Your Life Quarterly Update

Your Life Financial Services

Autumn Edition March 2019

Invest In Your Life

Welcome to the Autumn edition of Your Life Quarterly Update. In this edition we outline:

- Super Contribution Limits 2018/19
- Residential property market update
- Franking Credits & Retirement
- Holiday Adventures to Switzerland
- 6 Health benefits of Turmeric & Curcumin

Super Contribution Limits 18/19

Concessional (pre tax) contributions: $25,000 p/a
These include personal deductible, employer and salary sacrifice contributions.

Non Concessional (after tax) contributions:$100,000 p/a
Or up to $300,000 over 3 financial year periods.

Super Co-contribution
If you are working and your income is below $37,697 and you contribute $1,000 into super (from after tax funds) the government will contribute $500 into your super.

Spouse contributions
If your spouses income is $37,000 or less you could qualify for a tax offset of up to $540 on the first $3,000 you contribute to superannuation from your after-tax income.

High Income Earners—Tax on super
If your income plus concessional contributions (within cap limits) exceed $250,000 pa, an additional 15% contributions tax will be levied on contributions that are above the $250,000 threshold.

Global Market Update

We have outlined below the major market indices as at 1st of March 2019 and their movement over the past 12 months

Country	Index	Index 1/3/2019	% change in 12 months
Australia	ASX 200	6,192.73	3.67%
USA	Dow Jones	26,019.67	3.98%
USA	Nasdaq	7,587.45	4.30%
UK	FTSE100	7,075	-2.17%
Hong Kong	Hang Seng	28,716.60	-5.78%
Japan	Nikkei	21,490.02	-1.88%

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

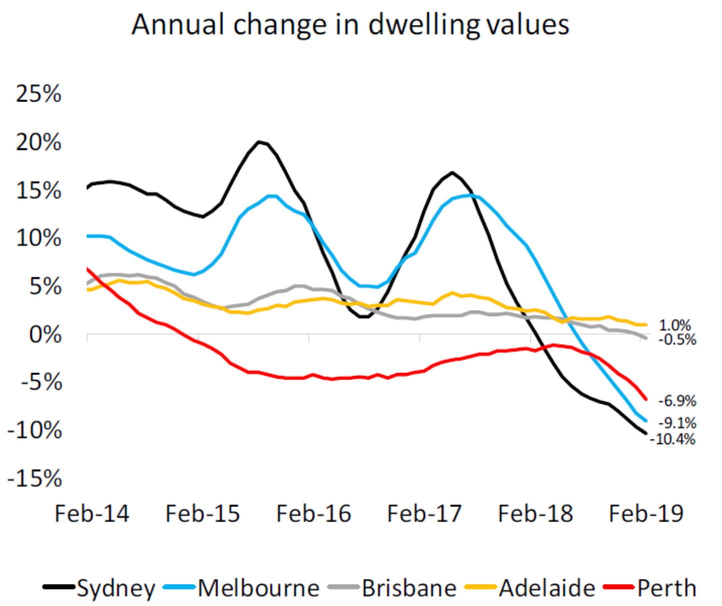
Residential Property Market Update

The topical discussion at the moment is what is happening with residential property prices in Sydney and around Australia and what does the future hold.

National dwelling values fell for the 16th consecutive month in February 2019, recording a -0.7% decline for February 2019.

Over the month, combined capital city values fell by -0.9% while the combined regional markets recorded a -0.3% fall.

Over the past year, national dwelling values have fallen by -6.3% which is their largest annual fall since March 2009. Combined capital city dwelling values were -7.6% lower and combined regional market values were -1.4% lower.



Sydney dwelling values have fallen by -4.1% over the 3 months to February 2019 and they are -10.4% lower over the past year.

Sydney dwelling values are now -13.2% lower than their July 2017 peak. Over the past year, values have fallen in Sydney, Melbourne, Brisbane, Perth and Darwin, and increased across the remaining capital cities.

While the tighter prudential lending controls placed on Authorised Deposit Taking Institutions (ADI's) by the Australian Prudential Regulatory Authority (APRA) have now been loosened, it appears the current Royal Commission into Misconduct in Banking, has caused ADI's to reassess their internal processes with respect to lending to all borrowers, which has also resulted in a contraction in credit being provided to domestic investors purchasing residential property. Hence making it harder to borrow.

Vendor metrics have generally softened, with the number of days to sell a property and vendor discounting rates trending higher. Auction clearance rates are higher than they were late in 2018 but much lower than a year ago with volumes also much lower.

Vendors seem to have got the message that it isn't a great time to sell, with fewer new listings being added to the market than over recent years, while total advertised stock levels are tracking much higher, due to a slower rate of absorption.

The trend in population growth has eased over the twelve months ending March 2018, as both the rate of net overseas migration and the rate of natural increase fell. **Slower population growth has a negative implication for housing demand.**

There has also been a sharp decline in the number of residential properties purchased by foreigners. The latest Foreign Investment Review Board (FIRB) data shows that just under 13,200 residential properties in Australia were purchased by foreigners during 2016-17, which represents a significant fall from the 40,100 residential properties sold to foreigners during the previous financial year.

Finally, one factor that has not been explicitly considered is the potential impact of Labor's proposed changes to Negative Gearing and Capital Gains tax should it win the next Federal election. If negative gearing is removed this may have further consequences for the Australian property market.

In broad terms, **KPMG expects real prices for Sydney residential property to continue to soften during FY19, bottom out in FY20, before experiencing moderate growth in FY21**.

Source : CoreLogic—Property market March 2019 & KPMG Housing Affordability January 2019.

Franking Credits & Retirement

Franking credits and the uplift in income they deliver are crucial for every retiree's investment strategy. **These credits, from Australian equities and hybrids, boost the average dividend yield on Australian shares by around 1.5%.**

These benefits could be impacted if limitations proposed by Labor on access to franking credits for some individuals and superannuation funds go ahead.

When the Federal Government was discussing its full suite of corporate tax cuts earlier in the year, some commentators recommended that the entire franking system should be scrapped. While that policy discussion has been parked, it highlights the existential threat to the existing franking credit system.

Many retirees, and those planning for their retirement, have been sensibly trying to understand the direct impact of proposed changes to franking credits on their portfolios.

That understanding is vital, but investors should also consider the indirect effects the changes could have on the broader Australian equities market. And, perhaps most importantly, retirees should also be actively considering how they would need to adjust their retirement strategies and portfolios if changes are implemented to the franking credit system.

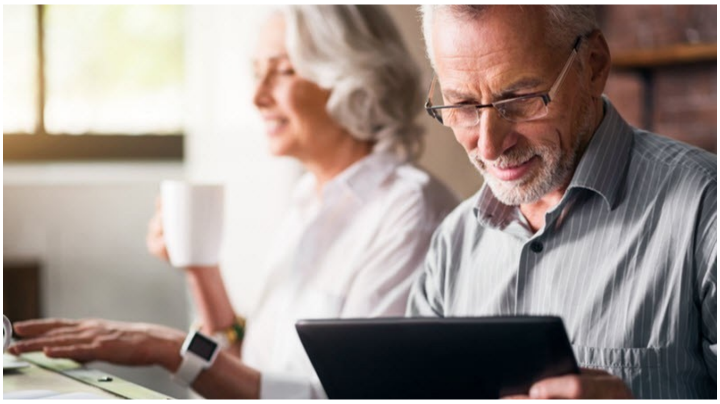
Franking credits a recap

Franking credits were introduced in 1987 to address the issue of double taxation on dividend income. They allow Australian investors to claim a credit for their share of the tax a company has already paid on its corporate earnings and use that credit to offset their tax bill.

In the early 2000s, franking credits became fully refundable as part of changes to the dividend imputation system. **This meant that investors who pay low tax (such as low-income individuals, charities and superannuation funds) could receive a cash payment** from the tax office in circumstances where the credits actually exceeded their tax liabilities.

The value of franking credits in retirement

Franked dividends are extremely valuable to retirees. Retirees with a 0% tax rate on the assets in their account-based pensions receive an uplift of up to 43% on the cash value of franked dividends. It's true that few retirees will have their entire portfolio in franked Australian shares.



A future Labor Government might allow franking credits to be offset only against existing tax liabilities, stopping low-tax investors from receiving cash payments when their franking credits exceed their tax liabilities. This would be somewhat like the rules in place pre-2000.

Wider impacts

Proposed changes to access to franking credits would have a direct impact on many retirees' portfolios through loss of income uplift and the psychological drawback of greater exposure to market volatility.

But there could also be an indirect impact on portfolios through its wider effects on companies and share prices.

Australian companies typically have a high pay-out ratio (dividends as a percentage of after-tax earnings) relative to global companies because shareholders recognise the benefits of franking credits and lobby companies to distribute them. If access to credits were materially restricted or removed, companies may decide to distribute lower dividends and retain more earnings for re-investment.

Not only would this reduce the relevance of Australian shares to retirees' investment strategies, it could also produce a material change in corporate governance, company performance and share price volatility

Franking credits are important to retirees.

Of course, there is no certainty that these changes would make it through the Australian parliament. So, it may not be advantageous to act hastily.

Ultimately, investors should focus on what they can do to maximise confidence that they are on track to attain their personal retirement income goals.

Source : Dermot Ryan—How proposed franking credit changes could affect retirement income & Goals. 29th October 2018.

Holiday Adventures : Switzerland

What does your dream holiday look like?

Welcome to Switzerland

Location : Switzerland

Look beyond the chocolate, cuckoo clocks and yodelling contemporary Switzerland, land of four languages, is all about once-in-a-lifetime journeys, heart-racing Alpine pursuits and urban culture.

Activities

Experience the Glacier Express on a train and witness the unique Alpine Landscapes. Walk the longest pedestrian bridge in the Swiss Alps on the Trift Bridge. Hiking and Trekking is breath taking in the Alpine landscapes. Finally if you love skiing you will be in heaven.

Food

Swiss cuisine combines influences from the German, French and North Italian cuisine. Key dishes include :
Cheese Fondue, Raclette, Swiss Chocolate, Iplermagronen,& Rösti to name a few.

Must See Attractions

They are numerous and unforgettable: Pay a quick visit to an enchanted castle or a first-class museum, gaze at breathtaking glaciers and stunning mountains, pass palm trees and grotti and so much more.

Distance from Sydney : Approx. 25 hours

Source : www.myswitzerland.com

Turmeric & Carcumin

6 Health Benefits of Turmeric & Curcumin

1. Turmeric contains medicinal properties

Turmeric is the spice that gives curry its yellow colour. Curcumin is the main active ingredient in turmeric. It has powerful anti-inflammatory effects and is a very strong antioxidant.

2. Curcumin is a natural anti-inflammatory

It helps your body fight foreign invaders and also has a role in repairing damage.

3. Turmeric increases the antioxidant Capacity of the body

Oxidative damage is believed to be one of the mechanisms behind aging and many diseases.

4. Curcumin is linked to improved brain function

Research suggests it may be effective in delaying or even reversing many brain diseases and age-related decreases in brain function.

5. Curcumin should lower your Risk of Heart Disease

The main benefit of curcumin when it comes to heart disease is improving the function of the endothelium, which is the lining of your blood vessels.

6. Turmeric can help prevent Cancer

Studies have shown that it can contribute to the death of cancerous cells and reduce angiogenesis (growth of new blood vessels in tumors) and metastasis (spread of cancer).

Source : Kris Gunnars—10 proven Health Benefits of Turmeric and Curcumin 13 July 2018.

Jason Danjoux
Your Financial Adviser
Your Life Financial Services Pty Ltd
Ph : 02 46 22 1212
Mob : 0414 955 957
28 / 1 Elyard St Narellan NSW 2567