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GOLDSBOROUGH news

GOLDSBOROUGH FINANCIAL SERVICES

AUSTRALIAN FINANCIAL SERVICES LICENCE NO. 225330

120 Greenhill Road Unley South Australia 5061 Phone (08) 8378 4000 Facsimile (08) 8373 4544
Email: mail@goldsborough.com.au Website: www.goldsborough.com.au

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ECONOMIC UPDATE

The second half of 2016 saw a significant shift in the Australian and global share markets. A boost in commodity prices and expectations for global growth saw the S&P/ASX 200 Index return 17.3% for the 12 months to the end of January 2017.

This commodities recovery is highlighted by the ASX/200 Resources Index (which includes energy, metals and mining stocks) which returned 64.9% over the same 12-month period. These very healthy numbers belie a difficult period for many share investors in the past six months. The rotation toward exposure to commodities left many income producing stocks behind. Bond markets also suffered losses.

Commentators sometimes talk about market movements as "risk on" or "risk off." When global investors push the "risk on" button, bond markets tend to fall in value but increase in yield. Investors who hold an exposure to government bonds through managed funds, such as bond funds and diversified fixed interest funds, may have noticed a negative return over the past six months. This can be concerning as these investments are intended be the defensive, or low risk part of an investment portfolio. Despite the recent drop, our view is that bonds will continue to play an important role in most investment portfolios. Bonds by their nature tend to have a negative correlation with share markets. That is; when the value of one goes up, the other will tend to go down. Hence, investing in both shares and bonds provides genuine diversification and will continue to do so in years to come.

The recent tilt away from bonds has also hurt stocks and investments that have the characteristics of bonds. Shares and property trusts with a reliable and stable income tend to share these characteristics. A -12% return in the value of Australian REITs (S&P/ASX A-REIT) is further evidence of this rotation.

The contrast between the performance of Industrials versus Resources is shown below.

Returns to 31-01-2017	6 months	1 Year	3 Year	5 Year
S&P/ASX Industrial TR	0.11%	10.90%	9.37% pa	14.90% pa
S&P/ASX Resources TR AUD	21.69%	64.87%	-1.14% pa	-3.07% pa

Since our last article, the US has a new president and the Dow Jones Industrial Average has hit new record highs. The Oxford Dictionary also announced their 2016 word of the year: ***post truth***.

While the world waits to see how successful Donald Trump will be in executing a growth plan for the USA, some investment truths remains unchanged. Quality financial planning reduces the risk of a bad financial outcome. Diversification and understanding of your tolerance for investment risk are fundamental to good financial planning.

LACHLAN HARVEY
CFP®
Authorised Representative (227293)

The key to a *happy retirement*

Transitioning to retirement can often present a mixture of emotions. It's natural to feel excited, proud, nostalgic, and perhaps a little uncertain of what will come next.

While planning around your retirement nest egg can help alleviate worries about money, many people find that the key to feeling happy and successful in retirement involves staying active, staying connected, and being of service to some larger purpose than just leisure.

Retirement was once considered to be a time to simply relax and while away the days, but in the 21st century, retirement has changed. People don't see retirement as the "end of life" but the beginning of the next stage of life, where adventure can be pursued and bucket lists ticked off.

Being busy in retirement will keep you happier — but you need to be careful and keep it balanced. Do you want to volunteer, go to the gym, look after the grandchildren, or travel? One study showed that the happiest retirees engage in three to four regular activities, and these should provide a blend of physical, mental and social stimulation.

For couples, jobs may have kept them apart for 40 or more hours a week and left them used to their independent lifestyles. In this case, it will be prudent to strike a balance and continue to have some time apart.

While financial security is a key ingredient for a successful retirement, be sure not to neglect the other non-financial considerations that make for a happy retirement.

CRAIG KIRKWOOD
ADFP
Authorised Representative (401525)

MY BIGGEST *investment tip*

Don't underestimate time; it waits for no one. The earlier you invest, the sooner time works for you, not against you. Start investing today and look at the long term as it's the longer term where the greatest return is to be made.

WILL CHAPMAN DipFS(FP)
Authorised Representative (311745)

PENSION LOAN SCHEME
an 80's style solution *to a current day problem*

One solution to recent Centrelink Asset Test changes is the use of the Pension Loans Scheme.

A back to the future type solution as the PLS was first introduced in 1985 when the government re-instated the assets test. They did this to help people who had a reduction in their pension at the time. Now 32 years later we are seeing people have their pensions reduced due to a change in the assets test.

The PLS allows people to access a loan from the government in the form of a regular payment up to an amount equal to the maximum rate of age pension. The loan is secured against real estate owned in Australia via a caveat. The interest compounds based on the amount outstanding as it increases with each fortnightly payment. Interest rates are 5.25% (hasn't changed since Christmas day 1997) and are much better than comparable reverse mortgage rates.

To be eligible for a PLS you must be in receipt of less than the full age pension and at least be eligible under one of either the income or assets test. Using an example of a couple with assessable assets of $850,000, their pre 1 January 2017 pension of $12,796 would now be reduced to nil. In the extreme case that the majority of these assets were made up of loans to children and producing no income they could apply for the PLS to receive a fortnightly payment equivalent to the full pension ($34,382pa). The fortnightly amount would continue to be paid until:

- they hit the limit of the loan amount;
- they sell the house used as security;
- they receive the loaned money back from their children and decide to pay the loan amount back, or lastly;
- upon death.

The loan limit is determined by a formula using the value of the property and the age of the applicant. Assuming in our example the clients are 70 years of age with the property used for security valued at $700,000, the maximum loan amount would be $215,600.

The PLS is a viable option to access needed income which could be due to holding assets that are illiquid and provide limited income eg vacant land, holiday houses or private loans etc. If you feel the PLS could be of assistance it may be worth discussing with your adviser.

SAM MARTIN CFP®
Authorised Representative (252676)

Should I be an **Executor?**

So you've been asked by a good friend or family member to be the Executor of their Estate. At first you're flattered, but then you ask yourself; what does it involve? And should I accept?

Before accepting such an important responsibility, it's important to know what's involved and be sure that it's something you're willing and able to handle when the time arises.

Simply put, an Executor is the person nominated to administer the Estate. Nothing is required of the Executor until the death of the person making the Will.

The first thing that is required by the Executor upon death is to locate the Will and read it carefully. This means knowing where the most up to date copy is kept. The Executor is then required to:

- Notify the beneficiaries.
- Obtain Probate through the Supreme Court, if required. The executor needs to gather all of the information and then submit an application to the Probate Registry. This process can take quite some time depending on a number of factors.
- Protect the assets of the Estate until distributed, always acting in the best interests of the Estate and beneficiaries; which includes ensuring all insurances are up to date.
- Collect Estate income.
- Prepare and lodge tax returns and ensure any outstanding tax is paid out of the Estate. This may involve;
  - lodgement of any tax returns that were outstanding while the person was alive,
  - Estate tax returns following death and finally,
  - obtain clearance from the Australian Taxation Office.
- Determine the debts and liabilities of the Estate and paying out any outstanding debts, which may require the sale of assets.
- Lastly, once all of the debts have been paid, divide the remaining Estate in accordance with the Will.

Many people are not aware that the Executor may be personally liable for any error in administering the Estate, even if unintentional. Examples of this might include not withholding sufficient funds to pay any outstanding tax liability or debts, or damage to property where the Executor has not paid the insurance premiums.

An Executor may also need to pay for Estate expenses out of their own pocket until Probate is granted, funds are released and they can be reimbursed by the Estate. This may take some time. These costs may include home maintenance, probate filing fees and insurance premiums amongst other expenses.

Executors may also be responsible for the setting up of trusts if the beneficiaries are under 18, have limited mentally capacity, or if the Will specifically instructs the establishment of a trust. The trust may require ongoing administration into the future.

If you are appointed as Executor in someone's Will, you can renounce the responsibility before commencing the process of administering the Estate. Once you are part way through the process, it is a much more difficult process to dissolve responsibility. Bear in mind that most Executors will still use a Probate Solicitor to support them through the process and to provide advice.

Importantly, if you are asked to be the Executor of an Estate and you don't feel confident, it is a much better option to politely decline the request upfront.

MICHELLE SANCHEZ-MCCALLUM
Authorised Representative (325471)

Transition to Retirement *a worthwhile strategy?*

The Transition to Retirement (TTR) strategy was introduced many years ago with a number of benefits in mind.

It allowed people to be able to access their superannuation (via a TTR account-based pension) while still working, thereby generating additional income. This meant that people could reduce their working hours but maintain a similar level of income to meet their cost of living. It also allowed people to receive a tax-free income (if over age 60) and increase their salary sacrifice contributions to superannuation as a very tax effective wealth creation strategy.

The TTR account-based pension offered a significant advantage over superannuation, in that the earnings within the fund were tax-free. Superannuation funds have their earnings taxed at a maximum 15%. For those people under age 60, some more careful calculations needed to be undertaken to ensure the viability of the TTR strategy, as the income received from the TTR account-based pension was assessable (with a 15% tax rebate).

From 1 July 2017 all TTR account-based pensions will have their earnings taxed in exactly the same manner as superannuation — earnings will be taxed at a maximum of 15%! This brings into question the ongoing viability of the TTR strategy, particularly with the taxation of TTR earnings and the reduction in the concessional contribution cap (refer to John's article '*Know your limits when it comes to super changes*' in this newsletter).

We anticipate that clients under age 60 will have little to gain by establishing a TTR strategy, unless your superannuation has a large tax-free component. For those who are over age 60, the benefits remain provided that you are able to continue to salary sacrifice to superannuation within the new concessional contribution cap. Higher income employees are likely to benefit less than lower income employees as the amount of concessional cap available is reduced by SG contributions.

For those who are self-employed, TTR strategies can work very well. It allows you to use the full $25,000 concessional contribution cap as there is no SG contributions being made by an employer.

Similarly, low income clients may continue to benefit from a TTR strategy, particularly where they incorporate non-concessional contributions (for access to the co-contribution), spouse contributions (for access to the spouse contribution tax offset) and concessional contributions (to access the low-income superannuation tax offset).

Goldsborough advisers will be paying particularly close attention to the TTR strategies our client's have leading up to 30 June 2017. If you have a TTR strategy in place, and would like us to review it, please do not hesitate to contact us for an obligation-free appointment.

BRENTON MIEGEL
CFP®
Authorised Representative (227297)

Goldsborough *sponsorship update*

We are always looking for ways to contribute back to the community, and acknowledge that our staff have skills and talents that we don't always get to see within the office. To this tune, we are excited to be supporting two of our staff currently in the following endeavours…

DANI GILLARD Dani has been working tirelessly and training after hours to hone her skills and build her fitness so that she can play her first season in the SAWFL for local club Gaza. We are excited to be sponsoring Dani this year and will be eagerly following her team's season.

BRENTON MIEGEL Brenton and his family have a long association with ***Mitcham City Brass Band*** and we are proud to be supporting them later this year at the '*Mitcham Band Festival*' on June 24th at Vogue Theatre.

The Festival will be a non-competitive showcase event for Adelaide's brass and concert bands. Each band will perform a 45-minute program of entertainment music and include a hymn and march in their performance.

It promises to be an exciting day on the banding calendar for audience members and participants alike.

New super changes *in a nutshell*

There are some big changes happening to the superannuation system on the 1st July this year and now that legislation has been passed we have a lot more clarity. The following is a summary of most of the changes but is by no means a comprehensive explanation

One proposed rule that did not get passed was the lifetime cap of $500,000 on non-concessional contributions (personal contributions). There had been significant backlash to it so it was a pleasing result.

Instead the current non-concessional rules will remain however the existing $180,000 pa limit will be reduced to $100,000 pa. The '*bring forward*' rule will also still apply allowing those under 65 to use three years of non-concessional contributions at once. So after 1 July the maximum that can be contributed is $300,000 in one year (and nothing for the next two).

You can however still utilise the existing thresholds which gives people the ability to contribute $540,000 before the end of this financial year. This is a great opportunity for those with the financial capacity to do so. For those in medium to higher tax brackets this can represent a healthy tax saving over future years due to the concessional tax treatment of superannuation. If you are in this position I would talk to your Goldsborough adviser fairly quickly to assess the appropriateness of the strategy.

Another rule change to apply is that you will be prevented from making further non-concessional contributions to super once your super balance reaches $1.6m (a nice problem to have). Your balance can grow to a higher amount without penalty but an individual can then only convert a maximum of $1.6m into an Account Based Pension. Any excess amounts will be allowed to remain in the super account.

Should one partner of a couple have a far greater amount in super than the other then a possible strategy would be to make all future non-concessional contributions into the lower account balance. A couple will therefore be able to have up to $3.2m in the pension phase which is a significant advantage. Don't forget that '*super splitting*' is also a great strategy that allows you to transfer concessional contributions to a spouses account after the end of each financial year.

There have been changes to the current '*Transition to Retirement*' strategy (TTR) which Brenton has addressed in his article.

Another change has been the removal of '*anti-detriment*' payments. Most people have not heard of the term but it is basically a refund of contributions tax on the death of a super member. It had the advantage of offsetting most of the tax applied when benefits are paid to adult children. It will no longer apply after the 1 July.

Finally for those over 50 who currently have a $35,000 pa limit on concessional contributions ie. super guarantee and salary sacrifice (and $30,000 for those under 50) this limit will reduce to $25,000 on the 1 July for everyone so if you are at the current maximums remember to adjust your salary sacrifice contributions down.

Whilst the super rules have changed, 'again' there is still significant tax advantages to be gained.

JOHN OLIVER
CFP®
Director
Authorised Representative
(No 227298)

Goldsborough's special donation to the
Leukaemia Foundation

Earlier this year, Goldsborough's Susie Vincent and Sharyn Evans paid a visit to the Leukaemia Foundation's Bridgestone Australia Village at Lightsview.

We were delighted to donate this fabulous Sir Donald Bradman collector's item to Simon Matthias, General Manager on behalf of Glenn Todman, our friend and colleague who sadly passed away from leukaemia in 2016.

The foundation plans on auctioning the item at one of their incredibly vital fundraisers in 2017— we know Glenn would be very pleased and proud that we are supporting Leukaemia sufferers and their families.

UPCOMING seminars 2017

TUE 11 APR
TUE 9 MAY

2.30pm and 6.00pm

Retirement & Redundancy

A must for those approaching retirement, taking redundancies or experiencing income difficulties in retirement

Goldsborough can help relieve your financial worries.

Bookings essential
Telephone 8378 4000
or online at
www.goldsborough.com.au

Congratulations!

A HUGE congratulations to our CEO **Susie Vincent** who celebrated 20 years at Goldsborough Financial Services in February. Susie works tirelessly behind the scenes to make sure the business runs smoothly, and that our clients receive the very best service possible. What a fantastic achievement for Susie — please join us in congratulating her!

Welcome Matt Kelly

We are thrilled Matt Kelly joined our team recently as an Associate Adviser to Brenton Miegel and Lachlan Harvey. Matt also brings to our business some of his existing clients, and we're very excited to welcome them to the Goldsborough family!

FIVEaa
ADELAIDE 1395AM

Exciting changes at FiveAA

We are excited to have begun a new weekly segment at FiveAA recently.

We are now on air with Jade Robran on Thursday afternoons at 1:30pm and would love for you to tune in to 1395AM to hear our advisers taking calls from listeners and discussing any topical issues that might arise.

This is an exciting change, and will open us up to a new range of listeners, with Jade's fresh approach to talk-back radio.

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 winners of our 'Referrers Award' for the March quarter are Georgette Hodges — congratulations Georgette, your voucher is on its way.