PATRON
Financial Advice

## Money Matters - November 2016

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.

# Economic Update November 2016

**By Ron Bewley*. Brought to you by Infocus**

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

Global economic growth story strengthens!

- US, UK and EU economic growth surprise on the upside

- China growth strengthens

- Australian inflation strengthens

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**
Last month we reported that Australian economic growth surprised with a more than solid +3.3% for the year. This month we can add that United Kingdom (UK) growth came in above expectations at +2.3% for the year – in spite of prior concerns about the negative impact of Brexit. United States (US) growth rounded off the month with a much better than expected +2.9% while the European Union (EU) delivered a more modest, but most welcome surprise on the upside, +1.6%.

China came in again at +6.7% growth but the partial indicators of Retail Sales and Industrial Output backed-up the story. Other indicators were even stronger.

What is really important is that, at last, interlinked growth is emerging as export markets open for each other. Sadly growth in Japan is still struggling but it has been struggling for more than two decades. Japan's main problem is a falling population. Unlike many other countries, including Australia, net migration inflows help stimulate growth.

While one should never get too excited about one good month's data, it is the co-ordinated growth that is starting the buzz. As a result, bond yields are starting to rise and that may put a bit of a dampener on our high-yield equities.

At home, inflation also surprised. It came in at +0.7% for the quarter or +1.3% for the year. But that, on its own, is insufficient to change the Reserve Bank's (RBA) view on what to do with interest rates.

The new inflation data means that the RBA does not have to cut rates for that reason – nor does it have to hike to control inflation. It was a 'Goldilocks' number.

But our employment data continues to worry us. Jobs are increasing in a trend sense – and the unemployment rate is falling. But what continues to happen is a substitution of part time work for full time. Given that the average working week for full-time workers is 39 hours and only 17 hours for a part-timer, the individuals concerned are doing it tougher – but the collective, Australia is doing better!

The US is going to provide even more of a lead than normal in the coming months. The Trump v Clinton election is not as simple as previous elections. The FBI just weighed in by reopening the emails case on Clinton. Trump continues to take flak from all sides. Rightly or wrongly on each side, such a situation spells market volatility in the short run.

In the medium to longer term, even US presidents don't have that much power. They need the backing of Congress.

The US Fed is possibly going to hike rates by 0.25% in December. Last December, when they hiked for the first time in nearly a decade, they predicted four rate hikes for 2016 but so far there have been none. While many economists, and some Fed members, are calling for the Fed to get the process moving soon the Chair, Janet Yellen, has left the door open for more of a wait and see approach. She has stated that she wouldn't mind if the US economy ran a little too hot for a while.

So long run economic and market prospects are building strength and the so-called 'earnings recession' for listed companies on Wall Street seems to have already turned the corner. Once they have a new US President sworn in, we could have a nice settled, but growing, market. Until then, we might find the road a little bumpy.

To continue reading please visit: http://www.infocus.com.au/news/economic-update-november-2016

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# Changes to Centrelink in 2017

**From 1 January 2017, Centrelink is introducing changes to the Age Pension Assets Test. More than 300,000 Australians will be affected, so it's a good idea to understand how the changes could impact your pension eligibility and payments.**

**What do the asset test changes mean to you?**
Let's start with the good news. The government is increasing the value of assets that you can own when assessing your eligibility for the full Age Pension. For couples who own their own home, the level increases by $78,500 to $375,000. For single homeowners, the level will rise by $41000 to $250,000.

**Part pensions and taper rates**When you have assets that exceed the asset test limits, your pension will be reduced to provide you with a part pension. Currently, the pension rate payable reduces by $1.50 per fortnight for every $1,000 of assets you own above the relevant limit. For example, if you own $10,000 worth of assets over the Assets Test limit, your pension will reduce by $15 per fortnight ($7.50 per fortnight each for couples). This is known as the 'taper rate'.

**From January 2017, the taper rate will increase to $3.00 for every $1,000 of assets you own over the threshold.**
So, if you own $10,000 worth of assets over the Assets Test limit, your pension will reduce by $30 per fortnight.

**While $30 fortnightly may seem manageable, over a year it equates to $780. That's $780 that you could be using for a weekend away, servicing your car, budgeting for Christmas or even a regular visit to the movies.**

Additionally, the Assets Test limit to receive a part pension (and the pensioner concession card) will decrease.

If you own your own home, the Assets Test limit for a part pension will decrease to $816,000 for couples and $542,500 for singles.  If your assets exceed these thresholds, you will no longer qualify for the part pension you have received in the past.

**Act now to optimise your pension eligibility and income**
Before the changes come into effect in January 2017, there are a number of strategies that may help you maximise your pension benefit.

Just some of the strategies that you could consider:

- **Contributing to your spouse's superannuation**
If your spouse is still under the pension age, making additional contributions to their super fund could make sense. Funds in super during the accumulation stage do not count in the Assets Test.

- **Improving your principal home**
As your home is not assessed under the Assets Test, it could be an ideal time to invest in home improvements. Perhaps the kitchen you've been dreaming of or a new back deck.

- **Gifting early**
Helping your family out with an early 'inheritance' could help your situation too. When receiving a pension, you can gift up to $10,000 each financial year. You can gift a maximum of $30,000 over five years without impacting your Age Pension entitlements. If you or your partner are still more than 5 years away from reaching Age Pension age, larger amounts can be gifted.

- **Investing in a lifetime annuity**
Investing in a lifetime annuity can help provide a regular income throughout your lifetime. Long term annuities could help provide a favourable assessment in Centrelink Assets or Income Tests.

- **Purchasing Funeral Bonds**
While it's something many of us would rather not think about, a Funeral Bond offers a practical way to reduce your assessable assets. With a Funeral Bond, you can invest up to $12,500 to cover future funeral costs. At the time of your death, the bond and any investment earnings, which are tax free, can be redeemed for cash. Where funeral expenses are less than the balance of the investment, any remaining funds are then paid to your estate.

**It's all in the timing...**As changes come into effect in January 2017, the time to think about your future pension eligibility and entitlements is right now. A little planning now could make all the difference to your lifestyle in the years ahead and to the security of your assets and estate.

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

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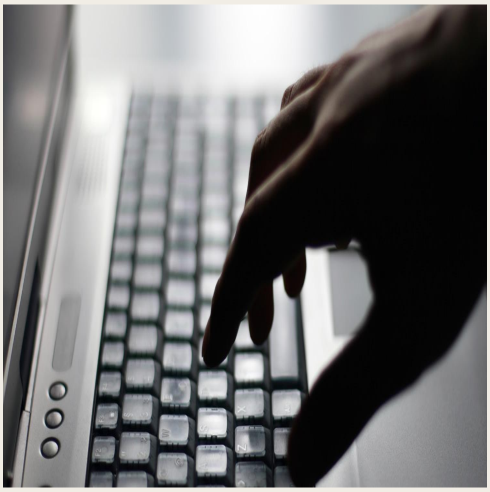
# Fraud: How to spot a scam and how to keep yourself protected



### How to spot a fraudster…

Take a look at the below list of scenarios which should alert you to a potential scam.

**Requests to send money to someone you don't know**

This can happen over the phone, the internet or even in person. If anybody asks for your bank account or credit card details, be sure to ask yourself these quick questions: Do you know them? Do you trust them? Do you want to do this? If the answer to any of the above is 'no', then keep your information to yourself.

**Requests for personal details from unknown individuals**

If you are asked for details such as full name, address, age, bank details and credit card number by an unknown company or individual think twice before you speak. A scammer may not collect this information all at once, but over a prolonged period of time so as not to appear suspicious. Be wary of providing such information to people that you do not know.

**Requests to reconfirm bank, credit card or general payment details**

Phishing, when a scammer will attempt to attain sensitive personal information via an electronic communication, is highly common in our technologically advanced society. You may notice this in the form of an unsolicited email disguised as a legitimate communication by your bank or other company you deal with regularly. If you receive any emails asking to reconfirm your bank, card or payment details do not click on any links or enter any information. Call the company directly (do not respond to the email) to confirm the legitimacy of the request.

**Superannuation Scams**

If you receive a communication or a phone call offering you 'early release' on your Superannuation fund it is most definitely a scam. You cannot legally gain access to the 'preserved' part of your superannuation fund until your reach the 'preservation age' which is pre-determined by your individual fund. Certain exceptions apply, such as severe financial hardship or compassionate grounds, but otherwise if anyone claims that they can provide you with early access to your fund do not respond. Contact your super fund personally to investigate further.

**Pressure to agree to something on the spot**

Although this might sound vague, it is often easy to get caught up in a great 'sales pitch' and spontaneously agree to a policy, or sign a contract, without sufficient time to read the terms and conditions etc.  A scammer may try to rush the process, and pressure you into agreeing to something that you've not had time to properly consider. Whether over the internet, over the phone or in person, be sure to set some time aside to evaluate your decision before you commit to anything.

**How to protect yourself**

1) Don't use repeat passwords for your online accounts, be sure to include a mixture of letters and numbers to increase security.
2) When shopping online, check for the 'padlock' icon located at the top of your window, this confirms that the page is secure.
3) Do not respond to (or click on any links) in suspicious emails.

4) If you're asked to reconfirm bank details, always check with the organisation via phone before providing any information.
5) Take some time to think. If you're asked for any sensitive information, question the legitimacy before you take action.

Sources

•www.scamwatch.gov.au
•www.businessinsider.com
•www.drivingbusinessonline.com.au/security/fra
prevention•www.moneysmart.gov.au/media/400
credit-report.pdf

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

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