

NEWSLETTER

PAYSAFE ADVISORY SERVICES

Winter 2018

CONTENTS

Market Update:

“What’s good for America is good for the World.” review

Term Investment now inside Super:

12 Month Term Investments as an alternative to Term Deposits now in super.

Centrelink Assets Test

New limits

see below

MARKET UPDATE: CONTINUING MARKET VOLATILITY IN 2018?

In the Summer newsletter we noted the proposition for markets in 2018 of “**What’s good for America is good for the world.**” The first six months of the year have proven that to be a reasonable proposition with markets alternatively rising and falling as the melodramas of American diplomacy Trump style have been playing out. These melodramas include, US China trade relations (?), US North Korea talks (?), US Iran nuclear limitation (?). Add to this the Italian crisis destabilizing the EU and potentially the world. This background explains the on again off again rushes of optimism, or pessimism in markets. Despite relatively steady worldwide economic growth, such uncertainty in politics can only produce uncertainty in markets and therefore ongoing volatility. Prudence must be the watchword.

5% + TERM INVESTMENT NOW IN SUPER

12 Month Term Investments returning 5%+, paid monthly, have now been added to IOOF super platforms. We had flagged these investments in the Summer newsletter as being available outside super as an alternative to Bank term deposits which currently have a very low return. Within superannuation the term investment makes a monthly payment. Thus, this term investment will supplement a portfolio’s cash flow and synchronizes with the “Harvest” methodology Paysafe uses to maintain and protect your capital value and provide for income. The provider of this Term Investment is La Trobe Financial Services which have operated as a mortgage lender since 1952. In December 2017 80% of La Trobe Financial Services was purchased by New York based private equity firm Blackstone. “Blackstone is one of the largest private equity funds, and the largest property investor, in the world” (Jonathon Shapiro, Financial Review December 18, 2017) Blackstone has \$450 billion US assets under management. With capitalization on that scale it rivals the big four banks of Australia. As a non-bank lender, they are subject to APRA lending restrictions and they are also subject to responsible lending oversight regulations. Reflecting anticipated growth in the sector APRA, the Australian Prudential Regulator, has been granted new powers to oversee and regulate non-bank lenders.

The La Trobe Australian Credit Fund 12 Month term account promises to be very attractive and flexible within super portfolios. It can replace the bank term deposits many have used for large sums, but its low capital requirements also make it effective as an additional defensive fund within an overall portfolio.



Centrelink Assets Test

The new asset base for a full pension is - home owner:
\$253,750 single,

\$380,500 couple.

The new asset base for a full pension is - non home owner:
\$456,750,750 single

\$583,500 couple.

Cutout Point-home owner
\$556,500 single, \$837,00 for a couple.

Non-Home Owner-\$759,500
single, \$1,040,000 for a couple.



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TERM INVESTMENT IN SUPER — CONTINUED

When bank term deposits reach maturity the La Trobe Australian Credit Fund should be considered as an option given the difference in returns and the monthly income payment. We will be contacting those clients whose term deposits are approaching maturity. It will also form part of the defensive options to be considered for switches in ongoing reviews.

Downsizing AND SUPER

As of 1 July 2018, new rules relating to downsizing the family home will come into effect. In the past unless you were still working it has not been possible for those over 65 to invest ordinary money funds into super. For those still working, and thus satisfying the post age 65 work test, the sum has been limited to \$100,000 in a given tax year. Those not working have been unable to contribute further to super. The new rules change this.

The devil is in the detail. From July 1, 2018, the sale proceeds of selling their family home, if they have owned the property for at least 10 years, may be contributed to super as a “downsizer” contribution. Australians aged 65 or older will be able to make a downsizer contribution into their super account of up to \$300,000. Couples will be able to contribute up to \$300,000 each, giving a total contribution per couple of up to \$600,000. **This downsizer contribution must be made within 90 days of receiving the proceeds of the sale.** For those selling and downsizing this represents an opportunity to increase monies in super, however caution is needed, as there are many other factors which will need to be taken into consideration including the potential impact on their Centrelink position. As would be expected of any such scheme there are a variety of complex rules which need to be complied with in order to make these contributions, nonetheless for many people this will potentially be a very positive development as people downsize their homes for a variety of reasons and it expands their investment choices and allows new opportunities to access the tax favoured and highly regulated super investment format.

If you are interested in the La Trobe Australian Credit Fund 12-month term account inside super, (or outside super), or for further information on the “downsizing” contribution to super for over 65s please contact Rod or Noel.

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