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THE RETIREWELL REPORT

A Newsletter for Clients and Friends of Retirewell Financial Planning Vol. 19 No. 1 Summer 2016/2017

Trump - More Friend Than Foe?

Much has already been written about the unexpected defeat of an Establishment-backed Hillary Clinton by a brash political outsider – billionaire property developer, entrepreneur and master salesman Donald Trump.

On 20 January, 2017, Trump will be sworn in as the 45th President of the United States with the Republican Party being in control of all three Houses – the White House, the Congress and the Senate. Trump identified deep-seated anger and grievances among Main Street white Americans – about rising inequality, stagnant middle incomes, the self-serving political establishment and the downside of globalisation (immigration, job losses), which he ruthlessly targeted and exploited.

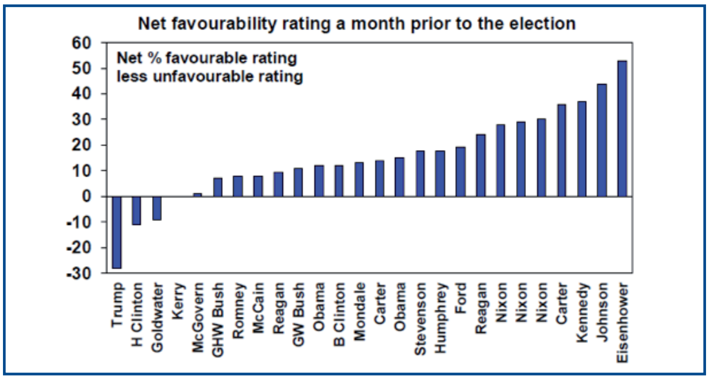
The contest will be remembered as one of the most divisive, unpleasant and unconventional political campaigns in US history.

Trump's victory, like the Brexit vote, adds momentum to a backlash against establishment economic policies and specifically a move away from economic rationalist policies in favour of populism and a reversal of globalisation which could be a negative for long-term world economic growth. The shift away from globalisation also could add to geopolitical instability.

A problem for Trump and the US is that he will start his Presidency as extremely unpopular – in fact he is the least popular candidate on record and the election campaign also has highlighted a deeply divided America.

SEE PAGE 4:
- **ANALYSIS OF NEW SUPER RULES**
- **IMPACT OF ASSETS TEST CHANGES**

Also Inside…



Source: Gallup, BCA Research, AMP Capital

Trump's Key Policies

Let's look at the key policies he will try to implement.

Taxation: Trump promises significant personal tax cuts including a cut in the top marginal tax rate from 39% to 33%, a cut in the corporate tax rate from 35% to 15% and the removal of estate tax.

Infrastructure: Trump wants to increase infrastructure spending massively – up to $US1 trillion, funded mainly through tax credits for private projects and public private partnerships. Spread over 5 years, this could add 0.5% pa to US economic growth.

Government spending: Trump wants to reduce non-defence discretionary spending by 1% a year (the "penny plan"), but increase spending on defence and veterans.

Budget deficit: Trump's policies are likely to lead to a higher budget deficit and public debt.

Trade: Trump wants to renegotiate free trade agreements and has proposed various protectionist policies, eg., a 45% tariff on Chinese goods and 35% on Mexican goods.

Regulation: Republicans are reputedly the party of smaller government. Trump generally wants to reduce excessive industry regulation, which would be good for financials and energy in particular.

Immigration: Trump wants to build a wall with Mexico, deport 11 million illegal immigrants (5% of the labor force), put a ban on Muslims entering the US and require firms to hire Americans first.

Healthcare: Trump wants to repeal Obamacare and allow the importation of foreign drugs.

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Foreign policy: Trump wants to reposition alliances to put "America first" and get allies to pay more. He would confront China over the South China Sea and would bomb oil fields under ISIS control.

Trump the pragmatist, or…

The Republican majority in both the House and the Senate means Trump stands a good chance of enacting much of his economic agenda.

The ultimate impact will depend on whether we get Trump the populist (determined to push ahead with his protectionist policies and steamroll Congress) or Trump the pragmatist (who backs down on his more extreme policies, e.g. around protectionism) leading to a smoother period for the US and global economies. If we get Trump the pragmatist there is a good chance the US will see a sensible economic stimulus program combined with long-needed reforms in areas like corporate tax. There is a good chance that economic realities and the checks and balances provided by Congress - particularly some Trump detractors within the Republican Party - will see his policies become more pragmatic. Now that Trump has won the election, there is little reason for him to choose populism over pragmatism and safety. The effects of a pragmatic Trump presidency will be far more limited than the radical populist scenario.

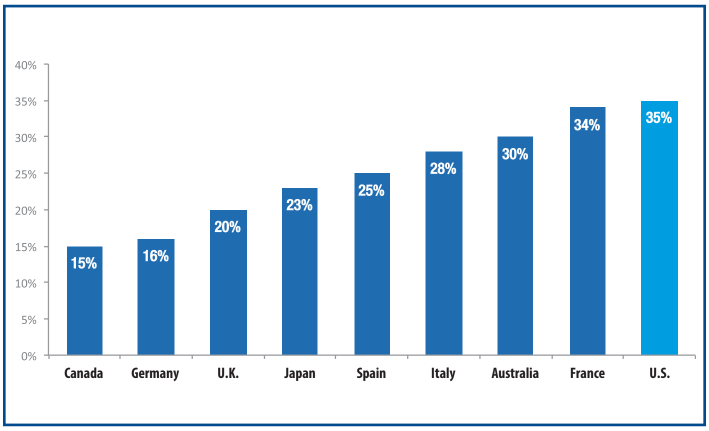
Economic Impact of Trump Policies

We believe that there is good reason for optimism, as the US and the world is likely to enter into a "Trumpflation" era.

1. Uncertainty – The problem for Trump is the huge contradiction which sits at the core of his economic agenda. He wants faster economic growth (who doesn't?). But the breadth of changes represented by his proposed policies – given that he advocates wholesale upheaval of existing policies – will hugely elevate economic uncertainty – and uncertainty kills growth, through the resultant delays/declines in investment, output and employment.

2. Tax Policies – Trump's tax policies include a proposal for a one-time repatriation tax of 10% on an estimated $US 2.6 trillion currently stashed in offshore low-tax jurisdictions, to encourage the transfer of this cash back to the US – this will help his big proposed infrastructure spend. His proposed lowering of the corporate tax rate from 35% to 15% and allowing businesses an immediate write-off for capital investment (instead of multi-year depreciation) and lowering of individual tax rates, are strongly pro-growth and would benefit corporate earnings and stimulate both investment and consumption.

US Top Corporate Tax Rate is High



Source: Organisation for Economic Cooperation and Development

As shown by the table below, US tax rates are very high compared to its trade competitors – even higher than Australia's uncompetitive 30%!

Trump's proposed personal tax cuts would radically transform income tax. It would have only three rates (12%, 25% and 33%) as opposed to today's seven rates. However, its cost over a decade, according to the non-partisan Tax Foundation, would be between US$ 4.4 trillion and US$ 5.9 trillion. This is equal to 11% – 15% of present tax revenues over 10 years!

Many believe these sweeping tax cuts will be watered down in US Congress, by those unwilling to accept a succession of $US1.5 trillion+ US budget deficits.

Tax and budget uncertainty is likely to ensue until at least September quarter 2017, when the White House and Congress could conceivably broker a compromise tax and spending package.

3. Shift from Monetary to Fiscal Policy - A greater focus on using fiscal stimulus (tax cuts) would help reduce the burden on failing monetary policy (low/negative interest rates + Quantitative Easing).

The move towards fiscal policy replacing monetary policy as the primary policy tool to stimulate the economy, will mean stronger growth, higher inflation, rising bond yields and a stronger US dollar. For US equities, companies most geared to the domestic economy will benefit the most – the banks, industrials and material stocks. The technology sector will mark time for now as investors rotate out of the tech darlings into cyclical stocks.

4. US Economy/Jobs Boost - Some Trump economic policies undoubtedly will provide a boost to the US economy. The Ronald Reagan-like combination of big tax cuts and increased defence and infrastructure spending will provide an initial fiscal stimulus and, with reduced regulation, a supply side boost to the economy. Trump is also likely to crack down in various ways, on US firms that move jobs, plants or operations overseas

5. Bigger Deficits -The downside is that big tax cuts combined with increased expenditure, will blow out the US budget deficit – a lot.

6. Protectionist Trade Policies - The biggest risk globally is a move toward more protectionism, that his policies will set off a destructive and recession-inducing trade war. Protectionism will not work in the US, or anywhere. It temporarily shelters old jobs at the expense of new jobs, but building import tariff walls in the US will not revive declining, old world industries. However, it is more likely that Trump the pragmatist would see US interests better served by a posture that flexed some unused trade muscles to arrive at better terms for the US, at the margins.

7. Higher Inflation + Interest Rates Likely in US - It is unknown as to whether Trump's economic strategy will work as expected – Trump is stimulating demand (which will lead to higher consumer prices) with his mass tax cuts but limiting supply by discouraging imports and expelling illegal immigrants. Strong demand will collide with constricted supply. All of which could ultimately mean higher inflation, rising bond yields and a faster path of Fed rate hikes in the US - apart from any initial delays associated with uncertainty around his policies. (There already has been a 0.25% rate rise in December as well as talk of three Fed rate hikes next year, in anticipation of the inflationary effect of his policies.)

8. Global Re-inflation - In time, the successful implementation by Trump of most of his policies will lead to an intensification

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of global inflationary forces, as other nations copy the Trump agenda. This will be good for global growth.

9. 35 Year Bond Bull Market is Over - The policy rotation away from relying on monetary policy (Qualitative Easing and ultra low or negative interest rates) towards fiscal stimulus means that the 35 year rally in bonds (from 1981) which has given such a strong tail wind to bond market returns over all that time, is very likely over. This has HUGE implications for all investment markets and returns for the next 5 to10 years. But the end of the bond bull market is likely to be gradual, allowing adjustments to be made over a number of years.

10. US Becomes More Isolationist - On foreign policy, a Trump administration would be more isolationist – it would mark the end of US internationalism and adventurism. Trump has little interest in intervening in the affairs of foreign countries. However, he will take a hard line approach to defeating radical Islam which he views as a threat to American values. This may lead to negative geopolitical consequences, in increasing tensions with US allies. However, he is likely to favor countries like Australia and Britain, which share American values of democracy, the rule of law, individual liberties and personal responsibility. But he is not going to accept free riding off US military power – he will demand European and Asian alliance partners take more responsibility for their own security and pay their own way.

Potential Consequences for Australia

1. Rising Inflation Will Lead to Rising Interest Rates - The biggest consequence from a Trump presidency will be a likely rise in US inflation, which will translate into a rise in interest rates, first in the US, then elsewhere. This will lead to losses in bonds and likely price drops in high yield share market sectors everywhere, such as real estate investment trusts, infrastructure and utilities.

Although interest rate rises in America may not be reflected immediately in Australia, it is inevitable that we will follow in due course. What will a 1% (or 2%?) rise in interest rates do to inflated Sydney and Melbourne property prices? It will be interesting to see what happens in 2018 and 2019 in these markets.

2. Trade War Risk - Australia being more dependent on trade than the US (exports are 21% of GDP in Australia against 13% in the US), we will be particularly vulnerable if Trump were to set off a global trade war. Starting a trade war with China in putting up tariffs on Chinese imports would result in economic harm to everyday Americans – but it could have a much stronger negative flow-on effect on Australia's exports to China. Such a move could be constrained by the World Trade Organisation rules, as well as the risk of retaliation against US companies.

It is almost certain that the TPP (Trans-Pacific Partnership, a trade agreement that would have been mildly beneficial to the Australian economy) will be axed, or at least be renegotiated far more favourably for the US. A change to the TPP also will impact exports from Asia to the US, some of which is manufactured with Australian commodities.

3. Pro Coal/Oil - Trump has said he wants to pull out of the Paris climate deal and undo environmental regulations to promote fracking and the coal mining industry. He has vowed to change US energy and climate policies dramatically, including overhauling the Environmental Protection Agency and scrapping Obama's Clean Power Plan. He wants America to be energy self-sufficient and will encourage the development of US shale gas reserves. Though controversial, this will have a positive impact on fossil fuel companies and Australian mining interests.

4. Uncertainty = Volatility - The uncertainty at the political and policy levels, magnified on a global scale, is going to drive a high level of volatility in financial markets – share prices, interest rates and exchange rates will be all especially volatile. Good returns will still be made out of sideways moving, volatile markets by active managers. Passive or index investing will definitely not be rewarded in this environment.

5. Bank Dividends Will Fall - The elevation of the uncertainty and risk in Australia's external environment is likely to lead to a reduction in the profitability and payout ratios of our four big banks. This will result in lower dividends – and possibly lower share prices.

6. Pressure for Lower Company Tax Rates - Australia already has a company tax rate that is uncompetitive with many of our regional competitors – see earlier table on page 2. If the US slashes its company tax rate, whichever Australian government is in power will face increasing pressure to make Australia's company tax rate more competitive. One message from the outcome of the US election is that business tax cuts are not anathema to ordinary working people, provided their job-creating potential is properly explained.

Will Trump Succeed?

In office, Trump will surround himself with people who understand the business of government better than he does. Trump will also feel the natural constraints of office and learn or be taught the art of the diplomatic deal. His future actions will be geared towards supporting business and growth and removing obstacles to both. When markets figure out that Trump is more friend than foe, the results are likely to be quite inflationary – not only for America, but for the world. This is because if Trump does follow through on his promise to oversee one of the largest infrastructure investment programs in US history and cuts corporate and personal tax rates, US government deficits and debts would soar. With the ratio of US government debt to GDP already above 100%, that would inevitably cause US interest rates to rise, which would translate into higher global interest rates. This could be the most important (at least in the near term) and most influential global outcome from the Trump presidency.

A lot will ultimately depend on whether we get Trump the pragmatist or Trump the populist. Congress, along with economic and political reality, probably can be relied upon to take some of the edge off Trump's more extreme policies. Conservative Congressional Republicans would have to be relied upon to prevent a budget deficit blowout and aggressive protectionism. If this happens, he might just turn out to be a more successful President than most people expect. Who knows – he might even get a second term!

Strategy Implications

While the US Presidential election is an important political event, investors should remain focused on adhering to their financial objectives, ensuring that their portfolios are well diversified across asset classes and geographies, and continuing to take a long-term view. Short term volatility will continue to dominate headlines globally and although unsettling, making knee-jerk decisions is counter-productive to your long-term wealth.

Warren Buffett Speaks...

"It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."

Rest in Peace 'Simpler Super'

Treasurer Scott Morrison's new super laws, which were passed in November by Federal Parliament with Labor Party support, have re-introduced complexity into superannuation, 10 years after his predecessor, Peter Costello, simplified the system.

The accompanying table (on Page 8) summarises the key changes.

The generous rules which allowed retirees to hold unlimited amounts in tax-free superannuation pension funds are being replaced by a transfer balance cap of $1.6 million, which applies from 1 July 2017.

This will force existing super pension members by that date to move any excess amount over the limit into accumulation mode (where earnings are taxed at up to 15%) or out of super altogether.

Also, a little-known consequence of the transfer balance cap is that a surviving spouse receiving a reversionary death benefit pension in future may find that he or she is unable to keep all of it in super if it causes a breach of the cap at that time.

The Government and the Opposition have ditched the longstanding bipartisan policy of "grandfathering" adverse changes so that retirees with existing arrangements could be exempted from the new rules.

While this is unfair, most investors would consider having more than $1.6 million in their individual super account to be a nice problem to have.

The adverse changes to concessional and non-concessional contribution limits will affect many more investors.

Annual concessional contribution caps will reduce from $35,000 (for those 50 and over) and $30,000 to just $25,000 from 2017-18.

However, there are two positive rule changes to concessional contributions:

- From 1 July, 2017, anyone can claim a personal tax deduction on their super contribution if they are eligible to make one (including those who receive more than 10% of their assessable income from employment, who are currently restricted to salary sacrifice arrangements). This introduces much-needed flexibility for end-of-year super top-ups, and will allow tax deductions on bonuses and lump sum termination payments paid into super within the lower limits.
- From 1 July, 2018, those with less than $500,000 in super will be entitled to make catch-up contributions if they haven't used their maximum concessional cap over the previous 5 year period (starting in 2018-19). For example, someone who had not made or received any concessional contributions in the 5 year period to 2022-23, could make a concessional contribution of up to $150,000 in the 2023-24 financial year in order to offset a capital gain on an investment sold in that year.

Maximise Your Non-Deductible Contributions by 30 June, 2017

Even after these rule changes, super will still be the best tax shelter available, but Government policy will be aimed at restricting the amount you can contribute in future.

Therefore, it is vital for investors who are close to retirement or already retired with substantial assets outside super to consider whether they should take the opportunity to make a non-concessional contribution (NCC) of up to $180,000 per individual, or $540,000 under the three-year bring-forward rule available to those under age 65, by 30 June, 2017.

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Impact Of Assets Test Changes

The new assets test thresholds and the new taper rate for age (and DVA) pensioners will start from 1 January 2017. The new thresholds are shown in the table below.

Pension Status	Current threshold	Threshold from 1/1/17
Single Homeowner		
For maximum pension	$209,000	$250,000
Cut-off (no pension)	$791,500	$542,500
Single Non-homeowner		
For maximum pension	$360,500	$450,000
Cut-off (no pension)	$943,250	$742,500
Couple Homeowner		
For maximum pension	$296,500	$375,000
Cut-off (no pension)	$1,175,000	$816,000
Couple Non-homeowner		
For maximum pension	$448,000	$575,000
Cut-off (no pension)	$1,326,500	$1,016,000

Importantly, age pensioners on the full pension will not be affected. Pensioners with assets over the lower threshold will be affected in one of three ways.

- Those with assets just over the current thresholds for the maximum pension will receive a higher pension.
- Those with assets well over the current thresholds for the maximum pension but under the new cut-off threshold will receive a lower pension.
- Those with assets over the new cut-off thresholds will receive no pension.

Those who lose their part age pension and the Pensioner Concession Card will receive a permanent Commonwealth Seniors Health Card which will not be income-tested.

Under the new rules, part-pensioners will find that for every $1,000 spent, given away or invested in an exempt asset, their annual pension will increase by $78 - which is a 7.8% pa return (double the previous taper rate).

Pension Status	Pension Increase	Pension Decrease
	The asset tested rate will increase if assets are between	Asset tested rate will decrease if assets are between
Single Homeowner	$209,000 and $291,000	$291,000 and $542,000
Single Non-Homeowner	$360,500 and $539,500	$539,500 and $742,500
Couple Homeowner	$296,500 and $453,500	$453,500 and $816,000
Couple Non-Homeowner	$448,000 and $702,000	$702,000 and $1,016,000

For pensioners who will be detrimentally affected, there are some strategies to potentially minimise the impact of these changes. These include updating personal asset values declared to Centrelink, gifting (within allowed limits), buying a funeral bond, making superannuation contributions to a spouse under age 65, doing home improvements and spending money on holidays and leisure.

For those with super pensions, it also may be necessary to increase payments to cover the drop in age pension.

Please contact your Retirewell adviser if you need advice on your specific situation.

The Future Is Better Than You Think

We all hold an image of the world in our heads built up by the information, experiences and anecdotes we hear and see. We also have a confirmation bias, meaning we collect information that supports what we already believe.

Since the mining boom ended, there has been talk of recession, ballooning personal debt, unaffordable house prices and high levels of youth unemployment. All these problems exist of course, but there is plenty of positive news and trends to offset these worries.

Economic growth

The Australian economy expanded at a reasonable rate of 3.3% in the year to June 2016. Although this is slightly lower than the long term trend it is still better than US (1.2%), Europe (1.6%) and Japan (0.6%).

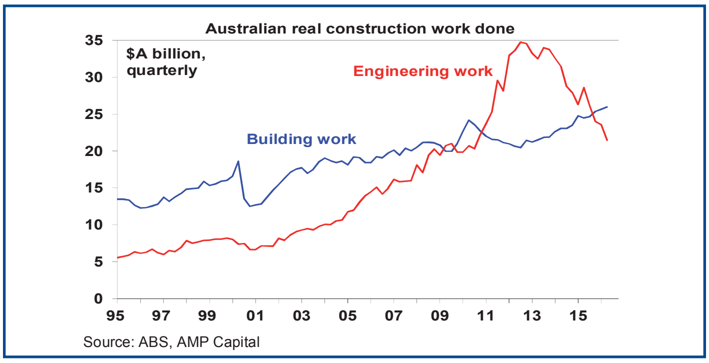
With the September 2016 quarter GDP figure being negative, you could say growth is patchy now, but that is not unusual.

Sector rebalancing

When the mining boom was in full swing, some industry segments struggled, because they could not find labour or the exchange rate was too high.

As mining investment subsided and the A$ has fallen, other business sectors have grown to fill the gaps. Housing and infrastructure construction has replaced mining construction, consumer spending has remained solid and export volumes of resources have grown fast as mines have moved from development to high capacity.

A lower dollar has meant service industries are much more competitive and education and tourism are growing fast.



Source: ABS, AMP Capital

While having a boom in any sector is good news, it tends to distort the economy because resources are channelled from other sectors. In the so-called "two speed economy", Western Australia and Queensland benefitted from the mining boom at the expense of New South Wales and Victoria. This situation has now reversed, with the south-eastern states recovering well.

Distortion of mining boom ending

Prices for coal, iron ore and gas have fallen significantly since 2011, reflecting changes in supply and demand for these resources – although commodity prices recently have recovered and this will help our trade and national income.

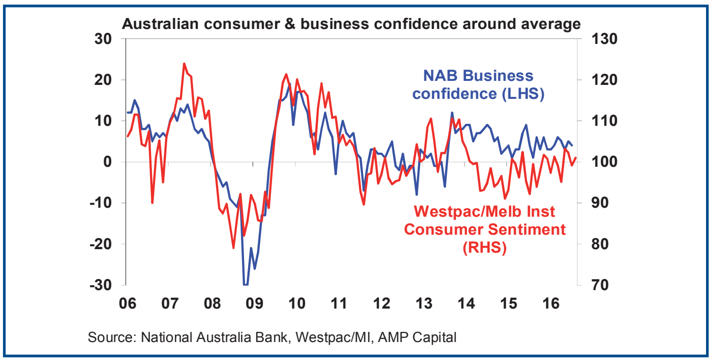
Mining investment has fallen from about 7% of GDP to a more "normal" level of 1 to 2%. Engineering work has similarly declined, though it may be replaced partly by infrastructure investment.

Public infrastructure ramping up

The Asset Cycling Initiative of former Treasurer Joe Hockey is bearing fruit, particularly in NSW and ACT after public assets were privatised. All states are seeking to build infrastructure that will improve productivity and services to their constituents.

Consumer and business confidence OK

It is reassuring to note that consumer and business confidence are around their long term averages.



Source: National Australia Bank, Westpac/MI, AMP Capital

Positives in the share market

Observations on share market performance are often made on the market as a whole. Our market is skewed to a few large companies so aggregates only tell part of the story. Overall earnings per share was down 8% in 2015-16, mostly due to resource companies and the banks.

What you don't see in the aggregates is that 64% of listed companies increased profits and 54% saw their share price rise after profit announcements were made (meaning results were as expected or better).

Overall dividends fell by 10% (due mostly to resource companies), but 86% of companies maintained or increased their dividends.

A great place to live

If you travel overseas you will find many envious locals. They wish they could live in a country as wonderful as Australia (despite irrational fears about our snakes, spiders and sharks). We are living longer, healthier lives, ranking fourth in the world for life-expectancy. Our cities regularly rank in the top 20 of the world's most liveable cities. In a survey by *The Economist* in 2015, Melbourne ranked first, Adelaide fifth, Sydney seventh, Perth eighth and Brisbane (somehow) 18th.

Unlike many developed countries, our population is growing strongly (now more than 24 million) and we seem to be making a better job of integrating immigrants than elsewhere. Our tax and social security systems have meant that we are not racked with the levels of inequality experienced overseas, particularly in the US and UK.

And you will be pleased to know that we were the top nation in the Olympic medal count based on population. We earned 1.2 medals per one million people (the UK scored 1.0 and US only scored 0.4).

So is your glass half full or half empty?

Alternate Meanings for Common Words

Flabbergasted *(adj.)* - appalled over how much weight you have gained.

Abdicate *(v.)* - to give up all hope of ever having a flat stomach

Esplanade *(v.)* - to attempt an explanation while drunk.

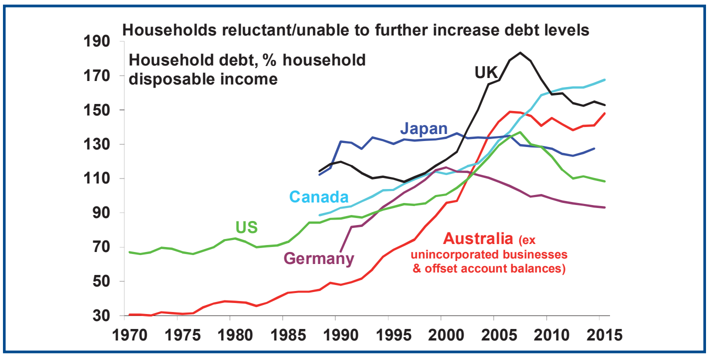
Negligent *(adj.)* - describes a condition in which you absent-mindedly answer the door in your nightgown.

Coffee *(n.)* - the person upon whom one coughs.

Megatrends Revisited

Long-term investors need to have an eye on how the world is changing and where opportunities will be 5, 10 and 20 years from now. In our last newsletter we identified nine megatrends – long-term themes that will change the world. We have updated these themes to reflect changes in the last year.

Slowdown in household debt



Source: OECD, RBA, AMP Capital

Part of the surge in economic growth leading up to the GFC in 2008 was fuelled by companies and households taking on more debt. Lower economic growth and tighter bank lending standards have made consumers wary of taking on more debt.

Households have increased their savings and sought to reduce debt. This has meant slower growth in consumer spending, encouraged central banks to lower interest rates to stimulate spending and has meant slower credit growth for banks.

Ageing populations and slower growth

Australia's life expectancy is now almost 81 for men and over 84 for women and getting longer. Our population is over 24 million and growing thanks to a relatively high fertility rate and immigration. Some countries like Italy and Japan have falling populations and even China is seeing lower growth due to the impact of its previous one child policy. Strong population growth is still occurring in India, Africa and the Middle East.

Each country will be faced with challenges as its population changes. In Australia, for example, these challenges are a decline in the ratio of workers to retirees, pressure to work longer and increased health and pension expenditure. As people move into retirement, there may be a drop in demand for "risky" investments and a focus on more income generation.

Demand for commodities

Australia is a world leader in the production of commodities and benefited from what was called the "commodity super cycle" which ran until 2008 (for energy) and 2011 (for metals). While the economy has suffered from the fall in commodity prices, it now appears demand has picked up and prices are recovering from the lows.

Low and falling commodity prices work to keep inflation and interest rates low and also contribute to deflationary pressures. Deflation (falling prices) can be detrimental, as moderate levels of inflation are desirable in a modern economy.

Technological innovation and automation

Technology is a major driver of productivity and disruptor of inefficient or ineffective practices. Some commentators are suggesting that we are close to a "tipping point" because the pace of development is leading to computers that for some tasks can be as "smart as humans" and learn from experience. Companies will be able to locate their operations where costs are lowest and cut distribution costs through the use of automation, nanotechnology and 3D printing. The "sharing economy" (think Uber, peer to peer lending and Airbnb) is challenging established business models through internet-based systems.

For companies, lower labor costs can lead to higher profits and higher valuations. For workers, the outcome is not clear. On one hand, wages growth may be constrained leading to greater inequality, lower consumer spending and lower growth. On the other hand inflation is so low that consumers actually may be doing a lot better than low wages growth may imply.

Voter backlash against economic policies

We have been through an era of deregulation, privatisation and globalisation which has created greater productivity, wealth and consumption. At the same time corporate scandals, less security and rising inequality have caused a revolt against the policies of economic rationalism. This is evidenced in the success of Donald Trump, the Brexit vote, emergence of alternative political parties in Europe and the recent Australian election.

Swings in political sentiment are normal – free markets and small government will be in vogue followed by a demand for more regulation and bigger government. And then the cycle repeats itself. The risk in the short term is that populist policies will slow productivity and set the scene for much higher inflation.

Asian ascendancy

Asia remains the area where urbanisation, industrialisation and growing income means higher growth potential than in the developed world (US and Europe). The reforms and growth in these emerging economies are seeing a massive rise in the middle class – people with high enough incomes to allow more discretionary consumer spending. In China, the middle class has grown from 5 million in 2000 to 225 million today.

The new middle class demands higher quality products (like high quality foods) and new services like education, tourism and health care – all opportunities for Australia.

The energy revolution

In the medium term, coal, oil and gas will continue to provide the bulk of the world's energy needs. However, developments in solar power and battery technology will encroach on the reliance on fossil fuels.

Emerging countries will have an advantage because they can adopt the new technologies more easily than the existing energy networks of developed nations can adapt. Electric powered transport and self-sufficient homes will be much more widespread as batteries get smaller, safer and more powerful.

Environmental and social values

Concern about the environment is continuing to grow and higher social standards are being demanded of companies and governments. The use of social media can (fairly or unfairly) damage reputations in a flash.

Companies that adhere to high environmental, social and legislative standards will be increasingly preferred and rewarded by investors.

Geopolitical tensions

Since the US has pulled back from its role as "global policeman", there has been a rise in other counties jockeying for position in their region. Examples are the disputes about islands in the South China Sea, Russian activity in Eastern Europe and the Middle East and ongoing tensions in the Middle East and in many African countries.

All these disputes have the potential to cause (usually) short-term disruption to investment markets.

Implications

There is no clear positive or negative outcome for investors in these trends. As explained, some business sectors and asset classes will be stimulated by some trends and restrained by others. This is why we believe our investment policy of active asset and portfolio management will continue to provide a meaningful advantage for Retirewell's clients.

Medium term return predictions

AMP Capital recently published 5 year projections (with all the usual qualifications) of returns on a range of asset classes. It expected a diversified growth portfolio to return 6.9% (income and growth, before fees and taxes in the medium term).

Practical Guide To Estate Planning

Most prudent people plan ahead to ensure they can achieve their goals in life such as owning a home, educating their kids, taking holidays and saving for retirement. We expect that by planning we will achieve positive outcomes such as secure accommodation, success, enjoyment, good memories and financial security.

Statistics show we are not so good at planning for future events we would rather ignore. We are talking here of death, loss of mental capacity and managing the end of our lives. The positive outcomes of estate planning are less stress and anxiety for family members and beneficiaries, timely and tax-effective distributions and, most importantly, a lower risk of family disputes.

A report by social researcher Mark McCrindle says that Baby Boomers currently comprise 25% of the population yet own 55% of the nation's private wealth. By 2020 as the oldest Boomers hit their mid 70s, we will witness the start of the biggest intergenerational wealth transfer in history.

Retirewell has developed a Practical Guide to Estate Planning, explaining all you need to know about making a Will, appointing an Executor, using testamentary trusts and creating Enduring Powers of Attorney and Advance Health Directives. Call us to arrange your free copy of this invaluable resource.

No two estate plans are the same – you and your family are unique. We also have developed tools to help you put together the information to assist us and your estate planning lawyer create the most effective documents so your wishes can be satisfied.

Estate planning is not just for "old people". None of us knows what fate has in store for us. One of the greatest gifts you can leave your family is having your affairs sorted out before you go.

"When it comes to investing, I'm not bullish or bearish...
I'm chickenish."

MARKET INDICES TO 31 OCTOBER 2016

MARKET	INDEX	1 Mth %	6 Mths %	1 Yr % pa	2 Yrs % pa	3 Yrs % pa	5 Yrs % pa	10 Yrs % pa
Cash	Bloomberg AusBond Bank 0 + Y TR $A	0.15	0.99	2.14	2.29	2.41	2.89	4.20
Australian Sharemarket	S&P/ASX All Ordinaries Accumulation	-2.18	3.77	6.63	3.50	4.30	9.03	4.45
	S&P/ASX 20 Leaders Accumulation	-0.96	2.69	2.30	-1.74	1.06	8.45	5.33
	S&P/ASX100 Accumulation	-1.88	3.34	5.53	2.31	3.82	9.54	4.68
	S&P/ASX300 Accumulation	-2.17	3.59	6.33	2.85	3.91	9.00	4.28
	S&P/ASX Small Ords Accumulation	-4.72	6.20	14.90	8.48	4.42	2.69	0.27
Property	S&P/ASX300 A-REIT Accumulation Index	-7.70	-3.73	6.39	12.15	13.59	16.81	0.74
Aust Fixed Interest	Aust Comm Bank All Series/All Maturities Accumulation	-1.87	2.13	3.90	4.73	5.51	5.23	6.00
International Sharemarkets	MSCI World Accumulation Index ($A) (MSCI - Morgan Stanley Capital International)	-1.36	2.85	-4.56	9.69	12.30	17.18	4.66
USA	MSCI USA Accumulation Index ($A)	-1.34	4.53	-2.18	12.54	16.87	21.29	6.96
UK	MSCI UK Accumulation Index ($A)	-4.61	-5.08	-15.79	0.11	2.65	9.61	0.59
Europe	MSCI Europe Accumulation Index ($A)	-2.70	-2.57	-12.71	3.88	4.90	12.17	1.51
Japan	MSCI Japan Accumulation Index ($A)	1.89	6.89	-2.91	14.39	11.98	15.39	1.37
Asia Ex Japan	MSCI Far East ex Japan Accumulation ($A)	-1.07	10.59	0.53	7.38	8.91	11.77	6.08
International Fixed Interest	Citigroup World Govt Bond Unhedged Accumulation ($A)	-2.88	-0.79	-0.62	8.62	7.86	6.83	3.81
Inflation	CPI – Weighted Capital Cities (@ 30/9/2016)	N/A	1.11	1.30	1.40	1.70	N/A	N/A

R.I.P. 'Simpler Super'

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As from 1 July, 2017, the annual maximum NCC limit will be $100,000 and the three-year cap will be $300,000.

However, where an investor's total super balance is $1.6 million or more at 30 June in a financial year, his or her NCC cap in the following financial year will be nil.

Transitional rules also will apply to the three-year bring-forward rule from next financial year.

Because of the complexity of these new super rules, it will be even more important for investors to seek professional advice for their specific situation in future.

Now	**From 1 July, 2017***
PRE-TAX CONTRIBUTIONS**	
Contributions cap of $30,000 a year; $35,000 if you're 50 or more	Cap of $25,000 a year for everyone
Use annual cap or lose it - no catch-up option	Catch-up contributions from 1 July, 2018 on rolling 5-year basis for those with less than $500,000 in super
15% tax on contributions if you earn less than $300,000; 30% if you earn more	30% contributions tax to start at $250,000
Tax deduction for personal contributions for those earning less than 10% of their income from employment	Tax deduction for personal contributions for everyone who claims it
Voluntary contributions not allowed if you're 65 or more and not working	Voluntary contributions not allowed if you're 65 or more and not working
Low Income Super Contribution - refund of contributions tax for those earning up to $37,000	Low Income Super Tax Offset - effectively a refund of contributions tax for those earning up to $37,000
AFTER-TAX CONTRIBUTIONS	
Contribution cap of $180,000 a year	Contribution cap of $100,000 a year if total super balance is less than $1.6m
"Bring-forward" rule allows 3 years of contributions to be made in one year if you're under 65, i.e. $540,000	Bring-forward period of 3 years, i.e. up to $300,000, depends on your total super balance
Addtional CGT cap ($1.415m in 2016-17) for eligible small business owners	Additional CGT cap for eligible small business owners
Tax offset for spouse contributions if spouse earns less than $13,800	Tax offset for spouse contributions if spouse earns less than $40,000
PENSION PHASE	
No limit on how much can be moved into pension phase	Transfer limit of $1.6m
Fund earnings tax-free; pension payments tax-free from 60	Fund earnings tax-free; pension payments tax-free from 60
TRANSITION PENSIONS	
Fund earnings tax-free; pension payments tax-free from 60	Fund earnings taxed at up to 15%; pension payments tax-free from 60
SUPER DEATH BENEFITS	
Anti-detriment payment, i.e. effectively a refund of contribution tax paid by deceased, may be paid on death	Anti-detriment payments abolished unless member dies before 1 July, 2017 and payment made by 1 July, 2019

** Unless otherwise stated. ** Includes compulsory Superannuation Guarantee, salary-sacrifice contributions and personal tax-deductible contributions*

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WEALTH MANAGEMENT SOLUTIONS

A.D. (TONY) GILLETT
CFP® FPA Fellow CDec

ALAN BAKER
MCom(FinPlan) CFP® DipFP

Retirewell support staff from left:
Angie, Ben & Tirtzah

RETIREWELL FINANCIAL PLANNING PTY LTD
Level 24, 141 Queen Street
(Cnr Albert Street)
Brisbane Queensland 4000
Telephone 07 3221 1122
Facsimile 07 3221 3322
Email retirewell@retirewell.com.au
Web www.retirewell.com.au