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SUPER NEWS

Welcome

to the Summer 2016 edition of Super News

You CAN save one million dollars!

This article explains how one million dollars can be saved.

Scattered super? Consolidate now!

Helping one of our clients.

Peace of mind for you and your loved ones.

Some common areas that need consideration in an estate plan.

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The newsletter exclusively for AGS Corporate Superannuation clients

You CAN save one million dollars!

One of the most common questions we're asked as financial advisers is "will I have enough to retire?"

With so many variables involved, there is no set answer, but these days with many of us expecting to live longer, at least one million dollars is the minimum required to fund a comfortable retirement.

This might come as a shock to many and a lot of people might think that figure is only achievable by winning the lottery, but we can assure you that it is achievable. All it takes is some planning and commitment... and a little bit of magic called compounding.

Below we have outlined some key tips that we would talk to you about if you were sitting in front of us, with the aim of reaching one million dollars.

Frequency – Regular deposits are recommended straight from your pay. What you don't see you don't miss.

Amount – Minimum 10% of monthly net income is recommended. If you're taking advantage of the low tax applied to super, in addition to the superannuation guarantee, you may want to salary sacrifice to your super fund - as long as you don't exceed the concessional contributions cap. For those salary sacrificing, the after -tax cost is much less than the amount invested.

Rate – Choose investments that provide at least a 6-8%pa rate of return.

Type – High interest savings account to get started, then perhaps managed funds once you have saved enough for the minimum investment. As your balance grows, the investment return becomes more and more important, so it can pay to get advice on managing the portfolio.

Risk – Remember: high returns generally mean high risk. On the other hand, being too careful can slow progress. Everyone has a different risk tolerance which depends on age, personality and circumstances.

Age – Obviously it's best to begin as early as possible, but you can still save a substantial amount even if you start later in your career.

Emergencies – Emergencies mean just that. If you withdraw money for a new car or big holiday, you're only undermining yourself. That doesn't mean you miss out on these enjoyable lifestyle events. Fun is an important part of your savings plan. For many, a big advantage of super is the fact that you can't access it until reaching your preservation age!

Goal – The figures we have quoted here are based upon a $1 million target, however, depending on your lifestyle and expectations, you can revise that amount to suit your circumstances.

How many years to save $1 million

Let's start with a savings balance of $5,000.
This is how long it will take to reach the million dollar mark at different contribution amounts and earnings rates:

Notes: taxation and inflation have not been taken into account in these calculations.

Monthly Contribution	Years @ 6%pa interest	Years @ 8%pa interest	Years @ 10%pa interest
$400	43	36	30
$500	40	33	29
$800	33	28	24
$1,000	30	26	23

Obviously, the earlier you start saving, the smaller the contribution is needed. You can accelerate your contribution rate as your income increases. Savvy savers who pay a mortgage off early can accelerate their program considerably by directing the amount formerly devoted to the mortgage payment into savings.

And what about money you receive along the way? If you receive an inheritance of say, $100,000 (assuming an annual return of 8%), the $1 million mark can be reached in just 20 years contributing only $400 per month.

Regular investing is likened to building a "saving muscle." You grow accustomed to putting away this money over the years and are able to increase the amount as you would increase an exercise programme. Eventually, it becomes habit, you don't notice the pain anymore, and the payoff can be enormous at the end. Like achieving a fit and healthy body, building your saving muscle results in a healthy financial outlook.

Being a millionaire may seem like an unattainable dream, but with the right amount of planning and diligence you can join the Millionaires' Club sooner than you think.

Consolidate your scattered super to have more control in achieving a better retirement lifestyle.

Scattered super? Consolidate now!

We feel a lot of excitement when meeting new clients, and knowing that we can help them. It might be in some small way, but more often it's enough to help make a major change to the way they enjoy their lives.

One such example came from a client, Teresa, who had recently helped her parents celebrate retirement. Well, celebrate is probably the wrong word. Instead of waving them off on a much-awaited overseas trip or on the first leg of their journey around our great land, her Mum and Dad were destined to holiday at home.

Not having planned adequately because they thought the pension would be plenty to live on, both were shocked to realise just how limited their retirement would be. As her Dad was not healthy enough to keep working and build up a better investment, they realised they'd left everything too late.

Teresa is sad that after a lifetime of hard work they will be forced into a basic lifestyle, scrimping to make ends meet. This is not what she wishes for her own future and the experience was the catalyst to getting her financial affairs in order – hence contacting us.

Teresa is 42, divorced and nursing has been her career. She has worked in many public and private hospitals and in her words "hasn't got much super". She was right – we were surprised to find a total of $72,000 across six different accounts, all invested in "balanced funds". The fees she was paying to manage the six accounts were eating into the meagre balances.

We helped her to understand basic investment principles such as the relationship between risk and return, diversification and her time horizon.

With a better appreciation, Teresa agreed she could invest more aggressively because she has at least 23 years until she retires. We recommended a master trust platform, explaining that the trustees provide a "menu" of fully researched funds from which she can create her portfolio. Most of these funds are wholesale funds.

She understood and agreed on a growth asset allocation with 85% growth assets, spread across a selection of managers each specialising in cash, fixed interest, Australian shares, international shares, property or alternatives like hedge funds. Her portfolio is diversified over nine investment options and as Teresa now has a senior role in health management she commits to a salary sacrifice program to give her super balance an extra boost.

Teresa understands that the value of her growth funds will fluctuate but she finds solace in being able to monitor her investments easily and having us to guide her. She is becoming a more educated investor and is now confident that she will retire much more comfortably than her parents did.

Peace of mind for you and your loved ones

Estate Planning is about ensuring that, in the event of your death, the right assets get into the right hands at the right time. While no-one likes to think about it, ignoring your estate plans can lead to significant distress, confusion and poor outcomes for your family at the worst possible time.

Are these concerns for you?

Some common areas that need consideration in a comprehensive estate plan include:

- Do you have a will that's been written with tax efficiency and estate protection in mind?
- Are there sufficient assets to provide for your dependants or loved ones?
- Have you considered who to trust with raising your children, and managing your estate?
- Do you understand what will happen to your super on death?
- Do you have other assets or structures that would not be controlled by your will, such as trusts, businesses or a SMSF?
- Are there risks you face from events other than death, such as being sued, losing mental capacity, or becoming bankrupt?
- If anything happens, do those around you know what assets you have and what to do?

These issues are relevant for individuals and families of all ages, and there can be serious consequences if ignored.

How AGS Financial Group can help

AGS Financial Group are ideally placed to help you implement an effective Estate Plan. Our experienced financial planners can work with you to identify your wishes as well as any issues that need to be dealt with.

We can also coordinate any specialist Legal or Accounting advice needed to ensure an optimal plan. We have partnered with law firms to access cost effective advice and documentation Australia-wide, whilst our team at AGS Accounting are available to ensure any specific tax considerations are addressed.

If you have any concerns about your estate plans, an AGS financial planner can help you with an initial discussion, without obligation, to identify the key issues and outline the next steps.

Investment Update

January 2016

(With thanks to AMP Capital Investors and MLC Investments Limited)

2015 proved to be a volatile year, with most markets posting early strong returns, only to see them neutralised mid-year, and finishing the year approximately where they started. However those with investments in international markets generally had a boost to their returns due to the falling Australian dollar.

What were the key factors driving global markets?

Key topics on the minds of investors through 2015 have been concerns about the Chinese economy, weak commodity prices and emerging country economies, and speculation about the US Federal Reserve raising rates and the likely impacts. Added to this have been geo-political events such as terrorist attacks in Paris, the war in Syria, and the refugee problems in Europe. 2016 has commenced with falls across global sharemarkets, over much the same – most notably China.

Economic indicators – 1 January 2016	
	1 Year %, excluding dividends
Australia: ASX 200	-7.30
Japan: TOPIX	+5.10
China: CSI 300	-5.60
UK: FTSE 100	-10.00
US: S&P 500	-6.80
Australia:	**Current @ 1 January 2016**
AUD / USD	0.73
Official interest rates %	2.00
Aus 10-year bond yield %	2.88

Australia: Further transition away from Mining

In Australia, the slump in commodity prices has had a huge impact on the Resources sector, which has flow on effects for the broader economy. Another key sector – banks – face slower growth prospects and higher capital requirements. Fortunately, growth has been transitioning to other sectors, such as utilities, industrials and health on the back of the lower dollar and interest rates.

Expect a lower Australian dollar

The broad trend in the Australian dollar remains down, as commodity prices remain weak, and the gap between US and Australian interest rates starts to narrow. We expect a fall towards $US0.60 in the year or so ahead.

Outlook and Final thoughts

In spite of the ongoing uncertainties, the longer term outlook for shares, particularly global shares (led by Europe, Japan and China), remains positive. Valuations are attractive relative to cash and bonds, monetary conditions are favourable, and economic growth continues at a moderate pace. Australia is expected to lag, and remains vulnerable to the economic climate in China and the extent of growth in the non-mining sectors. We favour the use of active investment managers who are flexible in their country allocation, stock selection and allocation to cash.

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