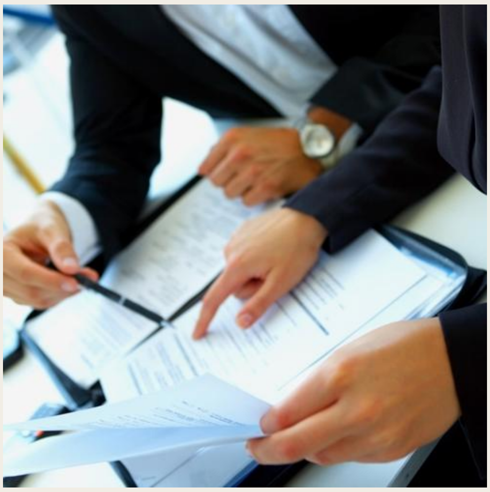
PATRON
Financial Advice

Money Matters April 2017

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 April 2017



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

Global conditions continue to improve

- The "Fed" hikes rates but markets liked it
- China continues to impress
- The United Kingdom (UK) manages Brexit well

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

March could have gone either way. We were waiting for: a big rates decision by the US Federal Reserve ("Fed"), Trump's first bill through Congress on Obamacare; the UK actioning of "Brexit"; and the usual plethora of statistics.

March turned out much better than most expected – particularly for the Australian stock market. Janet Yellen, the Fed chair, must take most of the credit. She played the markets beautifully by talking up – well before the meeting – the number of rate hikes for 2017 and the renewed strength of the economy under Trump.

The market locked in an almost certain March hike. The market had already priced in the hike so that wasn't taken as a negative signal when she pulled the trigger. And Yellen said at the press conference the hike showed the economy had sufficient strength – but she hosed down notions of more than the three hikes the Fed had flagged after last December's meeting.

The net result was that markets were very happy because all the recent talk of four or more hikes had gone away. It felt like a rate cut! The United States (US) jobs data were very strong in March and inflation was just under the target rate. A great economic mix!

The Republican Party embarrassed itself by not agreeing on the changes to Obamacare (Affordable Health Care Act). There is a new faction of about 30 Republicans – including the Tea Party members from the Sarah Palin days – that have extreme right-wing views. In short, the so-called 'Freedom Caucus' simply disrupted.

Trump handled the defeat well. He just moved on to the next bill which is on tax reform. In some sense that has accelerated the short-term economic plan – and markets liked that too.

Is it not surprising, therefore, that the US recorded its highest consumer confidence reading in 16 years – and it was much, much stronger than the month before. The media are less than kind to Trump but the population obviously loves what he is doing.

China also impressed with a very good manufacturing number, reasonable retail sales, and a target of 6.5% economic growth for 2017. On top of that they recorded the strongest producer price inflation in nine years. That sort of inflation is very good because it measures how much businesses are earning.

The UK has now actioned 'Article 50' which means the Brexit must be complete by March 2019. The UK economy jogs along at a brisk pace against the predictions of the many who thought it 'would mark the end' for Britain.

Sydney house prices posted another strong quarter making for a very rapid rise since late 2013. However, if we go back a decade further, Sydney house prices were flat or down when compared to the CPI! At one point, the market was down nearly 15% against the CPI from late 2003. The market has just played catch-up.

It is a fact that average house prices usually go through extended periods of stagnation followed by a handful of years of rapid growth. From 2003 to today, Sydney prices have only averaged +2.5% p.a. faster than the CPI. Yes – that makes it harder for people to get into the market. But it is not the stuff of bubbles and property crashes.

In our opinion, the banks are safe from a housing crash so the ASX 200 is safe and the RBA has room to cut rates to help the sagging labour market. So why don't they? The big banks are starting to raise rates on their own!

One should never rule out markets being side-swiped by some unpredictable event. But conditions seem very stable for the medium term. Market volatility has been unusually low through March.To continue reading please visit http://www.infocus.com.au/news/economic-update-april-2017.

Are you over 30? You need to read this…

Superannuation is, and will continue to be, a hot topic in the financial advice industry. No matter what your age, once you begin your working life superannuation should be in the back of your mind, but MoneyTalk magazine have uncovered some confronting statistics that it's worth thinking about if you're around the age of 30.

If you're 30 years old today, you have 35 years left in the workforce and need to save enough superannuation to fund you for 35 years of retirement. Now, many of you may be thinking – 'Hold on a minute, I don't need to save for that many years!' well, with the ever increasing medical improvements you just might. The median age of death is increasing by 0.6 years every year, and currently sits at age 84. If this rate continues, by the time today's 65 year old's reach their mid 80's, life expectancy could have been bumped up to around 94 years old!

If you're in your 30's or 40's today, it's not unlikely that you could need to fund your retirement until the age of 100 – an intimidating prospect for many. If you're going to live to 100, and only work until you're 65 it is estimated that you'll need a nest egg of $3,000,000 – but how are you going to achieve this?

1. Review your superannuation fund now

When reviewing your superannuation fund, take a detailed look at the investment returns and any fees to be paid. Take special notice of tax being deducted from your account before payment needs to be made, this can equate to thousands of dollars' worth of lost investment returns over the years.

2. Consider making extra contributions

The younger you start contributing extra funds to your superannuation account, the better off you will be. However, there are strict limitations of how much money you can contribute to your fund, and in what capacity you can contribute- familiarise yourself with these rules so as to avoid any mistakes.

3. Build up non-superannuation investments

Think about bettering your financial situation as a whole, rather than focusing solely on your superannuation. Think of how best to build your investments outside of your superannuation, with a view to eventually transferring them into your super in the most tax efficient way. You Financial Adviser can help you to plan this out.

4. Consider gearing

Borrowing to invest money is not suitable for everyone, be sure to speak to you Financial Adviser if you are considering this as an option to boost your superannuation. If done correctly, gearing can be used both inside and outside superannuation.

No matter what your current age, you must consider and plan for your financial future – invest your time as well as your money into superannuation planning.

Source: Money Matters Magazine, December 2016.

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

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What's your credit personality?

Have your heard of the 'VedaScore'? Well if you haven't, it's worth learning about… A VedaScore is an automatically calculated credit score calculated by the company Veda – which is the largest credit bureau in Australia. [1] The score analyses how credit worthy you are as an individual, based on your past spending habits, and is used by creditors to assess an application for a loan or line of credit that you may apply for. All credit information provided to a company by the VedaScore is used to determine your financial capability over the next 12 months.

After conducting a survey of 1,000 people, Veda has been able to outline four archetypes when it comes to credit. Take a look at each of the below and see where you fit into their results as per the Veda Australia Credit Scorecard 2016.[2]

The Financial Fumbler

21% of Australians are expected to be in this category. The financial fumbler will live from payday to payday, is not successful at setting of following budget plans and generally has not yet set up any long term financial goals. They aspire to have a prosperous financial future, but are unsure of how to achieve this. This group is typically made up of millennials.

The Slapdash Striver

25% of Australians are classed in this category. The slapdash striver is impatient, and will happily take on credit to achieve their present day goals. This type of person sticks to a loose budget but does not plan for unexpected expenses, with a little education can be expected to utilize credit to their advantage in the future. This group is typically made up of a mixture of millennials and Gen X.

The Secure Saver

28% of Australians suit this category. The secure saver is in full control of their finances, stricts to strict budgets and is a great planner. These people accept only low levels of risk and does not feel that a professional financial planner is necessary to help manage their finances. They like to stay ahead when it comes to savings and have a real interest and understanding of their finances. Gen X and Baby Boomers sit in this field.

The Money Master

26% of Australian's are money masters. These individuals consider themselves experts in the financial field and tolerate high levels of risk in exchange for high returns. Educated credit decisions lead them to often seek out the best deal, and they have detailed long term financial goals in place This category is made up of Gen X people.

Consider the four profiles discussed and try to place yourself into one of the credit categories. Do you trust yourself with your own money? Are you educated enough on credit? Do you require any financial assistance to get you on the road to becoming a money master?

Source: MoneyTalk Magazine Dec 2016.

[1] www.finder.com/vedascore

[2] Veda Australian Credit Scorecard 2016

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