

Outlook

Financial Update & Outlook

Winter 2017

Farewell to another financial year where doomsayers again concentrated their attention on a lengthy list of worries, this time BREXIT, Donald Trump and messy Australian growth. Despite these events the past year saw strong returns for diversified investors.

Many investors envisaged a market collapse post the election of the new US President but the reverse has occurred. Naturally geopolitical risk issues create much concern for investors but as we have seen over the past year with BREXIT this doesn't mean they must have a big negative impact on investment markets.

The Australian stock market delivered positive returns with the S&P/ASX 300 Accumulation Index rising 13.8%, driven by broad contributions from all but two sectors.

Banks grew revenue and managed expenses well, credit quality was sound, and bad and doubtful debts remained historically low resulting in earnings growth. However, with housing affordability and interest rates both at all-time lows we continue to find it hard to see where the growth in bank stocks is to come from over the next five to ten years.

Resources stocks (BHP and Rio Tinto) finished the year higher, benefiting from rising commodities prices (coal, copper, zinc etc.) as well as better than expected cost discipline, allowing them to deleverage their balance sheets and increase their dividends.

The weakest sector was telecommunications which is undergoing structural change as the industry transitions to the National Broadband Network (NBN), resulting in industry consolidation, increased competition and lower prices. Telstra share price dropped around 20% as a result.

Global equity markets returned positive gains over the year, despite several key geopolitical events including the US and French presidential elections, and more recently the UK general

election. The major US sharemarket indices all rose to record highs as earnings accelerated to the best year-on-year growth in six years, beating market expectations.

Technology stocks were the standout, with the so-called 'FANG' stocks (Facebook, Amazon, Netflix, Google) delivering share price gains of up to 58.6% over the year.

European markets also performed strongly as the economic recovery continued – in the UK the FTSE 100 gained 12.4%, the German DAX was up 27.3%, and the French CAC 40 rose 20.8%.

International sharemarket investors have done much better over the past year as they have over the past 10 years proving what we have been saying for years about the need for diversification.

Since the end of the financial year the Australian market had its worst July in six years despite the Dow finishing at a record high. In fact, our market has fallen for the last three months on the back of the rise in the Australian dollar and concerns about the property markets in Melbourne and Sydney being overvalued.

Looking forward local interest rates will remain low so seeking growth from a sensibly diversified portfolio will be essential for long-term investors. Key issues to keep an eye on over the next year are the upcoming Italian election, the ongoing risks around President Trump and North Korea.

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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wealth creation

don't lose the TAX DEDUCTION for your SUPER CONTRIBUTIONS

Personal contributions to superannuation can be either tax deductible, concessional, or non-deductible, known as non-concessional contributions.

In previous financial years, concessional contributions were those made by you as a self-employed person or in some cases by retirees. From 1 July 2017, any investor (under the age of 75) can make personal concessional contributions to superannuation for their benefit for which they can claim a tax deduction.

As determined by the ATO, in order to claim a tax deduction for your personal concessional contributions, you must provide the trustee of the superannuation fund with a valid notice, also known as a **“Notice of Intent to Claim a Tax Deduction”** form. If you make a deductible contribution to superannuation, this form is sent to you by the trustee of the superannuation fund when they receive the contribution.

It is important that you discuss this form with your accountant and financial advisor and return it to the trustee by the earlier of:

- the day you lodge your tax return for that financial year
- the end of the next financial year
- the day you close your superannuation account and
- the day you transfer your superannuation account to a pension account

What happens if I don't return this form?

If the form is not returned by the relevant date, any personal concessional contributions that do not have a valid notice will be automatically changed to personal non-concessional contributions and you will lose the ability to claim your tax deduction.

Trap

If you are self-employed and have only made non-concessional contributions to your superannuation account the trustee will assume you do not intend on claiming any deductions for your superannuation contributions and will not send you a form. You will need to request the form if your intention was to claim a tax deduction for your contribution.

Your FINPAC Financial advisor can assist you in obtaining the forms required to claim a tax deduction for your contributions.

sacrificing TOO MUCH of your salary?

Employees are often able to arrange for their employer to pay extra into their superannuation fund in lieu of extra salary. This tax-efficient way to save is known as “salary sacrifice” and is becoming a common practice. These salary sacrificed contributions form part of the concessional contribution cap.

From the 1 July 2017, the concessional contribution cap was reduced from \$35,000pa (or \$30,000pa for those under 49 years of age) to \$25,000pa for everyone, regardless of age.

Employees with an **existing salary sacrifice arrangement** with their employer will need to **reassess** the amounts being contributed to superannuation to avoid the tax implications associated with exceeded the cap.

and preservation

tax planning starts NOW

Tax and superannuation strategies are often put on the back burner once the end of the financial year has been and gone. FINPAC believes investors should be considering these strategies now and for the duration of the financial year to help them reduce tax and maximise their superannuation benefit for the future.

Following are two tax planning strategies to help manage your tax and build your retirement capital, both of which can be implemented right now.

Personal concessional contributions

Claiming tax deductions on personal concessional contributions can be an extremely tax effectively exercise, particularly if your marginal tax rate exceeds 15%. A concessional contribution cap of \$25,000pa does apply so investors need to be aware of the tax implications of exceeding these limits.

Salary sacrifice

This is one of the best strategies to reduce personal tax liability while maximising future retirement benefits. It is an excellent strategy particularly for investors who have a marginal tax rate of 30% or more and who will not require the funds before retirement. For many investors, salary sacrificing throughout the entire financial year allows them to consistently build their retirement capital without having to find a lump sum at the end of the year, which for some may mean no additional funds are contributed to superannuation at all.

For more information on making contributions to superannuation and the allowable limits, please feel free to contact your FINPAC Financial advisor for a chat.

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steadfast direct - AIG & IAL home insurance

Assume you're getting the best insurance premiums through Queensland's biggest insurers?

Well – think again.

We have seen premiums steadily rising through both RACQ and Suncorp and recently have been able to offer significantly lower premiums than Suncorp and in a lot of cases lower than RACQ.

Also FINPAC Insurance ,through its association with Steadfast, now have **exclusive access to AIG and IAL home insurance products**. These products are currently only available through the Steadfast network of brokers.

These new insurers and their products further increases the competition and choice we have to enable us to offer the best home and contents premiums possible. **Plus we will manage your claims through our office, and go to bat for you if we feel you are getting a raw deal.**

So if you previously insured with FINPAC and have moved to another insurer, or have always utilised a direct insurer such as RACQ or Suncorp, please give us a call at your next renewal for a comparison. I personally guarantee we will be competitive.

QBE corporate travel insurance

Whether travelling for personal or business purposes, FINPAC Insurance recommends the QBE Corporate Travel policy.

The QBE Corporate policy is an **annual policy which covers all domestic and international travel** for all nominated business owners and staff. Cover includes all business and leisure travel with the policy able to be extended to cover the spouse and children of nominated business owners and staff.

QBE offer an extensive range of comprehensive and alternative travel policies from QBE including:

- Australian and International Multi Trip
- International Travel Insurance
- Australian Travel Insurance and Inbound Travel Insurance

Travel the world worry free with QBE Travel Insurance and enjoy:

- Simple, fast and efficient claims service
- Travel claims can be lodged 24 hours a day, 7 days a week from overseas, within Australia or when you return home
- Cover can be extended to cover some or all of your staff, as well as their spouse and children

- Worldwide Medical and Emergency Assistance with QBE Assist
- A team of trained medical and insurance specialists available 24 hours a day, 7 days a week, and 365 days a year. The QBE Assist team has full authority to act in the event of a situation arising, thereby empowering them to act quickly and effectively in the event of an emergency

Claims Service

We have experienced exceptional claims service from QBE Assist. Claims are managed by a dedicated claims person who deals direct with you whether in Australia or overseas, with personal contact no matter what time of the day. **Claims have always been settled within a week of your return to Australia.**

Premiums are **surprisingly cheap for a quality product** especially when compared to taking individual policies for separate business trips or holidays. As an example, we have businesses with two owners including their spouses and children, insured for all their business and leisure travel for the year covered for under \$1,000.

I cannot recommend this cover more highly, so please call us to discuss.



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 negligence, lack of care, or otherwise save where liability cannot be excluded pursuant to law.

what's happening at finpac?



Karen and Michael, along with their daughter Meila, recently returned from a six week holiday exploring Europe. They spent time in Greece, Italy, Spain and Singapore. Some of the many highlights of their trip included seeing the Corinth Canal in Peloponnese Greece, a gondola ride through the Venetian Lagoon and La Ramblas Markets in Barcelona. Here they are pictured enjoying the local cuisine in beautiful Loutraki, Greece.

Andrew attended a Super Concepts conference in Brisbane recently. The conference covered highly relevant content including the many changes to the superannuation landscape. It is FINPAC's policy that all of our staff stay up to date on the complex matters that affect you, our clients.