

## **Client Briefing Invitation**

**Friday, 15 November 2013**

**9.45 am for 10am start**

**Wallis Lake Room**

**CLUB FORSTER**

At our Client Briefing in June we touched on the Aged Care sector. Many of those who attended expressed interest in better understanding this very important area.

Whether you are contemplating your own options or those of your senior family members, we are pleased that **Natalie Peters** of Challenger has accepted our invitation to present a session to enhance your understanding of Aged Care. Natalie will provide a broad overview of:

- ⇒ The current Aged Care environment– including reforms to commence 1 July 2014;
- ⇒ Care related costs;
- ⇒ Steps to take.

In addition to our normal market update, we will also be welcoming the new Centrelink Financial Information Services Office (FIS)- **Simon Brislane** who will be providing us with a brief Centrelink update.

The briefing will run for approximately 2 hours and will include a break for light refreshments.

Please feel free to bring a friend along.

To assist us in planning our catering could you please advise of your intention to attend by phoning the office on 6555 6433 or emailing us at [adviser@robertsonderooy.com.au](mailto:adviser@robertsonderooy.com.au) by no later than **Tuesday, 12 November 2013**.

**We hope you can join us**

## Economic Snapshot

Last month, stocks finished surprisingly higher amid investor relief that the **US** Federal Reserve (Fed) decided not to wind back its stimulus measures and as tensions in Syria eased. However, in early October, volatility increased as the budget stalemate in Washington made investors anxious.



As expected, Congress and the president came to a last minute deal to raise the debt ceiling and end the shutdown. Still, a temporary patch merely pushes the budget battles down the road a few months, meaning fiscal policy uncertainty is becoming a semi-permanent fixture and markets are likely to remain volatile in coming months. In addition, while risks out of Europe and the Middle East have eased, they haven't gone away.

Though the fourth quarter is likely to be a decent one for the economy, US fourth-quarter gross domestic product (GDP) growth is likely to be lower than it would have been without recent Washington drama. But while stock gains may be muted for the rest of the year, global stocks still appear reasonably priced relative to bonds and cash.

Though the Fed could begin to wind back the stimulus measures as early as December, its pace will likely be slow and dependent on the strength of the US economy. And given the persistent weakness in the US labour market, the Fed is likely to continue to err on the side of more, rather than less, stimulus.

Politics were a headline issue in **Europe** again with elections in Germany and Silvio Berlusconi trying to bring down the Italian government to somehow protect himself from the consequences of his court convictions and pending incarceration. Fortunately this did not come to pass with Berlusconi being forced to back down after the Government comfortably won a confidence motion in Parliament. Angela Merkel won a strong personal victory in the German elections but still needs a coalition partner to form government.

In other news, Slovenia emerged as "the next Cyprus" requiring financial support from the rest of the Eurozone. The ECB again stated that it will keep monetary policy accommodative for as long as necessary and said that the improvement in financial markets over the past year are working their way through the economy. The ECB also specifically said it stands ready to help banks if they need liquidity.

The latest figures from **China** showed retail sales rose 1.2% in July and 13.4% from a year earlier and that house prices rose further in most major cities. However, manufacturing data continues to paint a mixed picture.

In **India**, the new central bank governor has raised interest rates for the second consecutive month by a quarter of one percent to 7.5% to try and fight inflation. India faces a mix of economic problems including too much inflation and too high a current account deficit. In its latest report the Asian Development Bank cited slower growth in both India and China as key factors for downgrading the regional growth outlook.

The RBA noted that the **Australian** economy is still operating below trend. Commentators cited recent improvements in consumer and business sentiment as well as increases in house prices, notably in Sydney, as reasons for the RBA to wait and see how the economy will react to the interest rate cuts already working through the economy.

At this stage it is hard to know if the improvement reflects a temporary response to the change of Federal Government – or at least relief that the election is finally over – or the start of a more sustained improvement. There is some evidence that the stronger equity market is having a positive wealth effect on household confidence and it is reasonable to expect that the depreciation of the \$A so far will have helped business confidence.

## ***Where is Australia on the world stage?***

We are regularly told that the Australian economy is one of the healthiest in the world.

With a relatively small population by world standards, Australia's economy is more than holding its own against the big players. How did we get to this point and what does it mean?

A country's economy can be measured by its gross domestic product (GDP). That is, the market value of all officially recognised final goods and services produced within a specified time frame.

Given this, the fact that Australia's economy now ranks as the 13<sup>th</sup> largest in the world is something of an achievement. Narrow the field to the Asia-Pacific region and we rank an impressive 3<sup>rd</sup>.

The world's largest economies are China, Japan and the United States, which also happen to be our three most important trading partners. This demonstrates the obvious respect in which we are held, and is supported by the World Economic Forum which ranks Australia's financial development 5<sup>th</sup> out of the 57 world market leaders.

Australia's economy sprung from our rich natural resource deposits. From the earliest days of industrial revolution, Australia has exported coal and iron ore to the rest of the world. These days we are one of the largest international suppliers – our mineral exports account for more than 9% of our total economy.

Other industries contributing to our strong global position are manufacturing – 9% and construction – 8%.

Interestingly, Australia's financial services industry adds 11% to our economy. This is largely attributable to our compulsory superannuation regime. Australia's pooled funds under management are the largest in the Asia-Pacific region and 4<sup>th</sup> largest in the world!

Australia represents an attractive location for many major international investment organisations because of our healthy economic environment. In addition, our banking and financial industry regulatory and compliance structures are the envy of many countries.

In Australia, international trading is measured by an index known as the All Ordinaries index which comprises around 500 of Australia's largest company by market capitalisation. Australian trade movements can be compared with other world indices. For example, we can evaluate our trade movements against the United States by comparison with its index – the Dow Jones.

With Australia's market valued in **trillions** of dollars, it's neither alarming nor unusual for the All Ordinaries to gain or lose billions of dollars in a single day's trade. Remember this the next time you see headlines screaming "billion dollar losses".

Given Australia's economic strength, some people wonder why financial advisers often recommend international investments. This is because world economies constantly move up or down against each other and these movements can potentially yield significant gains when balance and timing fall into place.

Through political and environmental stability, the Australian economy has earned its reputation of strength and security.

## Save on health insurance while travelling

Most of us would never travel overseas without first taking out travel insurance with medical cover. Regardless of our destination, the peace of mind such a small outlay provides makes for a better trip. But what about if you are travelling overseas for a lengthy period, say two months or more, and you are already paying a monthly premium to your Australian private health fund? In effect, you're paying for the insurance twice. Depending on your fund, you could save some extra money to enjoy on your holiday by making one phone call.



Most of Australia's private health funds offer an option to suspend cover (and premiums) for members going overseas for up to two years (with conditions). By suspending your policy, you don't lose your benefits. Different funds have different stipulations, such as you must have been a member for a minimum period before you can suspend your policy, so contact your private health fund and get their specific requirements first.

Don't forget that most health funds also offer discounted travel insurance for their members, so you could be saving twice!

Sources:

NIB, MBF and Medibank Private websites



It is unfortunate that we continue to come across and hear many instances where clients have been approached to provide information through scam emails they have received from those purporting to be banks, bogus charities, and survey requests offering gift vouchers etc. These scams often abuse brand names and logos of well known companies and products to make them look legitimate.

All are aimed at extracting your personal details in order to commit identity theft and other fraud. If in doubt ignore and delete the email. For details of scams you can visit the following website- [www.scamwatch.gov.au](http://www.scamwatch.gov.au)

## Age Pension Qualifying Age

The following table details the qualifying age pension age for those born after 1 July 1952:-

Born	Women Eligible for Age Pension at Age	Men Eligible for Age Pension at Age
1 January 1949 to 30 June 1952	65	65
1 July 1952 to 30 December 1953	65.5	65.5
1 January 1954 to 30 June 1955	66	66
1 July 1955 to 31 December 1956	66.5	66.5
From 1 January 1957	67	67

## Current Centrelink Assets and Income Test Thresholds Age Pension & Disability Support Pension

### Assets Test

Family Situation	For Home owner		For Non-Homeowner	
	Full Pension	Cut Out	Full Pension	Cut Out
Single	\$196,750	\$748,250	\$339,250	\$890,750
Couple (Combined)	\$279,000	\$1,110,500	\$421,500	\$1,253,000
Illness Separated (Couple Combined)	\$279,000	\$1,382,000	\$421,500	\$1,524,500

For pensions, assets over these amounts reduce pension by \$1.50 per fortnight for every \$1,000 above the amount (single and couple combined).

### Income Test (Per Fortnight)

Family Situation	Full Pension	Cut Out	
Single	\$156	\$1,810.20	Reduces at 0.50 each dollar over \$152
Couple (Combined)	\$276	\$2,769.50	Reduces at 0.50 cents each dollar over \$268
Illness Separated	\$268	\$3,584.40	Reduces at 0.40 cents each dollar over \$268

## **More Information**

Have you visited our website?

The site is continually updated to provide the latest news, market updates, financial calculators, as well as our previous newsletters.

**Visit us online at [www.robertsonderooy.com.au](http://www.robertsonderooy.com.au)**



Suite 11, 41 Wharf Street

Forster NSW 2428

Ph. 02 6555 6433

Fax. 02 6555 3022

Email: [adviser@robertsonderooy.com.au](mailto:adviser@robertsonderooy.com.au)

### **DISCLAIMER**

This document is of general nature only. It is not designed for the purpose of providing financial or investment advice. Professional advice tailored to your individual investment objectives, financial situation and particular needs should be sought for this purpose. The information in this document has been derived from sources believed to be reliable and accurate. Subject to law, neither Paragem Pty Ltd ABN16 108 571 875, nor its directors, employees or representatives, gives any representation or warranty as to the reliability, accuracy or completeness of the information or projections included in these articles, or accepts any responsibility for any person acting, or any responsibility for any person acting, or retraining from acting, on the basis of the information contained in the document.