Robertson deRooy associates FINANCIAL SERVICES

November 2017

Client Briefing and Christmas Morning Tea Invitation

Friday 8 December 2017
9.15am until 11.30am
Wallis Lake Room
CLUB FORSTER

We invite you to our end of year Client Briefing, which will include presentations on financial matters, home care and healthy living, culminating in an extended morning tea to welcome the coming festive season.

We will commence the briefing at 9.30am with presentations from:-

- **Terry Tyrrell of Russell Investments, who will provide a market update as well as Russell's views on where global and domestic markets may be headed over the short to medium term.**
- **Juli Wickenden of BaptistCare- one of the many local Home Care Service providers, who will explain the process of arranging home care services, the associated costs, and how it may offer people the option of remaining in their own home longer.**
- **Doreen Wilson – Doreen is the perfect advertisement for the benefits of staying mobile and active as you age, and will explain her recipe for a healthier happier life.**

To provide some balance to the morning, we invite you to stay for champagne and Christmas cake.

As always please feel free to bring a friend along. To assist in our planning please advise if you will attend by phoning us on 6555 6433 or emailing us at adviser@robertsonderooy.com.au by **5pm Monday, 4 December 2017**.

We hope you can join us.

For those unable to attend we would also like to wish you a very Merry Christmas and a happy and healthy 2018

Economic Snapshot

In summary

Since the end of September, the Australian equity market has moved out of its relatively benign sideways move that has characterised most of this year, and has started to catch up with the rally in global equity markets.

The A$ also continued a mild retreat from its recent highs as iron ore prices fell further and a softer than expected CPI report undermined expectations of an imminent rate hike by the Reserve Bank.

Ongoing strength in the US economy, combined with low inflation and interest rates, as well as the popularity of the leading tech stocks, has also helped push the US equity market to new highs. A pause in the war of words between the US and North Korea may have also contributed to a better mood in the markets. However, as the rally in global markets continues, institutional investors are becoming increasingly concerned that the major asset classes will not be able to deliver much more than very low returns over the next year or so and the flow of cash into markets may slow as a result.

The US Federal Reserve has signalled that the strength of the US economy gives policymakers confidence to lift the cash rate again in December. The process of selecting Janet Yellen's successor as Chair of the Federal Reserve continues, with Fed insider Jerome Powell nominated for the position. The markets see Powell as very much in the same cautious mould as Janet Yellen.

Australia

In Australia the September quarter CPI report surprised markets by coming in much softer than expected. Inflation rose 1.8% in the year to September. This is below the bottom of the Reserve Bank's 2% - 3% target range for inflation. The main contributors to higher prices in the quarter included alcohol and tobacco, housing, health and education. The categories of expenditure showing meaningful falls in prices were communication, clothing and footwear.

The markets have been expecting a bit more inflation than this and when the figures were released, the markets immediately priced out any expectation of a cash rate hike by the end of this year. These expectations had been building in recent months on speculation that the Reserve Bank would follow the US Federal Reserve in lifting the cash rate. Although the Reserve Bank had debunked this idea, it took the inflation figures to finally re-enforce this position. The currency market also reacted to the news, with the A$/US$ dropping from over US$0.78 to around US$0.76. This has been an enduring battle for the A$ which remains above long-term trading ranges. Despite all this, the markets still expect the Australian cash rate to increase slightly from it's current level of 1.5% by the end of 2018.

In other local news, business confidence rose, as did consumer confidence for the first time in quite a while. However, the latest data on retail sales suggest consumer spending remains subdued. The government would be encouraged by another 20,000 jobs being created in September, of which approximately two thirds were part-time. The unemployment rate fell only very slightly to 5.5% and there is still little sign of any pick up in wages growth. This latter factor, combined with high levels of mortgage debt, and signs of a peak in the house price boom, are likely contributors to the weaker than expected retail sales figures. Surveys show that although households are getting less worried about unemployment they see reducing debt, especially mortgage debt, as a priority.

USA

The USA continued to post good economic figures during October although the major manufacturing index [ISM] slipped a little back to levels last seen in August, after a hurricane induced blip in September. This key indicator suggests real GDP growth in the US is running above 3% at the moment which is the strongest pace seen since 2004. The unemployment rate also fell to 4.2% which is the lowest it has been since 2000.

The US Federal Reserve said this economic strength gives them confidence to lift the cash rate again in December, even though inflation remains low, because it is likely inflation will pick up in coming months. Indeed, some leading indicators do suggest higher core inflation in early 2018. This confidence has flowed into both the ECB and the Bank of England which have expressed similar views about inflation and the need to gradually tighten monetary policy.

The Bank of England followed up by lifting its cash rate for the first time in ten years, but said it is in no hurry to raise rates again, while the European Central Bank (ECB) remains content to leave interest rates alone for the time being. Instead their focus will be on winding back their program of buying bonds.

Europe

In Europe the dispute between Catalonia and the national government in Madrid took a more dramatic turn, with Prime Minister Rajoy declaring the independence referendum invalid, sacking the Catalan government and threatening to prosecute its President, Carles Puigdemont, for sedition. Puigdemont and some of his colleagues have fled to Belgium to escape the Spanish authorities. Madrid has made it very clear there is no way the government will accept Catalan independence and will take whatever steps necessary to keep Spain intact.

China

China completed its key Party Congress meetings at which Xi Jinping well and truly cemented his grip on power in the country. Xi is much more of an old-school Communist than his immediate predecessors and, given his new authority in the Party, his views are likely to have a significant impact on China's place in the world. Several key economic indicators are flagging a moderate slowdown in growth is now underway in China. Given how much China has contributed to the surge in global growth over the past year, a slowdown now would be expected to show up in other countries including Australia, Europe and the US. This could in turn contribute to a slower pace of growth in equity markets around the world, including resource-dependent markets such as Australia.

Should I go into permanent residential care or should I stay in my home with a home care package?

Consider the following example.

Background:

Charles is aged 94 and in poor health and has been in Permanent care since the beginning of the year. Beth is aged 91 - has a few physical issues however is of very sound mind. She resides in a villa.

It takes some effort for Beth to visit Charlie each day, so she has been seriously considering entering permanent care herself to be closer to Charlie- albeit in a different room. She has already been assessed by the Aged Care Assessment team (ACAT) which is a pre-requisite prior to entering care.

Before moving in she is taking the opportunity to temporarily reside in the aged care facility under respite- which allows her to stay up to 63 days per year. This would only require her to pay the Basic Daily Care fee of $49.07 which everyone pays regardless of financial means. This figure is calculated at 85% of the single person's Age Pension.

Financially, the villa Beth lives in is not counted by the Department of Human Services (DHS) as she still resides there, however would be for the purposes of calculating the applicable aged care costs if she moves into permanent care (not respite care).

Whilst at home Beth pays a nominal amount to receive Home Care- help with cleaning around the villa and washing her clothes etc. Home Packages are assessed on a 1-4 grading depending on the level of assistance required, and takes into account the client's health.

As Beth remains at home (despite occasionally going into respite) Charlie was assessed as a "Low Means Resident" as 50% of the share of their combined assets was less than $162,000. This also means fees other than the Basic Daily Care Fee are lower.

As Charlie and Beth are separated by illness they are also assessed as singles which, in their case, has translated into around a $220/ft each per fortnight additional Centrelink Age Pension.

Choices

Should Beth decide to enter permanent care, the value of the villa will be counted as an asset and as a result neither would meet the "Low Means" criteria.

In this case it makes sense for Beth to remain where she is- provided of course she continues to be able to look after herself- notwithstanding the Home Care that is provided to her.

Beth did spend time in respite, and quickly concluded that her life was more fulfilling by remaining in her villa- around friends and familiar surrounds. Beth's situation, of course, could change very quickly in terms of her health and future requirements.

The message is that all options should be considered, including Home Care Packages and the potential financial implications of moving into permanent care.

Juli Wickenden of BaptistCare Home Services Forster will be presenting at our upcoming Client Briefing to detail the process involved in arranging home care services.

Centrelink Assets Test Thresholds

The following table details the current Centrelink Assets Test thresholds and reflects the Indexation which occurred on 20 September 2017:

	Assets Test Threshold for full pension	Assets Test Threshold for part pension
Single, homeowner	$253,750	$552,000
Single, non-homeowner	$456,750	$755,000
Couple, homeowner	$380,500	$830,000
Couple, non-homeowner	$583,500	$1,033,000

Thresholds are higher for those separated by illness

Entitlements are calculated under both the Assets Test and the Income Test - with the rate payable being the LOWER of the two.

Pensioners who lost their pension entitlement du to the rule changes on 1 January 2017, were automatically issued with a Commonwealth Seniors Health Card. They have also recently been re-issued with the Pensioner Concession Card and should by now have received their new cards.

Ways to reduce assessable assets to gain a higher benefit include:

- *Valuing assessable assets such as your car/s, van, boat and home contents to their firesale value rather than what you think they are worth.*
- *Gifting up to $10,000 per annum (to a maximum of $30,000 over a five year period)*
- *Spending on home improvements (as the principal place of residence is assets test exempt)- take care not to over capitalise.*
- *Purchase of a Funeral Bond*
- *Travel*

**** Care should be taken to not simply spend to gain a higher pension. Discuss this with your financial planner before making any moves.****

We trust that you have found our Newsletter informative. Should you have any questions regarding the content or would like see anything of financial interest covered in future editions, please call or email us.

For further information about our team as well as the latest news, market updates, financial calculators and