

Your Life Quarterly Update



Your Life
Financial Services

Winter Edition June 2017

Invest In Your Life

Welcome to the winter edition of Your Life Quarterly Update. It is amazing that we are nearly half way through the year already. In this edition we outline:

- The Global Market Update
- Super Changes
- Federal Budget Update
- The Australian Economy
- Holiday Adventures—Japan, Tokyo
- Healthy Habits Corner — Garlic Super Food



Superannuation Changes— Important

The amount that you are able to contribute into super with pre tax (concessional) dollars from your Employer (or company) is changing as at the 1st of July 2017.

From the 1st of July 2017 the total pre tax contributions cap will be reduced to \$25,000 per annum for everyone.

Note, your combined Super Guarantee Contributions plus your Salary Sacrifice amounts must not exceed \$25,000 per annum from the 1st of July 2017.

If you are currently contributing more than \$25,000 per annum into your super fund, you will need to communicate with your payroll manager and inform them to reduce your super contributions to \$25,000 for the 2017/2018 financial year.

Global Market Update

We have outlined below the major market indices as at 1st of June 2017 and their movement over the past 12 months.

Country	Index	Index 1/06/2017	% change in 12 months
Australia	ASX 200	5724	6.4%
USA	Dow Jones	21034	18.6%
USA Technology	Nasdaq	6215	26.1%
UK	FTSE100	7540	21.3%
Hong Kong	Hang Seng	25684	23.8%
Japan	Nikkei	19677	15.1%

The USA Technology index (NASDAQ) was the best performing index over the past 12 months.

2017 Federal Budget Update

The Federal Government recently handed down the 2017 Budget. While the scale of the announcements this year were nowhere near as significant as those announced in 2016, there were a range of significant announcements:

Key Budget measures include:

- An opportunity for first home buyers to save for a home deposit through their superannuation
- Non-concessional contributions for retirees
- Increased Medicare levy from 1 July 2019
- Rental property tax changes
- Bank Levy

Contributing proceeds from sale of home. *Effective 1 July 2018*

Individuals aged 65 and over will be able to contribute up to \$300,000 into super from the proceeds of the sale of their principal place of residence. This measure will apply to a principal place of residence held for a minimum of 10 years.

These contributions will be treated as non-concessional contributions and will be in addition to any other voluntary contributions that people are able to make under the existing contribution rules and concessional and non-concessional caps.

First Home Saver Scheme. *Effective 1 July 2017*

Individuals will be able to make voluntary superannuation contributions in excess of super guarantee of up to \$15,000 per year up to a total of \$30,000 to purchase their first home. These voluntary contributions, which will be taxed at 15%, along with deemed earnings, can be withdrawn for a deposit on a person's first home. Withdrawals will be taxed at marginal tax rates less a 30% tax offset and will be allowed from 1 July 2018.

First home savers will be able to salary sacrifice an amount from their pre-tax income directly into super.

Medicare levy increase. *Effective 1 July 2019*

The Medicare levy will be increased from 2% to 2.5% of taxable income.

The increase will be used to ensure the National Disability Insurance Scheme (NDIS) is fully funded.



Extending the immediate deductibility threshold for small businesses. *Effective 1 July 2017*

The Government will extend the existing accelerated depreciation for small businesses by 12 months to 30 June 2018. Small businesses with aggregated annual turnover less than \$10 million will be able to immediately deduct the purchase of eligible assets costing less than \$20,000 where they are first used or installed ready for use by 30 June 2018.

Major bank levy. *Effective 1 July 2017*

A major bank levy will be introduced for authorised deposit taking institutions (ADIs), with licensed entity liabilities of at least \$100B (indexed to GDP).

The levy will be calculated quarterly as 0.015% of an ADI's licensed entity liabilities as at each quarterly reporting date mandated by APRA.

Additional capital gains tax discount for investment in affordable housing. *Effective 1 January 2018*

Resident individuals who invest in qualifying affordable housing will be eligible for an additional 10 percentage point CGT discount, increasing from 50% to 60%.

To qualify for the higher discount, the residential property must be:

- rented to low to moderate income tenants, and
- rented at a discounted rate, and
- managed through a registered community housing provider, and
- held for a minimum period of three years.

Finally, it is important to note that the Budget announcements are still only proposals at this stage and will depend on the proposals being legislated in due course.

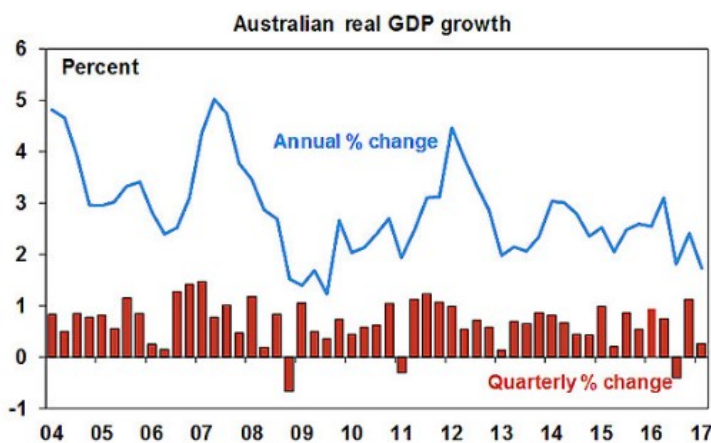
The Australian Economy

Overview

- The annual Australian growth slowed to 1.7% in the March quarter hit by bad weather & weak consumer spending.
- A declining drag from falling mining investment, strong public infrastructure spending and a likely resumption of trade contributing to growth should all help keep Australia out of recession. However, soft consumer spending and a slowing in the housing cycle may act to constrain growth to below Reserve Bank of Australia (RBA) and Government forecasts. As such, there is far more chance of another RBA rate cut than a hike over the next year.
- Australian shares will likely be higher by year end. However, global shares are likely to continue outperforming.

Australian Economy

Despite numerous forecasts for an “unavoidable” recession following the end of the mining boom early this decade, the Australian economy has continued to defy the doomsters and keep growing. However, recently it seems to have hit a bit of a rough patch. After contracting in the September quarter, the economy bounced back in the December quarter only to falter again in the March quarter. While there was relief that we didn’t see another contraction, as had been feared, and the economy has now had 103 quarters without a recession, it would be wrong to get too excited. March quarter growth was just 0.3% quarter on quarter and annual growth slowed to 1.7% year on year, its slowest since the global financial crisis (GFC).



Cyclone Debbie and its aftermath disrupted housing construction & trade in the March quarter. This will pass, however before it does, the weather impact on trade will worsen in the current quarter.

More fundamentally though:

Consumer spending is heavily constrained by record low wages growth and high levels of underemployment resulting in real household disposable income growth of just 0.4% over the last 12 months.

The housing cycle is starting to slow. Falling building approvals point to a downtrend in housing construction activity (see next chart).



The wealth effects from home price gains are likely to slow if property price growth has now peaked under the weight of bank rate hikes, tighter lending standards, rising supply and poor affordability (especially in Sydney & Melbourne). However, while consumer spending and the housing cycle look like becoming a drag on Australian growth in the year or two ahead, several considerations will provide a positive offset uplift.

The big drag on growth from falling mining investment is nearly over. While it’s still falling rapidly, at around 2% of GDP now, its weight in the economy has collapsed reducing its drag on growth to around 0.5% for the year ahead and it’s getting close to the bottom.

Secondly, public infrastructure investment is rising strongly, up 9.5% over the last year, in response to state infrastructure spending most of this is financed from the privatisation of existing public assets.

Finally, net exports or trade is likely to return to contributing to growth as the impact of Cyclone Debbie fades, resource projects and services exports continue to strengthen.

Implications for Investors

There are two implications for Australian based investors. **First, continue to favour global over Australian shares.** **Secondly, maintain a decent exposure to foreign currency.** A simple way to do this is to leave a proportion of global shares unhedged.

Source : Olivers Insights - Shane Oliver 14th June 2017.

Holiday Adventures - Japan, Tokyo

What does your dream holiday look like?

Welcome to the exotic Japan.

Location: Japan

How do you begin to explain a city that is on one hand one of the world's most futuristic, yet at the same time, ageless traditions and centuries-old temples form part of daily life?

Activities

Forgo the typical western hotel for a Japanese inn called a *ryokan*. Explore peaceful gardens, relax in communal baths and take the opportunity to wear a robe (*yukata*). *Ride a bullet train at speeds close to 300km/h*. A visit to Japan is not complete without visiting a temple. Kyoto alone has several thousand of them.

Food

Tokyo has more restaurants than any other city in the world, as well as the most Michelin-star rated. There's plenty of places with great tempura or sushi, or to slurp a quick bowl of noodles. At the top of the dining hierarchy is sushi.

Must See Attractions

For a taste of old Tokyo, the Asakusa district was once a temple town serving the Senso-ji Temple in the wintertime. In contrast, visit the pulsing heart of the city, Shinjuku, which is the epitome of modern Tokyo: bright neon lights, soaring skyscrapers & department stores. If you have time don't miss seeing Japan's national sport Sumo Wrestling.

Distance from Sydney : Approx. 9.5 hours

Source: Travel Associates. www.travel-associates.com.au



Garlic - Super Food for the Immune System

Garlic has a long reputation as a health giving food used both to prevent and to cure illness.

Garlic is also an anti-coagulant and helps to reduce cholesterol levels in the blood. It also has anti-bacterial and anti-fungal properties.

The principal active ingredients in Garlic is a volatile oil called allicin, released when the cloves are crushed.

Recent scientific research has shown that allicin is a powerful anti-coagulant. It inhibits blood-clotting and helps to break down existing clots, allowing the blood to flow more freely thus reducing blood pressure.

Garlic also inhibits the production of cholesterol in the liver and increases the rate at which dietary cholesterol is expelled from the body. As a result it is extremely useful for those who suffer from high cholesterol levels, thrombosis, heart disease and other circulatory problems.

Allicin has potent anti-bacterial and anti-fungal properties and raw garlic is effective in relieving the symptoms of colds and respiratory infections such as nasal congestion. Hence great for winter and warding off colds and flu's.

It is also useful in combating digestive system infections and controlling the balance of bacteria in the stomach.

Source : The Complete Guide to Natural Health. Pierre Cousin2004



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