



SPRING EDITION

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A MESSAGE FROM YOUR ADVISER

2018 could bring new challenges and opportunities for the markets...

Over the past few years markets have remained very resilient, even through brief periods of uncertainty and change. So what sort of events does 2018 look like offering?

We are seeing an increase in the incidence of conflict around the world. North Korea remains topical, but there is also the ongoing threat of terrorism and civil uprising in parts of Europe.

In addition, the US Markets have risen steeply on the expectation of tax cuts and stimulus to the US Economy. But when will Trump deliver on his election promises?

There are also questions about the stability of the Eurozone, with the Italian Presidential Elections scheduled for early to mid 2018, and the favoured candidate has adopted an anti-Euro election platform. No doubt negotiations are already under way between Eurozone leaders and Italian candidates.

So is all this potential change an invitation for worry? Not at all. Change is normal and provides opportunities for buying undervalued assets. In fact it's crucial for long-term success. So when volatility strikes, rejoice, for it heralds growth for the future...

JAMIE ON LEAVE FROM 26 NOV – 23 DEC 2017

Jamie will be away from the office on a family holiday from Monday 26th November to Friday 22nd December 2017. Susan will be available to help with any administrative queries, and Jamie will check emails periodically.

OFFICE CHRISTMAS CLOSURE 25 DEC 2017 – 05

JAN 2018

The JWFS Offices will be closed from Monday 25th December 2017 through to Friday 5th January 2018. We re-open on Monday 8th January 2018 to tackle the New Year and all its challenges!

GLOBAL ECONOMICS

The Australian Market...

The Australian share market waxes and wanes on the future direction of interest rates, and its impact on the consumer. However, much of the work has been done for the Reserve Bank of Australia with the prudential regulations being imposed on our major Banks having already resulted in substantial rises in mortgage rates for borrowers (interest rates are unchanged but mortgage rates are up).

We've seen recent underperformance of the Australian share market compared to its developed-market peers. Some of this appears to be based on concerns around the health of the Australian consumer, who has faced rising mortgage rates and utility costs.

“ concerns around the health of the Australian consumer...(have) seen an underperformance of the Australian share market...”

Scrutiny on Trump...

US Markets have continued to rise, and underpinning the market confidence is the promise of tax cuts. Donald Trump recently announced the Bill that will be introduced to Congress with the personal and business tax cuts he promised, and there are expectations that they will be passed. Any interruption of this Bill may create uncertainty, and this will likely manifest as volatility in the US markets.

Given the almost symbiotic relationship the Australian markets have with the US, any volatility experienced by the US may also be felt here.

Emerging Markets?

While there remains some headwinds for emerging market economies in the form of higher interest rates on debt, the potential for increased returns has seen investors favour investment in this sector. Brazil, Mexico, India and parts of South East Asia have been beneficiaries of growth-hungry investors looking for opportunity.

“ (the) simmering-pot of discord is concerning coming into the Italian elections...”

European Discord...

The Italian Presidential Elections look like the most likely source of volatility for the region, with questions about who will lead, and whether the Italian Government will continue being pro-Euro.

We've also seen unrest in Catalonia, a province of Spain, but there has also been disquiet in some Italian provinces, and this sort of simmering-pot of discord is concerning coming into the Italian elections.

LEGISLATIVE UPDATE

REMINDER about Superannuation changes that came into effect from 01 July 2017

🌀 Concessional Contribution Caps

From 01 July 2017 Everyone - \$25,000 pa.

Note: Employer superannuation support (Super Guarantee) and any sacrifice contributions count toward this cap. Breaches will attract penalty taxes.

🌀 Non-Concessional Contribution Caps

From 01 July 2017 \$100,000 per year, per individual, with a total bring-forward of up to \$300,000.

Note: Check the total of previous personal contributions before making a Non-Concessional Contributions to ensure the Cap is not breached.

🌀 Transition to Retirement Pensions

From 01 July 2017 Earnings within the TTR Pension taxed at up to 15%.

Note: TTR Pensions are not counted toward the \$1.6million Pension Cap.

While tax is now levied on earnings within a TTR Pension, there may still be valid reasons to implement, or continue holding one.

🌀 Cap on Allocated Pension Balances of \$1.6million

From 01 July 2017 Cap of \$1.6million on starting balance of total Allocated Pension balance per individual.

Note: Those who have reached the Cap amount may not be able to make any further Non-Concessional Contributions to Super (i.e. Personal Contributions), but will be allowed to make Concessional Contributions up to the relevant Cap.

Any persons that are in breach of the Cap will be notified by the Australian Taxation Office.

🌀 Division 293 Threshold Reduced

Additional tax is payable on super contributions when assessable income exceeds certain limits.

From 01 July 2017 \$250,000 of Assessable Income & Reportable Fringe Benefits

Note: More individuals will be caught under the lower income threshold, but notification from the Australian Taxation Office may take 6-12 months from end of financial year to notify them.

WHEN IS A ZEBRA A MULE?

Zebra's are pretty easy to spot because their colouring is so unique, right? But that's not all. Their colouring is designed to release heat, so they are more efficient. Their confirmation makes them expert sprinters, to outpace predators. If a Zebra was a business they could offer some wonderful qualities – efficient, reactive, unique.

A Mule is a hybrid of a Horse and a Donkey. Most are sterile, best suited for hard labour, and rumoured to be bad-tempered and stubborn. Interesting qualities, but generally not those you'd seek in a quality investment.

Markets have a tendency to sometimes get the Zebras and Mules confused. Think back to the GFC (Global Financial Crisis). That particular Mule was purported to be a Zebra all the way to the crash. And the Tech Boom? – Mules dressed as Zebras! Time and again markets can become confused between Zebras and Mules, after all, they have similar silhouettes in dull light! I suppose that reveals how the confusion can occur because anything viewed in dull light can be very different upon closer inspection, in the light of day. So how to avoid mistaking Mules for Zebras!?!

It can depend on the source of information, as to what our view of things are. There is no substitute for detailed, quality information is there?

For example, if I said I'm thinking of an animal with four legs, hooves and it brays, would you first call it a Mule or Donkey? There's just not enough information for you to do more than guess. But that's the best information you've been offered.



If I added it has stripes and lives on the African savannah it might help you reach Zebra much faster!

It's the confusion that your fund manager prays for. They know the difference between a Zebra and a Mule by using quality research to illuminate which is which. Eventually all Mules get discovered for what they are, but good investment strategy allows you to avoid owning one when what you really wanted was a Zebra!!

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This advice may not be suitable to you because it contains general advice that has not been tailored to your personal circumstances. Please seek personal financial, tax and/or legal advice prior to acting on this information. The material contained in this document is based on information received in good faith from sources within the market, and on our understanding of legislation and government press releases at the date of publication, which are believed to be reliable and accurate. Opinions constitute our judgement at the time of issue and are subject to change.

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