



JWFS news

JAMIE WRIGHT FINANCIAL SERVICES UPDATE

SUMMER EDITION

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A MESSAGE FROM YOUR ADVISER

No matter the conditions, it can be difficult to ignore the greener grass on the other side of the fence. It often looks better than the grass you stand on, and perhaps some of that comes down to perspective.

I was speaking to a farmer some time back who told me that green grass isn't always good for cattle. "*Too much water content and not enough nutrients*" he said. Perhaps the seasoned grasses is what we really need, but there is no ignoring the temptation for lush green grass. The farmer's own cattle disagreed with his wisdom, gorging themselves on green grass when available.

This 'green grass' mentality often ignores risk. The pursuit of returns without recognition of risk can put us in some very compromising positions, and often it's unintentional.

Consider the photograph to the right. Unhappy with the grass on his side of the fence, this clever beast has found a way to access the greener grass.

But the pursuit of opportunity without due consideration of risk can leave us vulnerable. Check the back page for an update on how this animal got on...



FINANCIAL PLANNING COMPLIANCE ON THE RISE

With the Royal Commission into the banking sector under way, and continued governance from the Australian Securities and Investment Commission, we are seeing a significant increase in compliance requirements.

We apologise in advance for the more onerous way in which we need to prepare your advice and record client interactions.

Jamie Wright Financial Services

personalised professional advice

GLOBAL ECONOMICS

Momentum from China...

Reading the financial press over the last 2 ½ years, one cannot help but view China as a headwind to the markets. Continued questions about their slowdown have occupied much space in the press, but as with many things in life, the truth is stranger than fiction!

Remember those cities China built that were completely empty? These days they are full to brimming and to buy a Unit in such cities requires you to enter a lottery. But housing isn't the only area of expansion. In fact, they are leading the world in many areas and have thus proven to be a valuable source of wealth creation for western investors.

Unrivalled uptake of the internet, a growing middle class of consumers and record low interest rates fuelling innovation, have created a very competitive and expanding economy in China. With the world's largest consumer base is it no wonder that Chinese companies have a home ground advantage.

“ (China is) leading the world in many areas and have thus proven to be a valuable source of wealth creation for western investors...”

While the world will grapple with the new dynamic of rising inflation and rising interest rate policy, remember that the world is bigger than the USA, and that opportunities exist in abundance.

Trump gets tax cuts in place...

President Trump managed to get his personal and business tax cuts in place before the close of 2017, a major cornerstone in his election platform. While this provides continued stimulus to the US economy, we are now seeing the Federal Reserve (their Central Bank) being more aggressive with interest rate rises to curb the national enthusiasm.

“ The Italians have elected to remain within the European framework...”

European elections completed...

The Italian Presidential Elections have now been finalised with a minimum of market fuss. Broadly touted to be a contentious election, the Italians have opted to remain within the European framework, removing a source of market concern.

LEGISLATIVE UPDATE

Downsizing Contributions into Superannuation

From 01 July 2018 those aged 65 years or more will be able to contribute up to \$300,000 (each) to superannuation after downsizing their home. Strict rules apply:

- The individual must be 65 years or over (no maximum age limit). For members of a couple, only those aged 65 or over can access this contribution type.
- The funds must arise from the sale of the principal place of residence. The contract of sale must be exchanged on or after 01 July 2018.
- The home must be owned by either or both spouses for 10 years or more.
- The proceeds from the sale are either exempt from CGT due to principal residence, or partially exempt due to the home being occupied as principal place of residence for at least some of the total ownership period.
- The downsizer contribution must be accompanied by specific paperwork to the receiving fund, and the contribution must be made within 90 days of receiving the proceeds of sale.
- Individuals have access to the downsizer contribution only once. It cannot be used for subsequent homes.

Opportunities will exist for some, but certainly those leaving the family home to enter Aged Care will be prime candidates for such a strategy as they have previously had limited options to create an income stream once the home is sold.

2018 Federal Budget Night

Note: The 2018 Federal Budget will be handed down by the Turnbull Government on Tuesday 8th May 2018. We expect confirmation of previously announced measures, along with the inevitable changes that each Budget Night brings.

A Post-Budget Newsletter will be issued within 48 hours (by email). Posted versions will take longer due to delays that are now encountered with Australia Post.

Snippets of wisdom...

Beware of market averages! *Never forget the story of the six foot man that drowned crossing the stream that was five foot deep, on average.*

There is no substitute for disciplined investing, especially when markets begin to change. *Anyone can hold the helm when the sea is calm!*

"The fault dear Brutus, is not in our stars, but in ourselves". The Shakespeare quote is as true today as when it was written. **Scrutinising our own behaviours/reactions is crucial to long-term investing.**

RISK, AND HOW TO DEAL WITH IT

Continued from the editorial on Page 1...

I have always argued that the risks we know about are often not the ones we should be most concerned with. Known risks are often catered for because of an awareness of them. It's the unknown risks that can present the biggest obstacles. John Maynard Keynes once waxed, "*The inevitable never happens. It is the unexpected always*".

So how do you cater for unknown risks? Is it not an oxymoron to be aware of something you're unaware of!!

The key is discipline. By measuring new risk factors it allows you to become aware, measure which risks are more relevant to you, and take steps to address them.

I believe we are in a period where new risk factors are being presented to the markets. We appear to be moving into a new market cycle that will see inflation on the rise, interest rates going up and volatility a more regular occurrence, so it pays to be aware of these new risks to see where change is necessary.

So back to our friend, the black cow. The single-minded pursuit of green grass overlooked a significant risk, which no doubt caught the bovine unawares. Perhaps a case of considering *the inevitable without thinking about the unexpected!!*

Sometimes the most significant risks are a product of our own personalities. Things like greed, ambivalence, or blind optimism can result in a focus on the opportunity without due consideration of the risks.

The moral of this story I think is to protect your rear by employing 360 degree assessments of your environment. It should help prevent a very embarrassing situation arising...



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