FINPAC Financial Group

Wealth creation & protection

Outlook

Financial Update & Outlook

Spring 2016

The Australian sharemarket had a strong quarter, with the ASX 200 Index (including dividends) returning 5.1%. Whilst the period included a federal election, an interest rate cut from the Reserve Bank and the August financial reporting season, the key driver of the Australian market and markets globally was speculation over the state of the US economy and US monetary policy.

Mixed economic data and a series of both hawkish (supporting expectations of a rate hike) and dovish (supporting expectations of a rate reduction) comments from the US Federal Reserve led to some significant swings in equity values, with most markets finishing the quarter on a broadly positive note.

Encouragingly and in stark contrast to recent times, valuations appeared to come back into the spotlight. Many out of favour stocks and sectors outperformed and our portfolios continue to be well-positioned to benefit from this shift in sentiment.

The Metals and Mining sub-sector is a clear example which, having been a significant under-performer in recent years has bottomed and is showing signs of recovery. This saw our overweight positions in BHP Billiton, Rio Tinto and South32 all contribute strongly to performance.

In addition to solid performance from most companies, the performance of our portfolios was further strengthened by avoiding many of the more expensive names, many of which came under pressure during the quarter (E.g. CSL and Commonwealth Bank).

Remember if you have any questions please contact the relevant advisor listed below. Alternatively, if you have any feedback on our updates or articles you would like covered please give me a call or send an email to **gricks@finpac.com.au.**

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when will interest rates rise?

Warren Buffet famously said that "only when the tide goes out do you discover who's been swimming naked".

The "low interest rate" tide has been coming in for a very long time with rates on long dated government bonds in the US falling for over 30 years.

This has impacted investment markets in the period since the GFC when economic growth has been so tepid. With large swathes of the bond market in developed nations now trading on negative or close to negative yields, the risk of reversal is as high as it has ever been.

The Australian market is one of the global markets that is most influenced by interest rates, with approximately 50% of the market capitalisation falling into the "interest rate sensitive" category.

Whilst interest rates here have not fallen to the levels seen in much of Europe, they have nevertheless fallen sharply. Spreads to US 10 year bonds have also fallen to their lowest level in 15 years.

This has turbo charged returns to sectors such as property trusts, infrastructure, utilities and growth stocks. This has seen enormous growth in "low volatility" strategies as it is usually the lowest volatility names e.g. infrastructure, which have seen their returns most magnified by falling rates. These strategies have delivered the Nirvana of low volatility and high returns!

The quarter has been dominated with talk of when the US Federal Reserve will raise interest rates and global markets have become increasingly volatile as investors speculate around delays of a month or a quarter. What seems clear is that rates will increase in the US sooner rather than later.

when can you access your super?

Your preservation age is the age at which you can access the money you have saved in your superannuation account and varies according to when you were born.

You can access your super when:

- when you turn 65 (even if you haven't retired), or
- when you reach your preservation and retire, or
- under the transition to retirement rule, while continuing to work

Please refer to the following table to work out your preservation age:

Date of Birth	Preservation age
Before 1 July 1960	55
1 July 1960 - 30 June 1961	56
1 July 1961 - 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
From 1 July 1964	60

Please feel free to contact your FINPAC Financial Advisor for more information on accessing your superannuation.

and preservation

super changes...AGAIN

On the 15 September 2016, the Government announced further changes to superannuation as part of the May 2016 Budget.

In summary the changes are:

- the annual non-concessional contribution cap will be $100,000 (currently $180,000). This new limit will apply from the 1 July 2017.
- the three year “bring forward” of non-concessional contributions is still permitted. However, the maximum bring forward amount (for bring forward periods commencing on 1 July 2017) will be $300,000 (currently $540,000).
- once the superannuation balance exceeds $1.6million, no further non-concessional contributions can be made
- the ability to make catch up concessional contributions will now commence from 1 July 2018
- the contributions work test for individuals age 65 to 75 will not be retained

The following table gives a snapshot of some of key changes to superannuation contribution limits:

	2016/17	2017/18 and beyond
Concessional Cap - age below 49 at 30/06/16	$30,000	$25,000
Concessional Cap - age 49 or over on 30/06/16	$35,000	$25,000
Non-Concessional Cap	$180,000	$100,000
Non-Concessional Cap - 3 year bring forward	$540,000	$300,000

**Please note that these changes are yet to be legislated.*

FINPAC Insurance Advisors
VS
DIRECT Insurance

I read an article from the “Direct Life Insurance Awards” stating that customers with life insurance policies attained through advisers are **“not getting good value for money” when compared to direct policies.**

I would make the comment that how does providing cheaper premiums, better definitions, upfront advice, ongoing service and claims help, qualify ‘as not good value for money’ which you are getting when using a professional adviser like FINPAC Insurance?

Backing up my thoughts, findings from the recent ASIC review into the life insurance industry show that **claims handling within direct insurance is not as good as the handling for advised insurance.**

ASIC also noted that their most recent research is showing that advised insurance is cheaper and pays out more often.

So if you have considered “online insurers” or have previously obtained quotes from, or taken out cover with an “online insurer” please call us for a comparison. I guarantee you’ll be pleased with the result.

funeral cover

We have all been bombarded by the online funeral insurance ads on TV. What you may not know is that some insurers are already offering this benefit covering your parents on your existing policy.

Clearview is one of the companies offering this benefit. Parent Cover provides you with a lump sum benefit of up to $15,000 if your mother or father passes away, to help cover funeral and associated expenses. Parent Cover can be taken out with any adult life insured lump sum cover.

Parent Cover offers guaranteed acceptance for permanent Australian residents aged 40-85.

Premiums are competitively priced. For a $15,000 lump sum benefit, the stepped premium for a 65 year old male non-smoker is $54 per month and just $45.60 per month for a 65 year old female non-smoker.

If your parent has an existing funeral insurance policy, it may be worth reviewing the premiums they are currently paying and compare this to the cost of Parent Cover.

We will **waive the 12 month accident only period** if Parent Cover replaces an existing funeral insurance policy on your parents life that has been in force for at least 12 months.

Please feel free to contact us to discuss your options.

contracts and indemnity clauses

Contractual indemnities appear in many services agreements, including subcontracting, labour hire and wet plant hire agreements. **Indemnity clauses shift liability from one party to another by requiring one party to indemnify the other.**

A particularly common type of indemnity occurs where one party agrees to indemnify another party for all liability for a claim for personal injuries or property damage arising out of the performance of the contract, regardless of which party caused the injury or damage. **If a party is caught on the wrong side of such an indemnity, it can be very costly.**

If you are party to an agreement containing indemnity clauses, or if you are thinking about entering into an agreement that includes indemnity clauses, **you should seek legal advice.**

FINPAC is offering legal advice by experts in this area to ensure that your existing insurance policies will respond to any liability you have under the agreement.

If you have any queries regarding this issue, please contact a member of our staff.

Report by Anthony W Muller, Director & Representative of FINPAC Insurance Advisors PTY LTD (Australian Financial Services Licence 252590). This bulletin contains general information only and has been prepared without taking into account your individual financial needs, circumstances and objectives. Reliance is not to be placed upon this material, and you should assess your own financial situation before making an investment decision based on it. You may wish to consult your advisor. Any representation or statement made or implied in this material whether by way of opinion or advice or otherwise, is made in good faith, but on the basis that FINPAC Insurance Advisors shall not be liable to any person in respect of such representation or statement whether by reason of negliance, lack of care, or otherwise save where liability cannot be excluded pursuant to law.

what's happening at finpac?

Nikki and her partner Eddie recently enjoyed a six week European holiday. During their travels they spent time eating, drinking and soaking up the culture in nine different countries! In addition to visiting all the major tourist hotspots they ziplined through canyons in Croatia, saw the Moulin Rouge in Paris and went to Oktoberfest in Munich. Here they are at the Trevi Fountain in Rome and at the Giant's Causeway in Ireland.