutes from the US FOMC's May meeting revealed that officials are likely on track to raise rates in June. It also suggested the Fed may be willing to permit inflation to run higher than its 2% target.
- US 10-year Treasury bond yields exceeded 3% during May as prospects of higher inflation dimmed the appeal of longer-term debts. However, yields fell sharply in the final days of the month as troubles in Italy saw investors flee to the safety of US Treasuries.
- Australian shares rose, up by 1.2%. The housing market continued to rebalance as foreign buyer demand slows and bank lending standards tighten.

FOMC = Federal Open Market Committee.

### Major asset class performance (%)

Asset classes	1 month	12 months	5 years (p.a.)
Australian Shares	1.2	10.0	8.8
Global Shares (hedged)	1.3	11.3	12.2
Global Shares (unhedged)	0.4	9.8	14.9
Global Emerging Markets (unhedged)	-3.8	12.2	9.6
Global Small Companies (unhedged)	2.4	15.0	16.7
Global Listed Property	2.8	3.6	8.2
Cash	0.2	1.8	2.2
Australian Fixed Income	0.7	1.7	4.1
International Fixed Income	0.4	1.5	4.7

Source: JP Morgan & ANZ Wealth, 31 May 2018.

### Currency

Exchange rates	At close on 28/2	% change 1 month	% change 12 months
AUD/USD	0.76	0.2	1.6
AUD/euro	0.65	3.8	-2.1
AUD/yen	82.2	-0.5	-0.1
Trade weighted index	62.8	1.1	-4.1

Source: Bloomberg & ANZ Wealth, 31 May 2018. All foreign exchange rates are rounded to two decimal places where appropriate.

Please note: Past performance is not indicative of future performance.

#### GENERAL ADVICE WARNING

This publication contains general (including taxation) information only. It is not intended to constitute financial product advice. Any information provided or conclusions made, whether express or implied, do not take into account the investment objectives, financial situation and particular needs of an investor. It should not be relied upon as a substitute for professional advice. You should obtain and consider a Product Disclosure Statement (PDS) before making any decision to acquire a product.



Financial Planning



# Will the proposed superannuation changes *impact your* retirement strategy?

The announcements in this update are proposals unless stated otherwise. These proposals need to successfully pass through Parliament before becoming law and may be subject to change during this process.

## **Additional contributions opportunity for recent retirees**

From 1 July 2019, if you're aged between 65 and 74 and your super balance is less than \$300,000 you will be exempt from the work test that otherwise applies to voluntary super contributions. This applies only to the first year in which you fail to meet the work test requirements, but if you qualify you may be able to make substantial additional contributions to super.

## **New fee rules from 1 July 2019**

- Exit fees on all superannuation accounts will be banned
- Funds on accounts with balances below \$6,000 will see a 3% annual cap on passive fees, charged by superannuation funds.

## **Insurance in Super**

The Government's 'Protecting Your Super Package' includes changes for insurance within superannuation to move from an opt-out basis to opt-in, for members who:

- have balances of less than \$6,000;
- are under the age of 25 years;
- have an account that has not received a contribution in 13 months and are inactive.

These changes are intended to protect retirement savings from the costs of having premiums for unnecessary or duplicate insurance cover. The measures are proposed to start from 1 July 2019 and affected members will have 14 months to decide whether to opt-in to their existing cover or allow it to cease.

Your financial adviser can help you identify the appropriate options for you to protect the people who depend on you.

## **What Next?**

If any of these proposed changes raise questions, concerns or opportunities for you, speak with your financial adviser today.





# *Top tips* for making the most of your **tax refund**

## **Super-size this year's tax refund with a few smart strategies.**

What's not to like about tax time? For an hour or two spent completing your tax return, not only do you get your finances in order but you could be in line to receive a tax refund.

### **Save thousands on your home loan**

Using your tax refund to help pay down your home loan could see your ongoing regular repayments reduce and leave you mortgage free that bit sooner. Discover how much you could save on your home loan with a lump sum payment.

## **Prevent minor costs becoming major expenses**

Sometimes spending on essentials now can help you save in the longer term. Consider using your tax refund to take action on all those niggling must-dos you've been putting off. Whether it's a check-up at the dentist, a service for your car or just some much needed repairs around the home, it could prevent a relatively minor cost blowing out to a far bigger bill.

### **Add some gold to your nest egg**

We all look forward to the golden years of retirement and your super is there to help you grow a healthy nest egg. No matter how far off retirement is, using your tax refund

to make a contribution to your super today could make a valuable difference to your lifestyle when you're ready to hang up your work boots.

It may also provide immediate benefits. If you're a low to middle income earner, using a tax refund to make a contribution to your super could see you eligible for a government co-contribution worth up to \$500. Or, consider adding the money to a low income or non-working spouse's or partner's super fund to save up to \$540. Just remember to check the contributions caps to ensure it doesn't end up costing you more.

So why not try one, or all, of these tips to strengthen your finances this year? Better still, make it an annual habit to get even more value from your tax refund.

# 4 COMMON RETIREMENT FEARS

(and what to do about them)



**Retirement is not only a time to relax it can also be a journey of self-discovery.**

By facing your fears now and overcoming them, you can pave the way for a more rewarding future. Here are four of the most common retirement fears and some tips for dealing with them.

## 1. Boredom

We may not always find work fulfilling, but it does provide us with a sense of purpose and a reason to get up in the morning. Many people worry about becoming bored once that's taken away.

The solution is to think of retirement as your new job, but one designed by you. Start by brainstorming a list of things you've always wanted to achieve, from learning to paint and volunteering for a cause you believe in, to traveling Australia and growing your own veggies. Then write a step-by-step plan of how you can reach those goals. You'll never be bored — and soon you'll be able to look back with satisfaction on all you've achieved.

## 2. Poor health

Australians are living longer than ever before, putting us in the top 10 OECD countries for

life expectancy. But the older we become, the more likely we are to experience health issues, with more than one in five older Australians suffering from heart disease, stroke or vascular diseases<sup>1</sup>.

Fortunately, there are some simple steps many of us can take to stay healthier for longer. Prevention is always better than cure, so make sure you eat well, get daily exercise and have regular check-ups.

Think carefully before dropping your private health insurance, since the government's Lifetime Health Cover system is likely to mean that opting out now will cost you dearly if you re-join in the future<sup>2</sup>. Remember, too, that over 65s and over 70s, get higher rebates on private health insurance premiums, making them more affordable<sup>3</sup>.

## 3. Memory issues

Along with declining eyesight, memory problems are the bane of getting older but there's plenty you can do to keep your mind nimble and promote brain health.

The Alzheimer's Association has a simple five-step plan for keeping your brain in shape, from challenging yourself mentally to eating 'good fats' like olive and fish oils — see [www.yourbrainmatters.org.au](http://www.yourbrainmatters.org.au) for details.

## 4. Running out of money

The longer we live, the more money we'll need in retirement — and the greater the risk of running short.

The good news is that a little planning can make an enormous difference. Even if retirement is only a few years away, there's a lot you may still be able to do to maximise your savings before you finish work. And the right strategies in retirement can help you build a healthier and more sustainable income, without putting your financial security at risk.

A financial adviser can help you navigate the complexities of Australia's super and pension system and create a practical plan for a more secure and rewarding retirement. Because the sooner you start planning, the more time you'll have to create the future you want.

<sup>1</sup> Australian Institute of Health and Welfare, Australia's Health 2014.

<sup>2</sup> [www.privatehealth.gov.au](http://www.privatehealth.gov.au)

<sup>3</sup> [www.privatehealth.gov.au](http://www.privatehealth.gov.au)

**Contact your local Adviser**