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GOLDSBOROUGH news

GOLDSBOROUGH FINANCIAL SERVICES

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ECONOMIC UPDATE

How good is your memory? Back in mid-February 2016 the Royal Bank of Scotland (RBS) advised their clients to brace for a "cataclysmic year", a global deflationary crisis, warnings that major stock markets could fall by up to 20% and the oil price may plummet to $16 a barrel.

It made for some interesting media headlines for a couple of days and was a topic of discussion at that time here at Goldsborough.

The All Ordinaries Index at the time of this announcement was at approximately 4,870 points. As I write this article, the All Ordinaries is sitting at approximately 5,570 points. If you were invested in this market, and heeded the RBS 'advice', you would have missed out on a 14% rise in your portfolio! Over the past six months we have certainly seen some significant volatility in the Australian share market, but the general trend has been a positive one. August has seen a significant volume of company profit announcements in Australia. Share prices have certainly reacted in line with the profit announcements.

Having left interest rates on hold in June and July, the Reserve Bank of Australia (RBA) cut the official cash rate to 1.5% on 2 August 2016. Most banks handed on only a part of this reduction of 0.25% to mortgage holders. Interestingly, they chose to increase term deposit rates for the first time in quite a while. We continue to see interest rates remaining at these record low levels for the foreseeable future, particularly given how soft the Australian economy continues to be.

Malcolm Turnbull retained the prime-ministership here in Australia following the Federal election in July, albeit with an extremely slender majority in the House of Representatives and a Senate that now has significant representation from minor parties and independents. Market reaction to the election result was predictably benign at that time. At the time of writing this article, Parliament is about to resume with the budget papers to be some of the earliest agenda items discussed. This includes some significant changes announced to superannuation.

The Brexit referendum was held in late June with the leave vote winning 52% to 48%. This had significant and immediate ramifications for share markets around the world. However, within a week or so it seemed to have been forgotten, markets had recovered and life continued on its merry way. Politically, the leave vote cost then UK Prime Minister David Cameron his job and the ramifications are going to take number of years to unfold.

The US economy continues to move forward on the back of interest rates remaining at record lows and unemployment numbers continuing to improve. With the US election coming up in November, we could see some increased volatility in share markets globally due to the uncertainty of the result (particularly with Donald Trump as the Republican candidate). I am sure that we're going to see an interesting array of headlines in the media in the lead up to the election. As with the RBS announcement back in February, I would encourage you to not react to the headlines. Rather, wait and see what the longer term ramifications might be.

BRENTON MIEGEL
CFP®
Authorised Representative (227297)

Rethinking Retirement

Fresh Retirement expenditure research released

New research results should change the way we think about retirement, including those who shape the legislation for superannuation and the Age Pension.

One of the most interesting findings to come out of the report was the amount you spend in retirement wasn't so much determined by the amount of money you have and income you receive but more about where you live geographically. With people living in Sydney requiring on average $44,000 pa, $34,000 pa for those living in Melbourne and $25,000 pa in Tasmania.

The research found that 80% of retired households reported expenditure levels that were considered to be of a basic standard for retirees ($23,797 for singles, $43,226 for couples). This is compared to the more commonly referred to ASFA retirement standard where a notional budget outlines a comfortable lifestyle for retirees at $43,062 pa for a single and $59,160 pa for a couple without much variance from state to state.

This most recent research tends to be a truer reflection of my experience as an advisor where on average retired couples spend a similar amount regardless of the amount of money they have invested and that the ASFA retirement standard is too high for Adelaide on average.

They found those retiring with a high level of income tend to be saving a large proportion of it and the majority of households that fit within the 80% bracket, their household expenditure and income levels are quite similar. I would suggest this is due to Centrelink's means testing which balances out the amount of overall income clients receive.

Other findings of note were that;

1. A retirees household expenditure does not decline through the course of retirement
2. The key expense for retirees is groceries and meals eaten out
3. 15% of all retirees are renters and 8% have mortgages

With all the talk in the media about how much money you need for retirement there is an environment of *'myths and fear'* about what retirees need. With the old *'you need $1 million in superannuation to be able to retire'* being one example.

This new research was commissioned by AIST (Australian Institute of Superannuation Trustees) is based on 12 years of data from the Household, Income and Labour Dynamics (HILDA) survey of about 8000 households.

It can be a worthwhile exercise to have projections done with the help of a financial adviser to help you determine whether you are on track in meeting your desired level of retirement income and retirement date.

SAM MARTIN CFP®
Authorised Representative (252676)

Super changes *are on their way!*

Federal parliament resumed in early September for the first time since the July 2nd election. Whilst the Turnbull government was returned to power, they returned with a reduced majority of one seat in the lower house and a nine seat deficit in the Senate.

The government will introduce a raft of budget and economic measures, with one of the biggest being a $6 billion super reform package as announced in the 2016 budget.

Although the government initially indicated there would be little room for negotiation on the super reforms, it's limited majority means that it will have to compromise. In recent weeks, both parties have been very vocal and made welcome, albeit tentative, pledges to tackle the much needed budget repair. Above this noise, it's important to remember that the main objective of the super changes is to protect the integrity and sustainability of our superannuation system.

The table below illustrates both the government and oppositions position on some of the more hotly debated super changes.

Government's budget plan	Opposition's proposed changes
Introduce a $500,000 lifetime cap on non-concessional super contributions, backdated to 1/7/2007.	Will agree to the $500,000 cap on non-concessional super contributions, but only if previous contributions not counted.
Drop the annual income threshold at which they tax the rate of worker's superannuation from 15% to 30% from $300,000 to $250,000, and limit pre-tax contributions to $25,000 for all.	Want to go a step further and drop the annual income threshold at which the tax rate of worker's super contributions rises from 15% to 30% to $200,000.
Allow 'catch-up' concessional contributions on a rolling basis for up to five years for account balances under $500,000.	Want this change scrapped in favour of the status quo.
Remove the work test for voluntary contributions for workers aged between 65 and 74.	Wants this change scrapped in favour of the status quo.
Remove restrictions that prevent some workers being able to make voluntary concessional contributions due to their type of employer.	Wants this change scrapped in favour of the status quo.
Impose a $1.6m cap on the amount of superannuation that an individual can transfer to pension phase.	No cap on pension balance, but tax pension earnings above $75,000.

Most of the proposed changes will be implemented in one form or another on 1 July 2017. No matter how the final deal is sliced, the outcome is that Australians will have fewer tax concessions, and limits on how much can be contributed to super. Even after the changes, superannuation will remain one of the most tax-effective investment vehicles. The changes may create some difficulties for those approaching retirement in the next few years, but the key message is to make the most of what you can do now, and start early.

CRAIG KIRKWOOD ADFP
Authorised Representative (401525)

The power of diversification for your SMSF

One of the best ways to manage risk and increase portfolio returns is to ensure your self-managed super fund (SMSF) appropriately diversifies its assets. But as the Australian Taxation Office's ***Self-managed super fund statistical report***[1] released in March 2016 shows, the lion's share of SMSF assets are concentrated in Australian listed shares, as well as cash and term deposits.

Here is a small snapshot:

	SMSFs with $1 million to $2 million in assets	SMSFs with $500,000 to $1 million in assets	SMSFs with $50,000 to $100,000 in assets
Australian listed shares	30.62%	28.94%	23.86%
Cash and term deposits	31.70%	33.71%	52.13%
Non-residential property	11.29%	9.94%	1.69%
Overseas shares[2]	0.28%	0.26%	0.42%

[1] *ATO Self-managed super fund statistical report March 2016.*

[2] *Figures exclude overseas exposure from managed funds.*

Different types of investments perform better under different market conditions. By choosing investments from within a small range of asset classes you may be exposing your SMSF to the risk that its assets could all underperform at the same time. By increasing the number and type of potential assets classes — also known as diversifying your portfolio — you can reduce this risk.

Managed funds can help diversify your SMSF

Different types of asset classes, such as overseas shares, bonds or even infrastructure, may not always be easily accessible and can be daunting to invest in if you are not familiar with these markets.

One way you can overcome this and help to diversify your SMSF is to invest in managed funds. There is a wide range of managed fund options to consider, letting you easily diversify the types of investments your fund holds and reduce concentration risk.

Professional fund managers have access to research and resources to help them select and manage the investments. Because fund managers are responsible for the portfolio, they are constantly assessing market conditions and new opportunities, and in some cases, they can give you access to investment opportunities only available to professional investors.

Managed funds do have fees, and it is important to be mindful of these. Make sure you talk through the right approach for your circumstances with your financial adviser.

LACHLAN HARVEY CFP®
Authorised Representative (227293)

2016 VARIETY BASH *Review*

As we pulled into Clare on the final day of this year's Variety Bash, the streets were lined with exuberant kids cheering and waving as they jostled for lollies and toy handouts from the Bashers, much to the begrudging approval of the parents who had to manage the impending sugar rush…

Among the crowd were those young kids who can't jostle, jump or run around chasing treats. Their disability prevents them from such activities but the sheer joy from simply hand delivering a lollipop to them is boundless; I'm referring to the joy it brings me.

This year's Variety Bash raised $2.64 million to help the children who need it most. I'm fortunate to have three healthy children but it's events like the Variety Bash that remind us lucky parents with healthy kids just how fortunate we are.

We traversed across the Eyre Peninsula and then up north of Kingoonya. The boundless plains of red dirt have been overrun with green foliage from the winter rains giving us a rare glimpse of our arid interior at its prime. Along the way, we handed out over $500,000 in grants to the local communities, be it for a child requiring a new wheelchair or a whole playground for a special needs school class. These kids often live outside society's support networks and the difference we can make to their lives is overwhelming.

Over the years, many people have said to me "I'd love to do the Bash" drawn by the appeal of driving old cars, or seeing the outback, or even the 9 days of a fancy dress party... It does take a lot of effort to set up a Bash Car but the motivation side is easy as all Bashers are richly rewarded along the way from the gift of giving. So if it's on your list of goals, I'd be happy to have a chat about what first steps you can take.

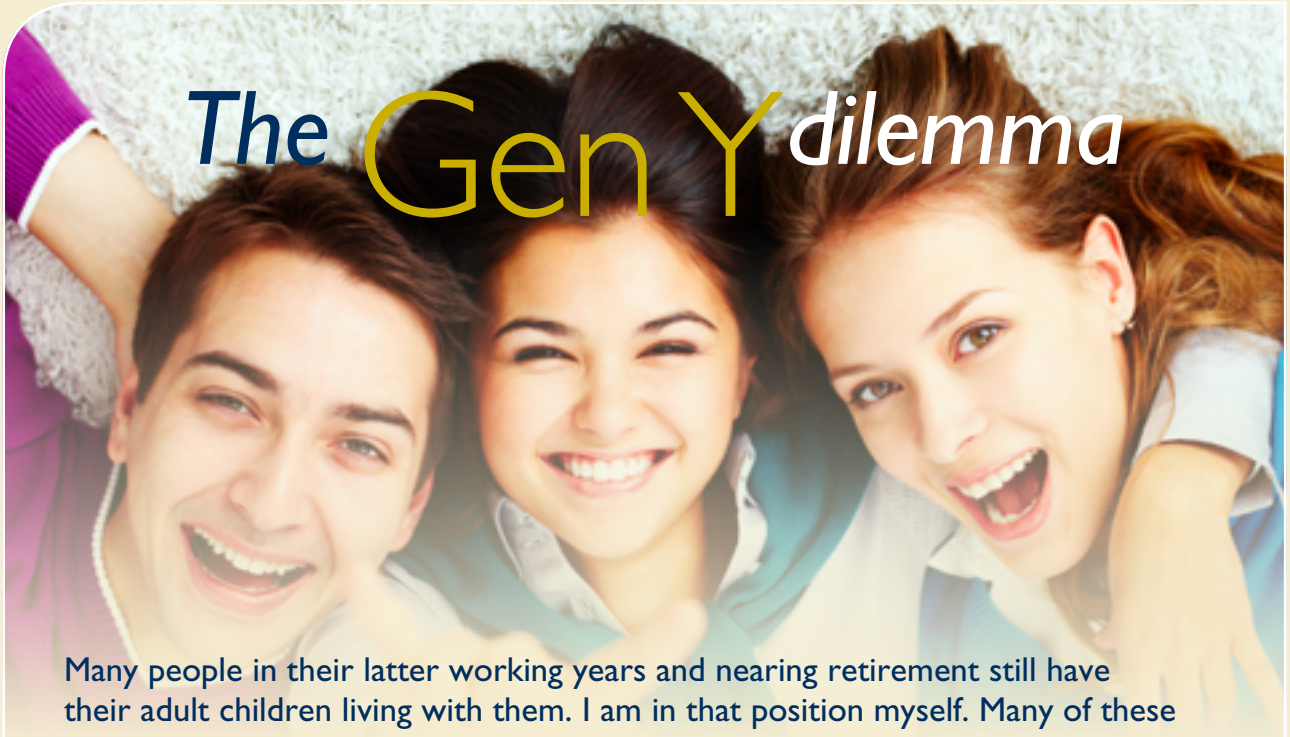
WILL CHAPMAN DipFS(FP)
Authorised Representative (311745)

REMINDER!

Asset Test Changes *in effect from* 1 January 2017

A friendly reminder that significant changes to Centrelink's Asset Test rules will come into play from 1 January 2017. If you haven't already discussed these changes with your Adviser, or still have questions as to how you might be impacted, please don't hesitate to contact them asap.

The Gen Y dilemma



Many people in their latter working years and nearing retirement still have their adult children living with them. I am in that position myself. Many of these parents are also still covering the cost of their childrens expenses themselves. It is not surprising that this occurs given how challenging it is for them in the work environment and the cost to get into the housing market, which seems nearly impossible in the current day.

We tend to financially assist our children, sometimes significantly and often to the detriment of our own retirement planning. It certainly makes financial sense to the children to continue living at home but they do need to learn important lessons about money which will assist them to break the dependence cycle. Some recent articles I've read provide some useful tips so I will share them with you. I am not suggesting that you should not assist them but they do need to understand the impact on your finances.

Firstly be clear about the level of financial assistance you will provide. It's important to set limits of financial support and explain how much and why these limits apply. Being an ATM for your children does not teach good money management. Work with them to develop a budget by documenting living expenses and debts. Determine a reasonable level of support towards these expenses and stick to those limits.

Once an agreement is made, review it with them on a regular basis. After they have shown discipline in sticking to their budget then help them set some savings goals. Learning how to establish short and long-term savings goals is very important. Incentivise your children by perhaps subsidising the savings either on an ongoing basis or a bonus if they achieve that goal.

If you are going to loan them larger amounts it should be done in an official way by a properly structured loan agreement. You should charge interest and set a repayment schedule in writing. They would have to do the same if they had borrowed it from the bank.

Ideally the children should be charged some level of board. I have been guilty myself of not doing this in the past. Let them see the bills you have to pay on an ongoing basis. It doesn't have to be a significant amount but it will help them understand the value of money.

You could either put the board money towards your costs or as many parents I'm sure would do and that is to save it in a separate account and grant it to them as a leaving gift when they eventually do move.

I expect some parents reading this will think I'm being a bit tough but we do have a responsibility as parents to teach them to be financially responsible and I have no doubt they will thank us one day.

JOHN OLIVER
CFP®
Director
Authorised Representative
(No 227298)

THE Super Gap

It has been over 100 years since women in Australia were given the right to vote. And while substantial progress has been made towards equality, most of us understand and appreciate that there remains a gap between men's and women's salaries in Australia. For many reasons, there still exists a 19% gap in salaries between genders. What most people don't know, is that translates into a 47% gap between our superannuation balances at retirement.

Based on recent figures, women are retiring with $90,000 less in their superannuation than men and that means that many women are living below the poverty line in retirement. By 2030, it is estimated that the gap will have narrowed to 39%, but this is still quite a concerning difference.

There are a number of reasons why women are at a disadvantage in retirement, these include;

Super is based on a percentage of what employees earn, currently 9.5% pa. As women are paid less on average, this means that many women are receiving lower contributions from their employers. Over time there is a compounding effect on invested contributions and lower contributions in the early years of a super fund can mean a significantly lower retirement balance.

As many women take breaks from the workforce to have families and take time to raise children, there is a period of time where many women are not receiving any super contributions.

While women live longer than men, they often retire earlier too, which means they need more money to retire comfortably than men, not the other way around.

There are some things that women can do to help improve their retirement outcomes. These include consolidating their super into one account to reduce fees, choosing the right investments inside of super, salary sacrificing and making additional after tax contributions. The May 2015 budget included a proposal to allow catch up contributions for people with super balances of less than $500,000, which if passed, may assist women to top up their super balances for retirement. These sobering statistics also highlight the importance of having adequate risk insurance in place. It is important to get good advice early on to help close this gap.

MICHELLE SANCHEZ-MCCALLUM
Authorised Representative (325471)

Let's Celebrate!

We have celebrated several significant birthdays this year with Advisers **Sam Martin, Lachlan Harvey, Craig Kirkwood** and **Will Chapman** all turning 40 (we swear they don't look a day over 20)!

We wish all four the best of luck for the coming years, and thank them for their continued contribution to their clients and our business as a whole. Here's to good health and happiness!

Chris's Cruise News

It's not long now before I fly off to Europe to enjoy a wonderful 15 day cruise on the Danube from Budapest to Amsterdam and I would like to thank the clients of Goldsborough who have given me some tips about what to take. I thought I'd share some of these tips with our readers — who knows, they might come in handy for your next trip?

1. Shoes A gentleman told me to take two pairs of good walking shoes and I have already been busy breaking them in as there are a lot of walking tours at each of the stop overs on my tour.

2. Outfits The ladies I've spoken with have been very helpful telling me to take 'mix and match' clothing with one pair of high heels for the dinners along with one formal outfit. Several clients have already done this cruise and they have given me ideas on where to go and what to see.

3. Security Another bit of advice was to buy a cross body travel bag (they are like a handbag) that cannot be cut or my details scanned through it especially my bank/travel cards or passport information.

I am flying into Prague for a few days prior to the cruise and am looking forward to seeing the old buildings in this beautiful city. I have been told to go early in the morning to see the beautiful Charles Bridge as it is a popular tourist spot — and I'll want the best vantage spot! Also when going into the 'old town' which is another lovely spot, I've been told the best way to do sightseeing is by horse and cart. As for food, the tip is to try the 'Trelinks Pastries'.

After a few days I'll catch the train to Budapest and have an extra days' site seeing before boarding the River Boat and starting the cruise on the Danube. I am looking forward to relaxing while enjoying the wonderful views on the way to Vienna and a 'must see' for me is the Vienna State Opera and the Museum of fine arts. With our meals we will have a chance to taste the local wines from each of the regions as we travel along the Danube. I must say I am looking forward to comparing the wines with our wonderful South Australian wines!

Another fascinating stop over is Nuremberg where I hope to learn about its role in World War II. The cruise will then glide through the stunning Rhine Gorge where I'll get to look out at the steep slopes covered in vineyards and dotted with ancient castles.

Another highlight I have been told about is when in Amsterdam go into Haarlem and sit in the town square which is surrounded by restaurants and watch the world go by.

On the way home via Dubai I will be visiting the Miracle Gardens which I have only seen online and am thoroughly looking forward to. From here, it will be homeward bound for some well earnt rest before my return to work.

I'll be sure to take some "happy snaps" to share in our next Newsletter later in the year!

CHRIS MURPHY
Receptionist

UPCOMING seminars 2016

TUE 11 OCT
TUE 8 NOV
2.30pm and 6.00pm

Retirement & Redundancy

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Goldsborough is a referral based business

The biggest compliment any client can give us at Goldsborough is the referral of a friend, relative or business associate who could benefit from our services.

As an indication of our appreciation for the referrals that we receive from our clients, we have instituted a quarterly draw where the names of the referring clients for that quarter are put in a box and one is drawn out.

The winner of the draw receives a $100 shopping voucher!

We have pleasure in announcing the winner of our 'Referrers Award' for the September quarter is* Rob and Helen Lee — *congratulations* Rob and Helen, *your voucher is on its way.

Peacock DESIGN & PRINT