



Money Matters

Spring 2016

Welcome to this Spring 2016 edition of the personal finance newsletter from Richard Shermon at Reserve Financial Consulting. With Spring in the air this is a good time to be reviewing your financial plans and make sure you remain on track.

Keep focused on the long term

The equity markets, both in Australia and Overseas, have been very volatile over the last few months. Share prices have been reacting to the daily news of the US presidential election, Chinese debt concerns, European Bank issues and a possible further increase in interest rates in the US. I sometimes have to remind my clients to stay focused on the long term and not to react to what is happening to daily share price movements.

When investing in growth assets like shares or property it is important to remember that these decisions should be seen as 10-20 year investments and not 10-20 days. It is prudent to try and ignore all the noise that surrounds us that might provoke us into making the wrong short term decision which is inconsistent with our longer term strategy.

Vanguard have recently published their 2016 Index Chart which highlights the importance of sticking to a long term strategy and details the investment returns achieved by various asset classes over the last 30 years. You can view a copy by clicking on this link [Time is on your side](#).

This Vanguard Chart includes a table which shows the financial year total returns for the major asset classes for each of the last 30 years (1987-2016). It is a good reminder of how growth type investments like shares and property have produced higher returns than more defensive assets like fixed interest and cash. It also reminds us of the importance of diversification as no asset class is consistently the best or worse performer each year. The table below summaries the average annual investment return achieved by different asset classes between 1st July 1986 and 30th June 2016 (i.e. a 30 year period).

Australian Shares	10.5%	International Listed Property	11.2%
International Shares	8.4%	Australian Bonds	9.0%
US Shares	11.1%	International Bonds (Hedged)	9.8%
Australian Listed Property	10.9%	Cash	7.0%

Remember that past performance is not an indicator of future performance.

Visit www.reservefc.com.au for more details

Update to proposed Superannuation changes

What is the latest update to the proposed Superannuation changes? The May 2016 Federal Budget included a proposal to introduce a \$500,000 lifetime cap for all non-concessional contributions (taking into account all such contributions made from 1 July 2007). Non-concessional contributions (NCCs) are those contributions made from your after tax income and is not to be confused with concessional contributions which are typically your employer super guarantee, salary sacrifice and any deductible personal super contributions.

However, the 15 September proposals change that position. The new non-concessional contribution proposals will not be effective until 1 July 2017, so the current NCC rules (i.e. those which effectively applied prior to the May 2016 Federal Budget announcement) remain in operation throughout this financial year.

The current rules allow NCCs of up to \$180,000 per year and the opportunity for those who are under age 65 at any time in the current financial year to 'bring forward' an additional two years of annual NCC capacity. So, up to \$540,000 of NCCs may be contributed before 1 July 2017.

The 15 September proposals reduce the annual NCC limit from \$180,000 to \$100,000 from 1 July 2017. The bring forward provision will still be available, but the maximum total NCCs will be only \$300,000 unless the transitional rules apply. There is also a proposed maximum \$1.6m limit on the amount of money you can have in your super fund to be allowed to make further NCCs from 1 July 2017.

I think it makes sense to wait until these revised proposals have passed through Parliament before finalizing your superannuation NCC strategy for this financial year. However, if you hold significant assets outside of your super fund you should start considering your possible options under these revised proposals to move additional assets into the generally more tax effective superannuation environment before the more restrictive rules come into force from 1 July 2017 onwards.

2016 AFR Smart Investor Blue Ribbon Awards announced



The 2016 AFR Smart Investor Blue Ribbon Awards were recently announced. These Financial Services Awards are in their 11th year and the banking products were judged by finder.com.au a finance comparison website service. The Banking product awards cover transactional accounts, savings, home loans and credit cards and finder.com.au analysed 1000's of products from 100's of companies. NAB was awarded best bank, Heritage Bank the best regional bank and ME Bank the best online bank of the year. Lonsdale awarded Australian Super as the best Industry Super fund of the year.

The investment management awards were judged by Morningstar and it was pleasing to see Vanguard win the best fund manager award for the third consecutive year. Vanguard also won the multi-sector conservative, balanced and growth categories. Many of my clients invest with Vanguard via their Diversified Index Funds so it is reassuring to see Vanguard's capabilities independently recognised with these awards.

Going back to England in late November

I thought I would let you know that I am returning to England for a couple of weeks in November to catch up with family and friends and therefore the office will be closed from the 21st of November through to the 8th of December. I will be checking emails etc. whilst I am away but my normal response times may be a little slower due to the time differences!



Updated Financial Services Guide

Please note that I have an updated Financial Services Guide (issued on 15th August 2016 as Version 7). A copy can be downloaded from my web site at www.reservefc.com.au or by clicking on this link [Financial Services Guide](#)

Reserve Financial Consulting celebrates its' seventh birthday!



The business officially launched in October 2009 and I would like to take this opportunity to thank all my clients for their ongoing support and encouragement over the last seven years.

As the business continues to grow I thought I would share with you some further real life examples where quality financial advice has really helped my clients. I look forward to continuing to meet the financial planning needs of all my clients in the months and years ahead.

- ◆ The restructuring of financial affairs, including insurance, following the breakdown of a marriage.
- ◆ Commencement of a transition to retirement strategy to reduce the tax paid on retirement savings and maximising contributions to superannuation under the bring forward rules.
- ◆ Following the passing of a client's husband I helped the family review and agree a financial strategy for both the investments of the Estate and their existing SMSF.
- ◆ A young couple expecting their first child wanted to ensure they had sufficient life insurance as well as a plan to accelerate the repayment of their mortgage to enable a future move in 2-3 years time.
- ◆ A couple approaching retirement consolidated all their superannuation into one cost effective solution which significantly reduced their ongoing fees as well as provided an income stream to enable them to reduce the number of hours they worked each week.
- ◆ I advised a client in receipt of a disability support pension how best to structure their affairs following an inheritance to retain a part pension and the concession card.
- ◆ A retired couple were guided on how to structure their affairs to receive a part age pension from Centrelink along with the pensioners concession card.

How can you obtain quality financial advice?

By contacting Reserve Financial Consulting which is a financial planning business based in the Bayside area. I specialise in providing advice in the area of Investments, Insurance, Superannuation and Pensions.

I am the Managing Director of the business and I have over 25 years experience in the financial services industry in the UK, Singapore and Australia.

I provide advice to my clients on a fee for service basis and no commission is received on any of the products I may recommend. A typical financial plan costs approximately \$2,500 (plus GST) to research, prepare and implement.

Please give me a call to set up an initial appointment to discuss any personal finance issues or concerns that you may have. I am sure I will be able to help.



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There is no charge for the first meeting

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