

# Outlook

Financial Update &amp; Outlook

Winter 2019

In this newsletter, I'd like to provide you with an update on what has happened in investment markets over the past six months and a couple of changes to superannuation which may be beneficial to some of our clients.

The Australian share market has continued its robust recovery since the Global Financial Crisis and has ended the 2019 financial year on a strong footing. This resulted from low interest rates, early signs of a stabilising property market and the return of a pro-growth Government.

The past financial year has been a year of two halves. The first half finished with markets plunging only to rebound strongly over the second six months. The good news is that overall it has been a good year for diversified investors.

When we reviewed portfolios in December last year, things didn't feel so good due to a combination of concerns. The main being President Trump's trade war with China, a slowdown in the Chinese economy, US interest rate hikes, falling property prices and federal election fears in Australia. This culminated in US share markets falling by almost 20% between the September high and the low on Christmas eve.

In the last six months share markets have rebounded as trade war tensions have eased and official interest rates have dropped in Australia and strong signals that rates will decline in the US and Europe. This has seen

global share markets rebound sharply with Australian shares having the best June half-year since the early 1990's – no doubt helped along by the return of the Morrison Coalition Government.

For the financial year global shares returned 6.6% but thanks to a fall in the Australian dollar returned local investors 12%. At the same time Australian shares returned 11.6% reaching a 11-year high. Cash and bank deposits continued to yield poorly with the RBA further dropping the official interest rate to 1.25%.

Australian shares continued upwards in July to above their pre-GFC levels, helped by further cuts in interest rates. No sooner had this occurred but the correction began which can be expected after big gains. The main reason for the correction was the increased tension between China & the US on trade.

We expect to see more volatility in the short-term but with easing monetary conditions globally economic growth is likely to continue with shares prices likely to be higher in 6 – 12 months' time.

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](mailto:gricks@finpac.com.au).

## Andrew Gricks

Andrew R Gricks  
Managing Director  
FINPAC Financial Advisors  
AFSL 237820 ABN 74 010 494 489



FINPAC Insurance Advisors Pty Ltd  
ph 07 4771 5600  
p o box 2362, townsville qld 4810

Tony Muller Life, Trauma & Income Insurance

Karen Giannopoulos - Commercial Insurance

Danielle Turner - Claims

Alison Barton - Personal Lines

Michael Giannopoulos - Commercial Rural

FINPAC Financial Advisors Pty Ltd  
ph 07 4772 5655  
p o box 1577, townsville qld 4810

Andrew Gricks  
Tony Muller  
Nikki Taylor  
Tricia Gricks

Managing Director  
Personal Wealth Advisor  
Personal Wealth Advisor  
Client Relationship Manager



# *wealth creation*

## FEDERAL ELECTION: What it means for you

Scott Morrison and the Liberal Party have held government, meaning that most Australian taxpayers earning up to \$126,000 per year will receive a tax cut. In addition there is a promise to flatten tax brackets by 2024, so all taxpayers earning between \$45,000 and \$200,000 will have their tax rate reduced to 30%.

Tax was a key battleground in the election where many of the Labor's tax policies attracted substantial opposition.

Their plan to scrap cash refunds of excess franking credits, with exemptions for full and part pensioners attracted waves of dissatisfaction from investors, particularly retirees.

Just as unpopular was its plans to restrict

negative gearing to new buildings from January 2020. The Property Council's chief executive, Ken Morrison said "It would have delivered a \$766 million hit to construction, cost 7,800 construction jobs, made almost no difference to housing affordability by 2030, and shaved \$1.5 billion off GDP at a time we can least afford it."

I believe these two tax policies together with their capital gains tax policy were the major reasons that electors abandoned them in droves. As an aside, I must ask how wrong did the political pollsters get this election result?

From my perspective the best thing about the Coalition Government being returned is that we should now have some certainty in superannuation policy for the time being.

## SUPERANNUATION: Key changes

### **Work test exemption**

Generally, if you are aged between 65 and 74 you need to meet a work test to make personal contributions to super. From this tax year provided your total super balance is below \$500,000 at 30 June in the previous year you may be able to make additional contributions even if not working. This exemption can only be used once in a lifetime.

### **Catch-up concessional contributions**

Again, if your super balance is below \$500,000 on 30 June the previous year

you may be able to make an additional concessional contribution this year. If you did not contribute the maximum \$25,000 last year then you may be able to catch up this year.

As an example, if you only contributed \$10,000 last year then you should be able to contribute up to \$40,000 (\$15,000 plus \$25,000) this year.

For more information on these & other superannuation strategies please contact your **FINPAC** advisor.



# *and preservation*

## TOWNSVILLE MONSOON UPDATE

The insurance cost of the February floods in Townsville has peaked at \$1.24 billion. The Insurance Council of Australia said the devastating floods, a result of record-breaking rainfall battering the north Queensland city for several days in early February, had led to around 30,000 insurance claims. The majority of claims were for home building and contents, with only about 5000 for motor vehicle damage.

The Townsville floods were the second single natural catastrophe to result in insurance costs of more than \$1 billion this financial year, the first being the freak hailstorm in Sydney in December, which resulted in \$1271 million of claims.

At FINPAC we have finalised nearly all of our claims with only a few claims left. These are predominately business insurance claims particularly Business Interruption claims.

## ACCC NORTHERN AUSTRALIA INSURANCE INQUIRY

The insurance cost of the February floods in Townsville The ACCC has just released its initial observations on the northern Australia insurance market following a public consultation and information gathered from insurers. A preliminary report into insurance premiums across northern Australia has highlighted an apparent imbalance - with many residents facing rising costs that are out of sync with the rest of the country.

We in Townsville are more than aware of this and with the recent monsoon event this, we believe, can only get worse. According to the early analysis, northern Australia makes up only 5% of the number of policies yet it accounts for about 10% of premium revenue.

The report also found that, between 2007-08 and 2016-17, average combined home and contents premiums (adjusted to account for changes in the sum insured) have increased by between 23- and 67% in northern Australia while the rest of the country faced a jump of just 16%. It was also revealed that, in 2016-17, the average annual combined home and contents premium in northern Australia was \$2,000 – almost double the average for the rest of Australia. Strata insurance premiums in northern Australia were also found to be more than double the premiums in the rest of Australia. I think we would argue the difference is

probably closer to four times, especially since the monsoon event.

The findings come after the ACCC held public forums in Townsville, Cairns, Rockhampton, Mackay, Darwin, Alice Springs, Broome and Karratha to hear directly from residents. One of the ACCC's solutions was for a government-backed reinsurance pool, and mutual and direct subsidies. The Insurance Council of Australia has argued that these options have been tried in other countries and have failed to address the fundamental issue of reducing the risks through better planning, building, and mitigation.

The ICA believes the key drivers of pricing and availability of insurance in northern Australia are the high risk and impact of natural disasters (in particular cyclones and floods), high costs of materials and trades, inadequate building controls, and failure to mandate mitigation measures, from both a building resilience, and mitigation measures by Local and State governments.

The ACCC has also recommended to abolish state stamp duties on insurance. Whilst Both the ICA and the ACCC support view that mitigation can improve affordability little progress has been made, despite the Productivity Commission recommending the federal government invest at least \$200



# CYBER LIABILITY INSURANCE

## Why is Cyber Liability insurance important to your business?

Given the highly sensitive information many businesses are required to obtain from clients, provide to other service providers and retain on file, all businesses are a prime target for cyber criminals.

Although cyber-attacks can come in many forms, they all have one thing in common - they can devastate your company in a matter of minutes. I am sure we all know someone who has been struck by a Ransomware attack.

Furthermore, since 28 February 2018, if your company suffers a data breach, a common symptom of a cyber-attack, not only are you legally required to advise the Office of the Australian Information Commissioner (OAIC), you also need to let your clients know. Failure to do so can incur fines of up to \$360,00 for individuals and \$1.8M for a body corporate.

## So how can Cyber Liability insurance help protect my business?

Although it won't prevent criminals from targeting your business, should it fall victim to a cyber-attack, Cyber Liability insurance will cover many of the costs incurred, including:

- Cyber Extortion Costs (ransom payments)
- Electronic Data Replacement Costs
- Business Interruption (loss of profits)
- Legal Defence Costs

These expenses are typically excluded under Professional Indemnity and Management Liability insurance, so unless your business has significant cash reserves it can call upon, for many businesses Cyber Liability insurance is a prudent investment.

## Find out more

If you would like to know more about Cyber Liability insurance and/or request a quote, please contact either Tony or Karen.



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?

We are delighted to announce that our long-serving wealth advisor, Nikki Taylor, recently gave birth to a baby girl, Everly Ryan McGovern. She is a perfect little girl & both mum & baby are doing well.

**We want to thank Nikki for her dedication in working right up until mid-July. At this stage, Nikki proposes to be back in the chair at FINPAC in January next year.**