

Outlook

Financial Update & Outlook

Winter 2016

It's been a volatile year for markets starting with concerns about the prospect of higher US interest rates and lower commodity prices. This left share markets lower over the past 12 months, while resulting in a very strong year for bonds.

Last quarter we saw the Reserve Bank cut interest rates to 1.75% bringing the official interest rate to a modern day low.

Not since the 1950's have cash investments produced such low returns in Australia. Our love affair, since the wake of the GFC, of saving rather than spending is really starting to bite.

Last quarter we also saw the UK shock decision to leave the European Union (based on the votes of effectively one third of the population). The financial press had a field day when world sharemarkets fell by over 3%. They quoted how many squillions of dollars Australian superannuation members had lost and that this would probably lead the world into recession.

It wasn't long ago the financial journals were full of reports about the problems of the Greek economy & before that the decline in growth of the Chinese economy & before that the.....Uncertainty now, it seems, is the new normal.

Well, what has happened since Brexit? World markets have made up the losses experienced the following day plus the **Australian market has risen by over 6% in July**, the highest monthly rise in almost 5 years. This is not to say that the full shock of the UK decision is over but that it is very easy to be frightened by the jibber-jabber in the media. It is yet to be seen how much real impact Brexit will have in the medium to long term but in the short term has not lead to the near collapse of the world's financial system as predicted by some.

So what will be the next scare to affect financial markets? I would be so bold as to suggest it could be the new world order if Donald Trump is elected President of the United States.

Who could predict what policies a President Trump would actually enact, let alone how they would affect the largest and most important economy in the world and what flow on affects may follow.

In Australia, we have our own uncertainty in the form of an indecisive election result and proposed changes to superannuation. Regardless of who ends up controlling the Senate, there will be a period of uncertainty around new policy settings until they are actually passed into legislation. What this all means is that investors need to be reassured that they have the right plans in place to endure whatever future uncertainties are thrown.

So what is our view for the next 12 months? Markets will continue to be town between anxiety over the fall-out from Brexit and the prospect of a strengthening US economy. We see interest rates and inflation both remaining low for the short to medium term. We see equity valuations strained and as a result we expect investment returns to be quite subdued by previous standards.

Always remember there is more to portfolio management than maximising returns; equally important is managing risk on the downside. It has been a tough year with returns sometimes difficult to find but history has shown that investment in quality companies will always pay off for investors in the end. We have over 30 years of experience in managing funds for clients and have seen situations not dissimilar to this in the past.

Remember if you have any questions please contact the relevant advisor listed below. Alternatively, if you have any feedback on our updates or articles you would like covered please give me a call or send an email to gricks@finpac.com.au.

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changes to age pension

The Age Pension provides income support and access to a range of concessions for eligible older Australians. Recently the Government introduced changes to the Age Pension's asset test thresholds which will come into **effect from 1 January 2017**. These thresholds indicate the value of the assets you can own (excluding your home) before you lose your eligibility for the Age Pension.

From 1 January 2017, it is expected that around 50,000 Australian Age Pensioners will be better off under these changes and receive the full pension. On the other hand, these changes may mean some age pensioners will have their payments reduced with some losing their entitlements altogether. Those who do lose their pensions in 2017 will automatically be entitled to receive a Commonwealth Senior's Health Card or a Low Income Health Card. These cards will provide access to Medicare bulk billing and less expensive pharmaceuticals.

Following is a summary of the changes to the assets test thresholds from 1 January 2017:

Family Situation		Current Threshold	New Threshold
Homeowner	Single	\$209,000	\$250,000
	Couple	\$296,500	\$375,000
Non-homeowner	Single	\$360,500	\$450,000
	Couple	\$448,000	\$575,000

Pensioners will also be subject to a new taper rate of \$3 for every \$1,000 above the new asset threshold amount. This new taper rate will determine any reduction in age pension entitlements for assets above the new thresholds.

To find out how these changes may affect you, please contact your FINPAC Financial Advisor to discuss your individual situation and options.

hyperion small growth companies fund

Some FINPAC clients have exposure to funds managed by Hyperion Asset Management. They have recently announced that it has hard closed its small-cap fund, the Hyperion Small Companies Fund to new investment.

Managing Director, Tim Samway, explained that Hyperion's success is based on their ability to create concentrated, high quality portfolios. This means they must be mindful of factors which might affect performance, and of course, fund size is a major contributing factor.

Mr Samway explained that closing the fund will keep assets under management below capacity, allowing the fund to trade actively and fluidly in the marketplace, ensuring ample headroom for future out-performance.

What does this mean for FINPAC clients?

This fund is included in our Growth and High Growth portfolios. As of the 1 June 2016, distributions from the fund will be paid out in cash and reinvestment of distributions will no longer be possible.

Client's whose portfolios include exposure to this fund have been re-weighted so that any surplus cash can be invested across all of the funds within your portfolio.

Hyperion Small Companies Fund will remain within your portfolios, however only redemptions will be continued to be processed as usual.

and preservation

steadfast life express

Steadfast Life Express is an alternative to “Direct Insurers” life insurance products. The cover provided and ease of application are similar to direct insurers such as Real etc. however the premiums are considerably lower. **This product is only available through Steadfast Brokers such as FINPAC Insurance.**

Life Express is made available by Steadfast Life – specialists in providing Life Insurance solutions for clients of the Steadfast Group. Steadfast Life are 50% owned by Steadfast Group Limited, Australia’s largest network of General Insurance Brokers in Australasia.

Why Steadfast Life Express?

- 10% premium discount for Steadfast clients
- Apply for up to \$1 million Life & TPD Insurance
- Simple online application without the need for medical examinations or blood tests
- Flexible policy ownership options, such as an SMSF or Company

If you require additional advice regarding any Life Insurance products or would like to speak to someone about your individual needs, please call Tony Muller or Julie Ramage.

FAQs

How do I apply for the Life Express Policy?

Contact Tony Muller or Julie Ramage who will guide you through the process of , if you wish to “Do It Yourself” just go to the Finpac Insurance Advisors website, www.finpacinsurance.com.au, and click on the Steadfast Life Express tab.

Who is the Insurer for the Life Express Policy?

Life Express policies are insured through Metlife, one of the world’s largest insurers. The Metlife Group are a leading provider of insurance, annuities and employee benefits programs, servicing 90 million customers worldwide.

Who can purchase a Life Express Policy?

Life Express policies can be purchased to cover yourself or someone else, such as a spouse or business partner. The policy can also be owned by a company, for example, to cover key employees, owners or directors. The trustee of a self-managed superannuation fund may also purchase the policy on behalf of its members. Life Express is available to applicants between the ages of 18 and 60 years.

I am a client of the Steadfast network – do I get a discount?

Clients of Steadfast Brokers get a 10% premium discount on their policies.

How much cover can I apply for?

You can apply for any level of cover from \$100,000 to \$1,000,000. If you choose the TPD option, the TPD cover amount selected must be equal to or less than the life cover selected.

What factors affect my premium?

The premiums payable for Life Express are generally based on the chosen level of cover, the insured person’s age, gender, occupation and smoking status.

Do I need a blood test or medical to be accepted?

No, you don’t need to have any medical examinations or blood tests to take out a policy with Life Express. However, you will be asked some questions about your health and medical history when you apply for the cover.

Does the policy provide a funeral benefit?

The insurer provides an advance payment of \$10,000 in the event of the insured person’s death to cover costs such as funeral expenses and other expenses faced by the family.

If I require more than \$1,000,000 Life Cover, who do I call?

The Life Express Policy provides cover up to \$1,000,000. If cover is required over and above, please contact Tony Muller or Julie Ramage.

Do you provide Income Protection and Trauma Insurance?

Life Express has an option for Life and Life/TPD cover only. Contact Tony Muller or Julie Ramage if you require advice with regards to Income Protection or Trauma Insurance.

business continuity cover

How does a small business cope when a vital member of the business cannot work due to an accident and/or illness?

In circumstances such as this, the work still goes on but the business is required to provide sick-pay for that employee. The Business Continuity Cover gives business the flexibility to recruit and employ a replacement, without the financial drain of two wages.

What is it?

Focused on business professionals, Business Continuity Cover will pay for the recruitment costs and wages for a replacement employee where an Insured Person is unable to work due to injury or sickness.

How does it work?

- Cover is for the business, not the individual
- Premium is calculated on the number of insured persons for which cover is required
- 60 day waiting period (this period is back paid)
- Recruitment costs automatically included
- Benefits paid monthly
- Is more suited to individuals in professional, managerial or administrative roles

Claim Example

In April 2013 a professional involved in the financial industry was involved in a road bike accident. As a result he was unable to work for 18 months. Due to the individual's role within the organisation, the business could not simply replace him; therefore the business restructured, but required an additional employee in a different role to supplement the change in structure.

The business received over \$100,000 in monthly installments. These payments covered costs to recruit and wages of a replacement employee until the original staff member was able to return to work.

For more information please contact Tony at FINPAC Insurance Advisors.

commercial rent default insurance

Commercial Rent Default Insurance is a stand alone insurance product designed to protect commercial landlords from rental default arising from failure to pay rent due, because the tenant fails to pay the rent as required by the lease agreement.

What is covered?

We will cover you for loss of rent arising out of rent default occurring during the period of insurance if your tenant:

- fails to pay the rent as required by the lease agreement;
- leaves the premises without having provided the required amount of notice under the lease agreement;
- leaves the premises at the end of the term of their lease without having paid all rent due;
- is legally evicted from the premises.

Cover will commence from the day following that which the tenant has paid to and continue until whichever of the following events occurs first:

- the premises are re-tenanted;
- the tenant's lease expires; or
- the policy limit is reached.

For more information please contact Karen at FINPAC Insurance Advisors.



Report by Anthony W Muller, Director & Representative of FINPAC Insurance Advisors PTY LTD (Australian Financial Services Licence 252590). This bulletin contains general information only and has been prepared without taking into account your individual financial needs, circumstances and objectives. Reliance is not to be placed upon this material, and you should assess your own financial situation before making an investment decision based on it. You may wish to consult your advisor. Any representation or statement made or implied in this material whether by way of opinion or advice or otherwise, is made in good faith, but on the basis that FINPAC Insurance Advisors shall not be liable to any person in respect of such representation or statement whether by reason of negligence, lack of care, or otherwise save where liability cannot be excluded pursuant to law.

what's happening at finpac?

FINPAC Financial Advisors is proud to announce that Nikki Taylor has successfully completed the FPA Certified Financial Planner Certification Program. She is now a fully qualified and certified Personal Wealth Advisor. The team at FINPAC are very proud of her dedication and commitment to furthering her education and knowledge in the industry. Congratulations Nikki!