



**GOLDSCHMIDT & CO**



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## NEWSLETTER DECEMBER 2016

### INTERESTING TIMES

“May you live in interesting times”, is purported to be an old curse. It certainly isn’t a blessing. Our sharemarket fell 2% on Trump election day, then rose 3.2% the next day. Those are **big** swings.

One of our clients called on the afternoon of election day, after most of the fall, and asked if he could convert his allocated pension to cash as of last night’s prices. I told him that he could go into cash, but regrettably at tonight’s (lower) prices and pointed out that it would not be fair to those remaining in the fund to take on his loss for the day.

He intimated that a **good** financial adviser would have anticipated the possibility of a Trump victory and gone into cash prior to the election.

I need to say that I have to work on probabilities not possibilities. There are millions of possibilities. It is possible that there could be a nuclear war tomorrow (even a **bad** financial adviser knows that share markets would hate that) but I can’t change my client asset allocations based upon that possibility.

I suggested diplomatically that if he wanted a financial adviser who could accurately foresee the future he would need to look elsewhere. I would have recommended Harry Potter but I understand Harry is not taking on new clients at the moment.

### NEW CLIENT REFERRALS

Talking about new clients, we have nearly finished our reviews of clients who may be effected by the Centrelink age pension changes. We are therefore in a position to welcome new clients again, so if you know anyone in need of advice please feel free to refer them to us.

### DON’T BE A STRANGER

Talking about reviews, clients are more than welcome to come in for review if anything is worrying them, if anything has changed or they just want to know where they are.

Our clients pay us fees through their fund manager and we are happy to give our clients as much time and attention as they require.

I’ve had clients say that they didn’t want to “bother” me, but I am more bothered by clients doing something silly or making a mistake without my advice or feeling ignored because they didn’t want to “bother” me.

### HEALTH AND AGING

I am a World expert on aging. Not only am I a full time participant, but I watch (and learn from) my clients.

Some octogenarians bounce in. If there is a common denominator amongst my lively older clients (other than good genes and good luck, which are factors) it is that they have some sort of exercise as part of their lives.

I have one particularly “with it” 60 + year old client who actually teaches fitness, so I asked her for some tips and this is part of her reply. Please realise that this is not professional advice from her or me, just passing on her friendly advice to me.

“..... Walking is one of the best exercises you can get, it has a cardiovascular element to it, as well as strengthening the legs (important as we age, just look around you at the stance and shuffle of many older people – (not you and I of course). A brisk walk at least one hour long 3 times a week has also shown to have enormous benefits for the functioning of the brain. I saw a program on Catalyst (I think, could look into this for you) on this very thing. Even better if you can walk with weights, this way the whole body gets a workout.

Everything else I can think of has draw-backs – swimming (need to be near a pool and a pool that is heated and don’t mind not only the lingering smell of chlorine but what it does for your skin...), gym – not a bad way to go – maybe second best to walking, bike riding (whoops –



your call David).... But for me I hate the beating sun, and the wind.”

Perhaps try and remain as stress-free as possible. If you cannot change things, then try not to worry about them.

While holidays are relaxing try to keep your weight in check in front of those hotel buffets. Remember, it's easier to put weight on than to lose it.

Try and keep physically active, go dancing, go singing, have some fun whilst you can.

If anyone has any good ideas or stories that they would like to share please let me know.

### **AGE PENSION 2017**

There is a major change to the age and disability pension assets test starting 1 January 2017.

The new limits are;

<b>LIMIT PENSIONS</b>	<b>Lower (full)</b>	<b>Upper (nothing)</b>
Single Homeowner	\$209 000	\$ 542 500
Couple Homeowner	\$296 500	\$ 816 000
Single Non-homeowner	\$360 500	\$ 742 500
Couple Non-homeowner	\$448 000	\$1 016 000

If you're a couple homeowner with assets between \$296 500 and \$816 000 or a single homeowner with assets between \$209 000 and \$542 500 you should seriously consider putting solar power on your roof. A \$5 000 system will give you an extra \$390 pension per year and also save somewhere in the range of \$1 000 in electricity charges, so you get your money back in less than 5 years and help (in a small but still valuable way) save our planet for our great grandkids. Nothing I do will get you a better return than that.

### **PAYING NO TAX? PAY ATTENTION!**

For various reasons (one of which might be a good financial adviser) many of my retired or non-working clients do not need to pay tax or lodge a tax return.

If you have **shares** such as Telstra or investment **funds** such as Colonial First State in your **own name** (not super or allocated pension) then you can still get a refund for your franking credits. You have to do a franking credit refund application but it's not hard. I've just helped a client do the forms and they'll get \$4 500 back for just the past 2 years, but they didn't realise

they needed to do this to get a refund as they do not do tax returns. Phone me if you don't understand this or know if it applies to you.

### **LIFE & DISABILITY INSURANCE**

We warn for the umpteenth time that we do not advise on insurance, but insurance is critical for those who might need it, so if you're not sure of your needs call Penny Tilley at Vantage Wealth Management on 9215 5000.

### **WHITHER INTEREST RATES?**

About 2 years ago I went to a seminar addressed by a most impressive speaker. He was about 7 foot tall and a director of a well known bank. The official cash rate was about 2.5% and he assured us, with the help of more graphs than even I have on my walls, that interest rates were going to go up in the next year.

He was simply dead wrong. Interest rates went down in the next year and further down since. Our official cash rate is now 1.5%.

You can understand therefore that my humble self is wary about forecasting the direction of interest rates, but it seems to me that a change in direction upwards can't be far off. This will help savers, retirees and term deposit holders but hurt fixed interest (bond) holders and those with big mortgages.

There is a view that rates won't go too high as inflation is low. That is probably correct, but the consensus seems to be that my 7 foot mate will be correct eventually.

*The office will be closed for Christmas on Friday 23<sup>rd</sup> December and will reopen on Tuesday 3<sup>rd</sup> January 2017.*

*As another year concludes, we would like to extend our very best "Season's Greetings" to our clients, their families and friends. Let's hope that 2017 will be a happy and healthy year for all of us.*

Kind Regards,



**DAVID GOLDSCHMIDT A.C.A.**  
**Director**

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