IMPORTANT REMINDER: CHANGES TO THE AGE PENSION ASSETS TEST

If you are over, or close to, 65 years of age, it is important that you and your Financial Adviser have a plan in place in preparation for any impact the changes the Government has introduced to the Age Pension assets test might have on your financial situation. If you haven't already, contact your Financial Adviser soon, as these changes come into effect from 1 January 2017 and may affect your eligibility for the Age Pension. If this doesn't affect you as yet, you may wish to share this news with family and friends that it might.

What is the Age Pension assets test?

The Age Pension assets test is a means test, which helps Centrelink determine your eligibility for the Age Pension and other social security payments, and generally applies to assets that you hold outside the family home.

What are the changes to the Age Pension assets test that will apply from 1 January 2017?

The lower threshold is increasing. If you have assets over the lower threshold, your entitlement to the Age Pension will reduce. Those with greater assets could see a significant reduction in, or loss of, their Age Pension entitlement and those with lesser assets could see an increase to their entitlement.

The rate at which your Age Pension reduces if your assets exceed the lower threshold is increasing from $1.50 to $3.00 per fortnight for every $1,000 over the threshold – this has the effect of reducing the cut-off limit where an Age Pension is no longer payable.

The following table provides a summary of the current and new Age Pension asset test thresholds. Please note that the lower thresholds have increased and the cut-off thresholds where you are not entitled to an Age Pension have been lowered.

	Current lower threshold	New lower threshold from 01/01/17	Current cut-off limit[1]	Estimated new cut-off limit from 01/01/17
Single homeowner	$205,500	$250,000	$788,250	$547,000
Single non-homeowner	$354,500	$450,000	$937,250	$747,000
Couple homeowner	$291,500	$375,000	$1,170,000	$823,000
Couple non-homeowner	$440,500	$575,000	$1,319,000	$1,023,000

1 Reflecting updated pension rates effective 20 March 2016.

What happens if I lose my entitlement to the Age Pension?

If your Age Pension is no longer payable as a result of the changes to the asset tests effective from 1 January 2017, you will automatically be eligible for the Commonwealth Seniors Health Card, which provides a range of benefits, such as discounts on certain pharmaceuticals.

Your Financial Adviser is here to help you

Your Financial Adviser knows how these changes affect your Age Pension entitlements. So, if you haven't already, please contact your Financial Adviser soon to prepare for any potential impacts these changes may have on your financial situation.

SPEAK TO US FOR MORE INFORMATION

Speak to us if you would like to understand more about how this information might impact your financial situation.

INSIGHTS

WINTER 2016

FINANCIAL ISSUES AFFECTING YOUR LIFESTYLE

HAPPY NEW (FINANCIAL) YEAR

As you prepare for the new financial year, use these simple tips to help you make sure your finances are on the right track for the year ahead.

Regardless of your financial standing or the stage of life you're in, conducting regular financial health checks is a smart way of fine-tuning your life goals and creating wealth – and there is no better time than the end of the financial year to do it. Reviewing your finances with the help of your Financial Adviser can give you clarity on all your money matters, while also helping to identify any specific areas you should focus on in the next 12 months. Here is a list of checks that can set you on the path to a smoother financial year ahead.

Reset your goals

Things change in life and work – and your financial plans need to reflect this. Perhaps you want to ramp up your savings, change your investment strategy or pay particular attention to cutting your debt this financial year. Start your health check by rethinking your short and long-term goals. Make them specific, but realistic – and write them down so you have extra motivation to see them become a reality. Work closely with your Financial Adviser during this process to get the best outcomes for your lifestyle and financial circumstances.

Redraft your budget

Perhaps you bought a new car, some new shares or will start to pay higher costs for child care in the coming year. These types of triggers can have an impact on your finances and they need to be factored in to ensure your budget works well for you. It's obvious, but make sure you update your budget to reflect all your income, including any investment dividends or pensions, and outline all your regular payments. Use this opportunity to review your bills and spending, identifying any non-essential costs that you could cut down on.

Get your debts down

It is important to get a handle on exactly which debts you are currently facing, and those that you know will arise in the coming year. To do this, write down a complete list of where you owe money. This could include any personal loans, credit cards and home loans – and make sure you detail exactly how much you owe, the minimum repayments and the interest you are paying. Anything that incurs a high interest should be tackled first, which normally covers credit cards and personal loans. By consolidating these debts you may be able to get a lower interest rate, or even take advantage of an interest-free period. Always prioritise paying off any non-tax deductible debt that you have.

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Maintain good records

Keeping a close eye on all your financial records will not only make the tax office happy – it also helps you understand your spending habits and any possible deductions. As well as keeping all relevant receipts, another way to do this is to apply for a credit card (with a low rate, of course) that you use strictly to pay for things that could be deductible at tax time so you will be well prepared for next year.

Examine your investment objectives

A sound financial health check should always include a reassessment of your investment objectives. With the help of your Financial Adviser, you need to determine your short- and long-term goals so an investment strategy can be devised to achieve each aim. Positions can shift quickly for a range of reasons, so review your investment portfolio with your Financial Adviser.

Focus on your tax

It is crucial for you to review any tax deductions while ensuring, where possible, that the deduction can be claimed in the financial year when it has the most impact. This may mean incurring deductible expenses by June 30 this year to reduce your tax payable. Some of the deductible expenses you may wish to bring forward include repairs and other ongoing expenses relating to an investment property, ongoing expenses incurred in running a business; and any eligible self-education expenses. You may have other ongoing expenses which are tax deductible, such as interest on an investment loan or income protection insurance premiums. Or, if your marginal tax rate is expected to be higher next financial year, it may be worth delaying deductible expenses until after June 30.

Take control of your super

Whatever age you are, understanding your superannuation outlook can help you plan ahead. If possible, you could consider making contributions to boost your super. Salary sacrificing some of your pre-tax salary into your super fund can be one of the most tax-efficient ways to invest for retirement. Your Financial Adviser is best placed to help you, so discuss some of the following considerations with them too:

- The concessional contribution cap is $30,000 for anyone under age 50, or $35,000 for anyone 50 or over. These caps apply for the 2015–16 and 2016–17 financial years
- The caps operate on a use-it-or-lose-it basis; if you wish to boost your super balance, but have not yet fully utilised your concessional cap, consider doing so prior to July 1 to avoid missing out on a potentially valuable tax saving. Note, the Government has proposed reducing the concessional contribution cap to $25,000 from 1 July 2017, so it is even more important to take advantage of the higher caps while they are still available. Make sure you speak to your Financial Adviser before making any concessional contributions.

- If you are considering making personal non-concessional contributions (using after tax money), the current non-concessional contributions cap is $180,000 per year or $540,000 every 3 years under the bring forward rule. However you need to be aware that in the 2016 Federal Budget the Government has proposed a change to the non-concessional contributions cap with the introduction of a lifetime non-concessional cap of $500,000, which is proposed to take effect from 3 May 2016. Under this proposal, prior contributions made since 1 July 2007 count towards this cap. Due to the complexity of these rules, it's important that you discuss the implications with your Financial Adviser before making any contributions.

Super is a complex area, so discuss the implications of any changes with your Financial Adviser.

Start planning for social security changes

Upcoming assets test changes will apply from 1 January 2017. For many people this could lead to a cut in pension entitlements, which means that strategies to reduce assessable assets under the assets test will be more important than ever. Possible actions could include boosting the super balance of the younger member of a couple, if one is under the age-pension age, buying long-term annuities with a depleting asset value, and making principal home improvements. Stay on top of the area that is relevant to you. As mentioned in the important reminder on page one, if you are over, or close to, 65 years of age, it is important that you contact your Financial Adviser soon to discuss how the Age Pension asset test impacts your financial situation.

Contact your Financial Adviser

Any changes you make to improve your financial position can help put you on the path to a more positive future.

The start of a new financial year is the perfect time to give yourself the gift of a better financial future. Set aside some time and focus on these important financial checks – and once you've taken stock, take advantage of the expertise your Financial Adviser provides. They are here to help you.

EXPANDING TRAVEL HORIZONS ON A TIGHTER BUDGET

Even if the exchange rate has you on a smaller travel budget than you're used to, being thrifty can have its benefits. In opting for more budget-friendly countries and activities, you open yourself up to new experiences and the potential to fit more into your next trip.

When planning an overseas holiday, the exchange rate can seem like a hurdle for many travellers. Don't despair, though – fabulous holidays to exciting destinations are still possible without breaking the bank.

Remember, too, that some currencies don't move together or are correlated, so while the Aussie dollar may have dipped against currencies such as the greenback and euro, it may have gained ground against counterparts in nations such as Brazil, Mexico and Russia. In the lead-up to a trip, keep an eye on this – as things can change quickly. It can also pay off to buy up foreign currencies in advance as part of a long-term strategy to take advantage of fluctuating exchange rates. Some people also opt for pre-loaded cash passports that provide exchange rate certainty and help with money management while overseas.

Travel closer to home

Elizabeth Wallace, who runs Itineraries Travel Consultants, says an easy way to slash the travel budget is to choose direct-flight destinations which are still fabulous. Check out the cherry blossoms or temples in Japan; go skiing in New Zealand; or go on safari in South Africa. Shorter flights are cheaper than those to Europe, the United Kingdom and the United States.

For those who still want to go to Paris, London, Rome or other favoured cities, she gave the following tips to make your Australian dollar go further:

- consider budget airport hotels if you are on stopovers or overnight stays and use more expensive hotels when it counts (such as time in Paris)
- pre-order all-inclusive country passes (such as the Berlin Pass) to access top attractions, monuments, museums and public transport
- take advantage of fun activities such as free or self-guided walking tours in Europe.

Plan and book early

It pays to be smart during every step of the travel-planning process, according to Janice Lee Fang, TripAdvisor's Director of Communications Asia Pacific. She says when you book your trip can make a massive difference. For example, travellers can often save significantly if they book a hotel in popular northern hemisphere destinations within four months of a summer trip (June to August). In Asia, Fang says booking within three months for the same period is best (you can save more than 20 per cent in many cases compared with peak pricing).[2] So get your timing right and save.

Stay in apartments, holiday rentals and B&Bs

Bypassing expensive hotels can cut your costs and increase your fun. At a B&B or inn, for instance, you often get personalised service with home-made breakfasts included at affordable rates. Your hosts may also direct you to great value eateries and entertainment.

Apartments can also be a winner, too, especially for families. "Not only are they generally cheaper than a hotel room of similar quality, apartments in big cities give you the opportunity to save on meals and sundry charges such as laundry," Fang says.[2]

Of course, online accommodation sites make it easier to find suitable accommodation, and holiday rentals have been growing in popularity on the back of such sites. To avoid any pitfalls, however, TripAdvisor offers the following tips:

- make sure you read multiple reviews and don't base your decision on just one or two comments
- check out photos to get a clear impression of what the holiday rental is like
- and find out if there is any payment protection for your holiday rental.[2]

Live like a local

Once you have arrived in a country, Wallace says it pays to live like a local. So consider taking public transport rather than expensive taxis or bus tours. Take your water bottle with you when you go out, rather than paying for bottled water or other drinks. And think about having your main meal in the middle of the day. "The set meals for lunch are usually much cheaper than restaurant meals at night," Wallace says. She also advises visiting markets to experience the colour and cuisine of a city, and to eat as the locals do.[1]

Try some unique experiences

Here are some suggestions to spark your excitement. Sleep among the treetops by booking through an online accommodation site. Head to a milonga in Argentina – a local tango house – where, instead of paying to see an expensive professional show, you can expect to pay a fraction of the price to watch regular dancers strut their stuff. Or have a beverage in Bratislava, the Slovakian capital, where beer is usually a bargain.

There are some amazing travel experiences out there that don't cost an arm and a leg. Don't let the exchange rate get you down. If it makes you think about alternative ways to have a great holiday, all the better. Be adventurous and come home with some riveting new travel tales to tell.

1 These comments are drawn from an exclusive interview with Elizabeth Wallace.

2 These comments are drawn from an exclusive interview with Janice Lee Fang.

MARKET UPDATE

An economic update from Colonial First State Global Asset Management.

What have been the major economic events in the past few months?

1 The US

The Federal Open Market Committee of the US Federal Reserve Board ('the Fed') meet on 2 to 27 April 2016 and as widely expected held the Fed Funds target rate unchanged at 0.25% to 0.50% the rate set in December 2015.

The first estimate of Q1 16 GDP showed growth was 0.5% on a seasonally-adjusted-annualised-rate, slowing the annual rate to 1.9% from 2% in Q4 2015. While consumption remained supportive (+1.9%), inventories and trade subtracted 0.7% from growth and capital investment fell by 5.9% due to the continued decline in mining and energy investment. The Fed's preferred measure of inflation; Core Personal Consumption Expenditure Price Index rose 0.1% in March, lowering the annual rate at 1.6%, the three month annualised rate is however 2.1% suggesting a pickup in core inflation

2 Europe and the UK

The European Central Bank (ECB) met on 21 April 2016 with no changes to monetary policy announced. The ECB last made changes in March 2016 when they announced a broad easing package, including interest rate cuts, an increase of the asset purchase program and an expansion of the Targeted long-term refinancing operation program. The next meeting is 2 June 2016.

The first estimate of Q1 2016 GDP beat expectations, accelerating to 0.6% per quarter from 0.3% per quarter in Q4 2015, with the annual rate steady at 1.6% per year. Spain (+0.8% per quarter) and France (+0.5% per quarter) beat expectations, Germany and Italy will report later this month.

The Bank of England left policy unchanged when it announced its decision on 14 April 2016, as expected. The Bank Rate was unchanged at 0.5% and the stock of asset purchases remained at £375bn.

3 Japan

The Bank of Japan's (BoJ) policy board convened on 28 April 2016 and disappointed markets by monetary policy unchanged. They did however announce a funds-supplying operation to banks in the area affected by the Kumamoto earthquakes.

Headline CPI decreased from 0.3%/yr to -0.1%/yr over March while the core measure excluding food and energy decreased 0.1% to 0.7%/yr, both well below the BoJ's 2% target.

4 Australia

The Reserve Bank of Australia (RBA) cut the official cash rate from 2% to 1.75%, a new all-time low, at their May meeting. The next RBA Board meeting is 7 June 2016. The RBA slightly downgraded their outlook for the economy 'growth is continuing in 2016, though probably at a more moderate pace' and their assessment of recent labour market indicators to 'mixed of late'.

Employment growth was stronger than expected with 26,100 jobs added compared to the 17,000 expected, mostly driven by part-time jobs growth which is up by 150,000 over the past year. The participation rate held steady at 64.9%.

Business conditions and confidence, as measured by NAB remain supportive with conditions up 3 to +12 while confidence was up by 3 to +6 in March before falling to +9 and +5 respectively in April.

The Australian dollar depreciated against the major currencies in April. The AUD finished down 0.9% against the USD to $US0.7603. The Australian dollar fell against the euro (-1.5%), the sterling (-2.4%), the yen (-6.2%) and NZ dollar (-1.7%) over the month of April.

SPEAK TO US FOR MORE INFORMATION

We are always available to discuss any questions or concerns you may have.

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