Your Life Quarterly Update

Your Life Financial Services

Spring Edition September 2019

Invest In Your Life

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

- WINNER - Your Life Financial Services.
- Commonwealth Pension Loan Scheme.
- Why an Australian recession remains unlikely.
- Holiday Adventures to Santa Monica.
- Helping Macular Degeneration.

Winner : Your Life Financial Services

We are proud to announce that *Your Life Financial Services* was recently awarded the **WINNER of the Australian Unity Practice Of The Year 2019.**

This is a National Award recognising client outcomes, quality service, the highest compliance standards and sound growth.

This is great recognition for all of the hard work and commitment that the team strive to achieve on a daily basis for our clients.

Global Market Update

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

Country	Index	Index 1/9/2019	% change in 12 months
Australia	ASX 200	6604.20	4.70%
USA	Dow Jones	26403.3	1.70%
USA	Nasdaq	7962.90	-1.60%
UK	FTSE100	7207.18	-4.00%
Hong Kong	Hang Seng	25724.70	-7.20%
Japan	Nikkei	20704.40	-8.80%

The ASX 200 (Australia) was the best performing index over the past 12 months.

Pension Loan Scheme

On 1 July 2019 the Pension Loan Scheme (PLS,) which is a tax-free reverse mortgage facility administered by Centrelink, had some of its qualification criteria relaxed and its maximum pension payment amount increased to broaden accessibility.

To clients who own their home and need more regular income, it offers a relatively simple and viable alternative to downsizing and commercial reverse mortgages.

To qualify for the PLS, a person must:

- be of Age Pension age or the partner of someone who is, and be receiving or be qualified for the:

Age pension, Disability support pension, Wife pension, Carer payment, Widow B pension or Bereavement allowance, and

- own real estate in Australia of sufficient value to secure the payment of any debt that may become payable
- not be bankrupt or subject to a personal insolvency agreement, and
- have appropriate and adequate insurance covering the secured real asset/s.

To avoid doubt, clients who currently are not eligible to receive any Age Pension payments under either the income or asset test are eligible to apply for the PLS provided the other qualification criteria are met.

What is the Pension Loan Scheme?

Under the PLS, eligible pensioners can choose to top-up their fortnightly Centrelink pension up to 150% of the maximum rate of the Age Pension (including any relevant supplements).

Coupled full age pensioners will be able to increase their combined payments from $36,301.20 per annum to $54,451.80 per annum.

The difference between the amount nominated by a couple/individual and your current Age Pension is the borrowed amount under the PLS. This becomes a debt payable to the Commonwealth, secured by a charge against the applicant's Australian real property.

The debt is subject to compound interest rate of 5.25% p.a. which is applied to the outstanding loan debt each fortnight. This interest rate is set by the Government and has remained unchanged since December 1997.

When is the loan repaid?

The recovery of the debt is deferred until the death of the surviving partner.

A maximum loan amount applies and when reached, PLS payments will cease and **interest will continue to accrue until the loan is repaid.**

The maximum loan amount depends on the following:

- equity held in the property offered as security, less
- a guaranteed amount to be exclude from the loan, and
- age of the applicant or their partner, whoever is younger.

For example, a 70 year old pensioner with a home valued at $600,000 can borrow a maximum amount under the PLS equal to 3,080 x (600,000/ 10,000) = $184,800.

Strategic Analysis

The biggest advantage of the PLS is that it is a relatively simple Government administered scheme providing additional fortnightly income. It can be stopped and adjusted at any time (subject to repayment of the out-standing loan) and the interest rate is generally lower than interest rates offered by commercial reverse mortgage products.

Accessing the PLS can also provide clients with a higher standard of living in retirement.

Risks for the PLS

The total accrued **interest can be very substantial** as the outstanding loan amount is generally repaid many years after commencement, usually on death of the client.

Another important factor when considering PLS is the actual change in the value of the underlying real property securing the loan. If property prices decline, clients or their estate must source additional means to repay the debt. This could leave dependants liable for repayments or surprised by the charge over their parents estate.

You need to consider the PLS very carefully before proceeding and the long term implications.

Source : Australian Unity Technical Insights August 2019.

Why an Australian recession remains unlikely

While the risks of a recession have increased, a recession in Australia remains unlikely. In this article we explain the main reasons why we should not enter into a recession.

The main triggers preventing a recession include,

- Tax cuts should help growth in the current half year
- The threat from falling property prices has receded
- Infrastructure spending is booming
- The low Australian Dollar is helping growth
- The drag from falling mining investment is over
- The current account is in surplus
- There is scope for extra fiscal stimulus
- Population growth remains strong and
- Cyclical spending is low.

Recessions come along when there is a shock to the system (usually high interest rates), invariably at a time when the economy is vulnerable after a period of excess (such as rapid growth in spending, debt or inflation).

In Australia the last recession was 28 years ago.

But is our luck running out?

Slow growth but probably not recession!

Since last year the view has been less upbeat on growth than the consensus and notably the RBA. This remains the case as the housing construction cycle turns down and weighs on consumer spending.

But there remains several positives that should help the economy avoid a recession even though growth will remain weak for a while yet.

- **Rate cuts and tax cuts should provide some growth boost** – while July retail sales were disappointing, the experience from the GFC stimulus payments is that the tax cuts will provide some lift to growth in the months ahead and various retailers have expressed optimism about this recently.

- **The threat of crashing property prices looks to be receding** – while it's so far been on low volumes, buyer interest has returned to the Sydney and Melbourne markets and we never saw the much-feared surge in non-performing loans or forced selling.

- **Infrastructure spending is booming** – recent state budgets saw the projected peak in infrastructure spending pushed out yet another year to 2020. It's likely states will seek to take even greater advantage of ultra-low long-term borrowing costs to further push out the peak in infrastructure spending.

- **The low Australian Dollar is helping to support the economy** - the $A is down 39% from its 2011 high and is likely to fall further. This provides a boost to Australian businesses that compete internationally by making them more competitive.

- **Australia has a current account surplus** - the June quarter saw the first current account surplus since 1975. The slide since then in iron ore and coal prices suggests it may not be sustained, but the reasons for the improvement are more than just commodity prices so the deficit is likely to be well below the norm of recent decades going forward.

- **There is scope for extra fiscal stimulus -** the Federal budget is nearly back in surplus and while we have had a long run of deficits our public finances are in good shape compared to the US, Europe and Japan. As a result, there is scope to provide more fiscal stimulus and this is probably more important than a narrow focus on the surplus.

- **Population growth remains strong** - Australia's population growth at around 1.6% pa remains strong. Of course, strong population growth is not without issues and in terms of living standards it is economic growth per person (or per capita) that matters. But solid population growth also has significant benefits in terms of supporting demand growth, preventing lingering oversupply and keeping the economy dynamic.

Finally, cyclical spending as a share of GDP remains low – suggesting that apart from parts of the housing market there's not a lot of excess in the economy that needs to be unwound.

Conclusion

While Australian growth is going through a rough patch with likely further to go, recession remains unlikely, barring a significant global downturn.

Source : Shane Oliver : Olivers Insights 5th of September 2019

Holiday Adventures : Santa Monica

What does your dream holiday look like?

Welcome to Santa Monica.

Location : Los Angeles Santa Monica

Known as Los Angeles beach city, Santa Monica is California's quintessential playground. Set Along a 5.5 km stretch of coastline, Santa Monica is home to sandy beaches a wellness culture all of its own.

Activities

The heart of the neighbourhood is the famous Santa Monica Pier, but with over 150 museums and galleries sprinkled throughout the streets, a gorgeous stretch of sand to dig your toes into and amazing shopping, there's plenty to keep you busy.

Food

As the birthplace of the farm-to-table movement that swept across the world in recent years, it makes sense that the farmers markets here are the best in the country. There are 4 weekly markets in the neighbourhood that are regularly patrolled by the city's chefs.

Must See Attractions

Iconic attractions include Santa Monica Pier and State Beach, Third Street Promenade, Palesades Park and the 26 Mile Bike Path are all destinations you must visit

Distance from Sydney : Approx. 13.5 hours

Source : Travel Associates.

For a unique holiday experience contact Vanessa Citroni : 0409 997 650

Macular Degeneration

Macular degeneration is the leading cause of irreversible vision loss in older adults.

It happens when the macula loses structural density. The result is blinding damage to the light-sensing retina of the eye.

Primary culprits like smoking and exposure to ultraviolet sunrays can be controlled. But the single, largest factor in its development is aging.

Specific plant carotenoids have been shown to protect the macula from UV-light damage and oxidation.

Individuals with the highest levels of the carotenoids lutein and zeaxanthin show a striking 41% lower risk of advanced age-related macular degeneration.

Putting the brakes on macular degeneration and improved vision have been demonstrated in response to several plant-derived nutrients.

Cooked spinach is one of the best natural food sources of lutein and zeaxanthin.

A corroborating study also found that **saffron** (a culinary spice derived from the crocus flower), improved visual function in macular degeneration patients within three months.

Alpha-carotene (found in pumpkin and carrots) is also proven to protect the pigmented cells of the retina from light-induced oxidative damage. Alpha-carotene was also found to significantly reduce the risk of developing macular degeneration. Source : www.Lifeextension.com. Magazine September 2019.

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