FINPAC Financial Group

Wealth creation & protection

Outlook

Financial Update & Outlook

Winter 2018

The economic cycle remains supportive and we still see a fair bit of 'runway' for risk assets to rally in 2018, but there are several risk factors that have come into greater focus in the past couple of months including:

- The stability of the European Economic and Monetary Union is back in focus following a dramatic sell off in the Italian bond market in May.

- There is also considerable stress in some emerging markets (including Argentina, Brazil and Turkey) reflecting factors including rising political risk and the pressure created by external and fiscal imbalances.

- Geo-politics remains a key uncertainty for financial markets with the US President the central figure in every issue. In May, President Trump pulled the US out of the Iran nuclear deal contributing to a further run up in oil prices. In June, the outcomes from the summit between President Trump and North Korean Leader Kim Jung Un will be critical for the future of the Korean peninsula and US-China relations.
- Finally, the on-again off-again trade wars initiated by the US are also a key risk for the markets, but it is difficult to assess the probability of a serious trade war, so the markets have become somewhat inured to the ebb and flow of day to day news.

- In conclusion, we are conscious that we are likely in the late stages of this economic and market cycle and we remain wary about the prospects of a downturn sometime in the next two to three years.

Notwithstanding the recent slowdown, the global economy is performing well which will continue to provide support for equity and credit markets, but it is also putting upward pressure on interest rates.

Most assets are now trading on the expensive side of fair value and are underpinned by record low interest rates. At this stage we expect equity markets to continue their rally in 2018, but we are closely monitoring the range of risks highlighted above.

FINPAC would like to congratulate two of our long-term clients on being presented with The Order of Australia Medals. **See "What's Happening at FINPAC" on page 4 for details.**

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.**

Andrew Gricks

Andrew R Gricks
Managing Director
FINPAC Financial Advisors
AFSL 237820 ABN 74 010 494 489

FINPAC Insurance Advisors Pty Ltd
ph 07 4771 5600
p o box 2362, townsville qld 4810

Tony Muller Life, Trauma & Income Insurance
Julie Ramage Life, Trauma & Income Insurance

Karen Giannopoulos - Commercial Insurance

Danielle Turner - Claims

Alison Barton - Personal Lines

Michael Giannopoulos - Commercial Rural

FINPAC Financial Advisors Pty Ltd
ph 07 4772 5655
p o box 1577,townsville qld 4810

Andrew Gricks	Managing Director
Tony Muller	Personal Wealth Advisor
Nikki Taylor	Personal Wealth Advisor
Tricia Gricks	Client Relationship Manager

planning for aged care

It is a well known fact that Australians are living longer, which is great news, however the need for aged care is also continuing to grow. For many, the thought about entering an aged care facility doesn't always have the most positive connotations and is often at the bottom of the "to-do" list. This may be due to the plethora of decisions that need to be made; what care should I get? How can I pay for it? Do I have to sell my family home?

There are three key areas in which your financial planner can help.

Firstly, planners can offer assistance with the initial care decision, giving advice on how to get the right care offer. In some cases, advisers could help negotiate better deals with the aged care providers.

Secondly, planners can help manage cash flow. This is one of the most important aspects of planning for aged care, i.e. how do people going into aged care, through their own resources, fund that care and that cash flow. This often includes maximising Centrelink eligibility as well as decisions revolving around the potential sale of the principal residence.

Thirdly, planners can also help clients look at the implications of aged care. For example strategies to maximise the estate and minimise the costs associated with aged care.

Planning for the Unknown

The biggest hurdle with planning for aged care is that it is unknown whether the client will need it or not. The challenge is balancing the need to prepare for the possibility of aged care all the while maintaining flexibility of the overall financial plan.

Research shows that the median elapsed time from approval to admission for aged care is 105 days - not having a plan in place can prove costly.

As many people heading into an aged care facility have lost capacity, it is important to involve those who have been assigned power of attorney, e.g. children, family members or trusted carers, in the planning process.

Spreading the Word

According to Investment Trends' 2017 Retirement Income Report, only one third of Australians have looked for aged care information or intend to in the future. Of that third, just 10% looked to planners for help, with the majority turning to government services, doctors or family.

For our clients, it is important to start these conversations early and begin planning for the possibility of entering an aged care facility in the future.

If you would like more information or have questions regarding your personal situation, please contact your FINPAC Financial Advisor. We have access to new software that can assist you in finding a facility to meet your individual requirements.

and preservation

2018-19 tax planning starts NOW

Tax and superannuation strategies are often forgotten about once the end of the financial year has waved “goodbye”. FINPAC strongly believes investors should be considering these strategies now and throughout the entire financial year to help reduce tax and maximise superannuation benefits for the future.

Here are two tax planning strategies which can implemented now.

Personal concessional contributions

Claiming tax deductions on personal superannuation contributions can be an extremely tax effective strategy, especially for those investors whose marginal tax rate exceeds 15%. A concessional contribution cap of $25,000pa does apply so investors need to be mindful of the tax implications of exceeding these limits.

Salary sacrifice

This is one of the best strategies to reduce your personal tax liability while maintaining future retirement benefits. It is an excellent strategy for those with a marginal tax rate of 30% or more and who will not require access to the funds prior to retirement.

For more information on making contributions to your superannuation account, please feel free to contact your FINPAC Financial Advisors.

QLD cyclone mitigation

The Queensland Government has launched a $20 million cyclone mitigation initiative to upgrade at-risk properties built before 1984, earning applause from the insurance industry.

The Insurance Council of Australia (ICA) have welcomed the Household Resilience Program, which acts on a re-election pledge made by Labor at last November’s state poll.

The ICA GM Risk Karl Sullivan said mitigation is the best way to help north Queenslanders protect themselves, their loved ones and their homes against cyclones. At the same time, a stronger home means a lower risk, and therefore cheaper insurance for customers.”

The program will fund 75% of the work required to improve a home’s resilience, up to a maximum of $11,250. It applies to homes in a defined cyclone-risk area.

It is hoped that underwriters will provide premium reductions once an older property is upgraded to become more cyclone-resilient.

There are few details on this program yet, but hopefully more will follow.

pricing in the north: exposure & claims costs

Insuring property in northern Australia has always been expensive and challenging for insurers. This is how the Insurance Council of Australia's (ICA) latest submission on the issue of premiums in northern Australia deals with several years of community campaigning and political action.

ICA's submission to the Australian Competition and Consumer Commission's (ACCC) pricing inquiry rejects suggestions that overcharging and lack of competition are to blame for making insurance expensive in the region. "The reality is the region has historically been challenging for insurers and remains a difficult environment in which to operate" it says.

"Northern Australia has much higher exposures and claims costs. Suggestions that high premiums can most simply be explained by a lack of competition fail to recognise the unique nature of high risk regions and the regulatory and operational frameworks within which insurance must operate in Australia."

ICA says the northern insurance market is small, accounting for just 4.6% of Australian addresses, but is disproportionately exposed to large, frequent natural disasters. Claims costs are significantly higher because residents are not served by the same infrastructure for goods and services as in the south, which means rebuilding costs are up to 42% more expensive after each disaster.
In Northern Queensland normalised claims costs are five times higher than Sydney, Brisbane and Melbourne the ICA says.

"It is more expensive to insure in the north, reflective of the risk and claims costs. Higher claims costs, a higher frequency of events and often extreme operational difficulties in servicing claims due to the remoteness of some areas results in fewer insurers operating in the north."

But competition remains despite the smaller pool of insurers, it says. Premiums are competitive and priced at individual-address level rather than by postcode.

"No significant insurers have left the market in northern Australia in the past decade. However, some have modified their underwriting requirements over time, avoiding properties where the risk is considered beyond their capacity to service or expertise to manage."

The ACCC inquiry into residential building, contents and strata insurance pricing in northern Australia will provide its first interim report to the Treasurer in November 2018.

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?

FINPAC Financial Advisors is happy to announce that two of our long-term clients, **Michael Buck (ALB Distributors) and Steve Price (4TO FM)** have had their efforts recognised by being presented with The Order of Australia Medal (OAM). We wish to extend our congratulations to both of these gentlemen for their contributions to the community.

The OAM is the principal and most prestigious means of recognising outstanding members of the community at a national level and nominations are encouraged from all members of the Australian public. The Order of Australia was established in 1975 by Her Majesty Queen Elizabeth II.