ACACIA FINANCIAL SERVICES PTY LTD

27 Grey Street Vermont Vic 3133
Phone: (03) 9877 7117
Email: admin@acaciafs.com.au

QUARTERLY INSIGHT

InterPrac Financial Planning Newsletter Spring 2017

Welcome to Your New Healthy Lifestyle

One of our roles as your financial planner is to build and protect Wealth. We believe, having a good financial road map of where you are going is a form of financial health, fitness and wellness.

Being Healthy, fit and feeling well naturally aids financial health.

Being healthy makes it so much easier to plan finances, work hard, and set goals.

Whatever you want to call it, health, fitness and wellness can mean something different for each one of us. By definition, we know that getting healthy means living an active lifestyle and eating foods of nutritional value so our body can function at their best. However, these words can also bring up various emotions. For some who have mastered "the lifestyle", perhaps those feelings include pride and accomplishment. For those who have not, ***getting healthy*** might be a huge, overwhelming task which can be scary and intimidating.

If you're someone who lives an energetic lifestyle and eats right – even sometimes, or better yet most of the time – keep it up! Find new ways to challenge yourself. We encourage you to push your limits, keep getting better, leaner, fitter, stronger – but also, find the balance.

Being the perfect gym rat or nutritionally on-point 100% of the time is not realistic for most, and it does not have to be. When this becomes a long-term lifestyle choice, make it work for you and still have fun! Change up your workout routines, find new, healthy recipes for your family to try.

We will get more into detail about this later. It is a personal goal of mine to keep health and fitness fun and exciting!

But, if for you, this does not come nearly as easy, or if you have not yet found the key to making health, fitness, and nutrition work for your life, these five steps might be helpful.

1 GOALS

Think about what you want from this. Set goals and be specific. Let your family, friends, and co-workers know what your goals are so they can support you. Use visuals — pictures, motivational quotes plastered throughout your living space, car, office, and even on your phone background. Sometimes we are our only support; be prepared for that, too.

2 KNOW WHERE YOU'RE STARTING

Do not just weigh yourself. Take measurements. Even note the way you feel. Low on energy? Frequent stomach pains? Shortness of breath? Our body changes in many different ways, and for some, you may notice more inches lost than pounds shed, or an increase in energy level and less bloat. Constantly using our weight as a determinant of success can be incredibly frustrating. When you start the process, stay off the scale. Focus on how you feel, how your clothes fit, and if your endurance and energy are increasing.

Continued next page

Continued from previous page

Welcome to Your New Healthy Lifestyle

3 EAT RIGHT

Nutrition will make the greatest impact on your health, so we recommend this being the first step in your journey. It is okay to take small steps and focus on only making one change at a time. Start by increasing your water intake and dropping sodas and other sugary drinks. Then, decrease the amount of times you eat out or grab fast food. Finally, try to cut processed foods. If you are interested in a specific nutrition plan to follow, research "clean eating." There are numerous guides to follow, but here is what it breaks down to: eating whole, unprocessed, healthy foods. If it is packaged in a box with a cute, colourful label, it likely does not fit in this category. Learn to plan your meals based on your schedule and daily routines. That could include preparing your foods ahead of time so you will have quick meals and snacks available on the go. Do what works for you; finding the right method could be the result of trial and error, so do not let your first few days or weeks on the plan determine your success with it.

4 MOVE YOUR BODY

Of course, getting fit means burning calories through activity! What can you do? What do you like to do? Walk, dance or lift weights? You want your workouts to be doable yet challenging, but also enjoyable and maintainable. Do you want to work out in the comfort of your home? Alternatively, will a gym inspire you to push yourself?

Do you like group exercise classes or prefer to work alone? Will you seek the guidance of a trainer or coach for accountability and motivation? Do some soul-searching to really consider what will be a feasible approach for you. Consult your physician if physical limitations will determine your ability to complete certain exercises. Most importantly, have an open mind. You might think something like a group boot camp class would be intimidating and too difficult, but after trying it, you could end up loving the challenge!

5 CELEBRATE SUCCESS

Reward yourself for progress and achieved goals. We are a society that uses food to celebrate. Break that habit, and instead consider earning something for yourself for each milestone. When you treat yourself, it becomes more enjoyable and we look forward to hitting that next milestone.

Eating right and working out might not be your favourite pastime, but it's important to lead a healthy life.

Whether you are just getting started, wanting to maintain results, or push past a fitness plateau, follow these steps to begin or continue your fitness journey. Sometimes, we just have to reconsider what we are doing and push through our own limits.

A book called 'The Richest Man in Babylon' talks about paying yourself first as the key to financial success; others argue rewarding yourself for achieving small, then big, then large tasks you set in a healthy manner is just as important.

For us we think it is a balance, the first step may be to pay yourself first by training as soon as you like, for others it may be a simple realization to do something, then planning, then action, then reward.

Based on the article by Ali Sulak ,22 September, 2015.

Superannuation Reserves

Industry chatter about ways to cheat the new $1.6 million pension account balance cap has prompted the Australian Tax Office to issue a warning about the use of reserves.

A reserve is an amount of money or assets inside an SMSF that is not part of any member's account.

The ATO says there are very limited circumstances in which reserves are appropriate and it will be scanning the industry for any suspicious surge in their number or balances following the July 1 changes.

A key change is that no more than $1.6 million can be transferred into tax-free pension accounts. Anything above this will attract extra tax and will need to be transferred back to an accumulation account.

An ATO spokesman said the use of reserves as a means to circumvent the new cap had been suggested in some SMSF-related commentary and forums.

"Whilst many of the existing reserves in SMSFs have arisen legitimately in the context of legacy pensions that are no longer available, the ATO does consider that there are very limited circumstances where it is appropriate for new reserves to be established and maintained in SMSFs," he said.

"The establishment and maintenance of reserves by SMSFs beyond these very limited circumstances may indicate that they are being used inappropriately as part of a broader strategy to inappropriately circumvent the new limits and restrictions that apply under the recent superannuation changes."

The average SMSF has assets of $1.12 million, according to the latest ATO data.

"Reserves are used by a very small percentage of self-managed funds and those assets and money held in reserve aren't allocated to any particular member of the fund," he said.

"That means you could use that potentially to artificially reduce your transfer balance cap or your total super balance below $1.6 million.

"If the ATO starts to see a whole bunch of people start to use reserving then they'll be looking very closely into why people are doing that."

Mr George said the ATO had updated the Q&A section of its website but was expected to issue more formal guidance in coming week.

The balance cap is designed to limit the big tax concessions afforded to self-funded retirees.

"Superannuation tax concessions are intended to encourage people to save for their retirement," the government said when it announced the measure in the 2016 federal budget.

"They are not intended to provide people with the opportunity for tax minimisation or for estate planning."

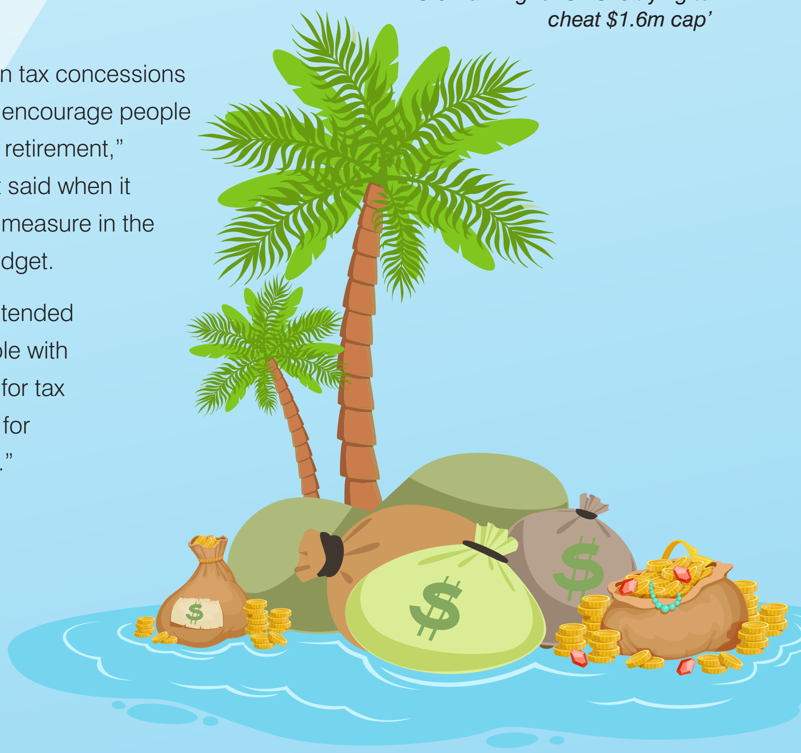
The government is saving $1.8 billion over four years.

Anybody with a balance of more than $1.7 million on June 30, 2017, will be subject to the consequences of their fund removing the excess and a tax on notional earnings on the excess capital.

Superannuates have six months from July 1 of this year to remove excess capital from their pension account if the total value of income streams is between $1.6 million and $1.7 million.

Those who fail to comply will have to pay extra tax on the notional earnings on excess capital, beginning at 15 per cent for an initial breach and rising to 30 per cent for repeated offences.

By Joanna Mather in Financial Review, 'ATO's warning for SMSFs trying to cheat $1.6m cap'



RISK PROFILING

This month marks 10 years since a little-known bank in northern England became a worldwide brand for all the wrong reasons.

Northern Rock was eventually nationalized and the savers' deposits secured.

But the global financial crisis, as it became known, had begun and it would unfold throughout 2008 and result in the collapse of major investment firms such as Bear Stearns and Lehmann Bros.

Looking ahead to 2017 it might be time to review your risk profile

If your investment portfolio lost 20 per cent overnight, what would you do?

Would you:

a) Invest more funds to take advantage of the lower prices?

b) Leave your investments in place expecting performance to improve?

c) Be concerned but wait to see if the investments improve?

d) Cut your losses and transfer funds to more secure investment sectors?

e) Lose sleep – security of capital is critical and I don't intend to take risks?

These were the options given to investors in the ASX Australian investor study 2017 released last month. The study covered 2300 investors and 1600 non-investors and was done by Deloitte Access Economics.

Counter-intuitive

What was interesting on both this question and others in the study relating to risk was that younger Australian investors were more risk averse than older investors. The age groups 18-24 and 25-34 were more likely to respond to a 20 per cent loss event by transferring funds into more secure investments.

Investors over age 55 were more likely to be concerned but would wait to see if investments improved.

This seems counter-intuitive on a number of levels. Older investors within sight of retirement might be expected to take a more cautious approach and head for a safe haven to park their money and preserve capital. But that was the preferred route for younger investors and it seems unlikely that the financial crisis could have had a significant influence given a 25-year-old today would have been 15 back in 2007 and it seems unlikely that high school students would have been losing sleep over their investment portfolio's performance – or fretting about their future retirement savings.

A recurring theme in the ASX study is that as investors, Australians are a rather conservative bunch, with 48 per cent in the study saying they prefer stable, reliable returns with only 34 per cent prepared to accept moderate or higher variability in returns.

But there seems to be quite a contradiction between the stated risk appetite of investors and the returns they expect from their investments. One in five risk-averse investors still expect double-digit returns from their investments. The study speculates that financial literacy among these investors may be low and that the risk/return trade-off and the current low-return environment not well understood.

What is also concerning is that 46 per cent of investors claimed to have a diversified portfolio but held investments across less than three asset classes. Perhaps most alarmingly 75 per cent of share investors hold only Australian shares.

The ASX Australian investor study highlights that the concept of diversification – a key way investors can manage their investment risk – is still not well understood.

Let's rewind to the global financial crisis. From when the market hit rock bottom in March 2009, let's look at the outcome for three investors who were all invested in a diversified balanced portfolio of 50 per cent equities and 50 per cent bonds when the crisis hit.

Clarity of hindsight

Our first investor decided to cut their losses and get out of their investment portfolio and stay in the relative security of cash; our second investor also felt the impact of the crisis and retreated to a much more conservative bond portfolio. Our third investor opted to stay within the balanced portfolio and hope that investment markets would recover.

If we look at the performance of these portfolios from the end of February 2009 to January 2016, we can see that the investor who fled to cash would have seen a cumulative return of 27 per cent. Meanwhile, the investor who sold off their equities and went entirely to bonds would have seen a significantly higher return at 71 per cent. Yet the investor who stayed balanced and retained their target 50/50 allocation to shares and bonds saw a handsome 93 per cent return – albeit with higher volatility.

Hindsight provides tremendous clarity on the right thing to do – sadly only after the fact. The point here is that even through one of the most dramatic market periods of the past century investors benefited from taking a patient, diversified approach to their portfolios.

For an investor to achieve their goals, it is critical that they have a clear understanding of the role risk plays in their portfolio and how it can help or hinder them from getting to where they need to be.

This analysis reinforces the relationship between risk and reward and the need to have the discipline to take a long-term approach.

From Financial Review - 'Lessons 10 years on from the global financial crisis', Updated 19 September 2017

Your Financial Planner is an Authorised Representative / Corporate Authorised Representative of

InterPrac Financial Planning Pty Ltd
ABN 14 076 093 680
Australian Financial Services Licence Number 246638,
PO Box 7626, Melbourne VIC 3004,