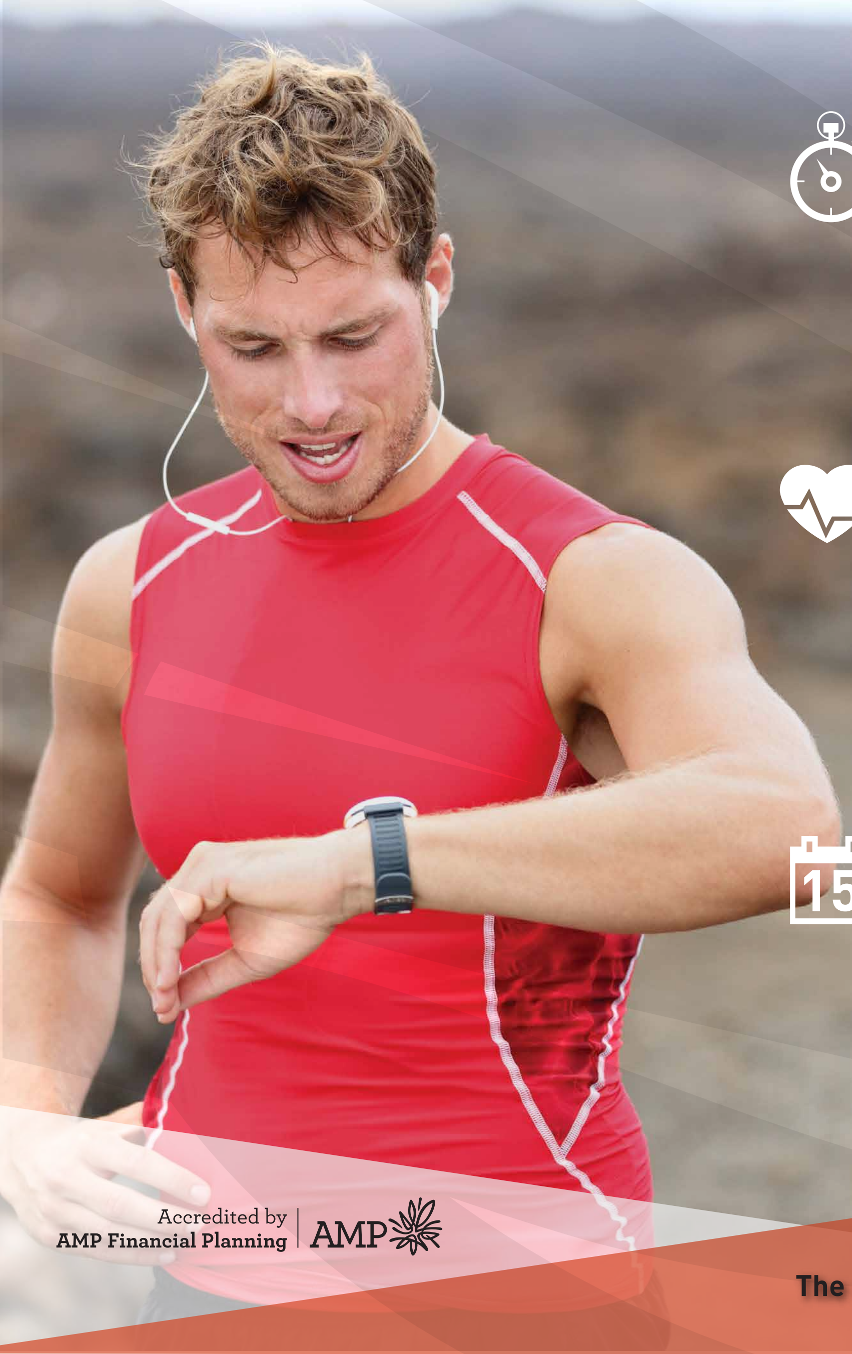
AGS FINANCIAL GROUP
Partners in advice, growth & security

WEALTH NEWS

Welcome

to the Summer 2015 edition of Wealth News



With the new year underway, it's a great time to check the state of our finances, and plan to make the most of things in 2015.

With interest rates down, we look at a strategy to reduce your mortgage fast AND build a portfolio, and look at the question of "who gets your super"?

Also in this edition, an investment update that provides the outlook for 2015.

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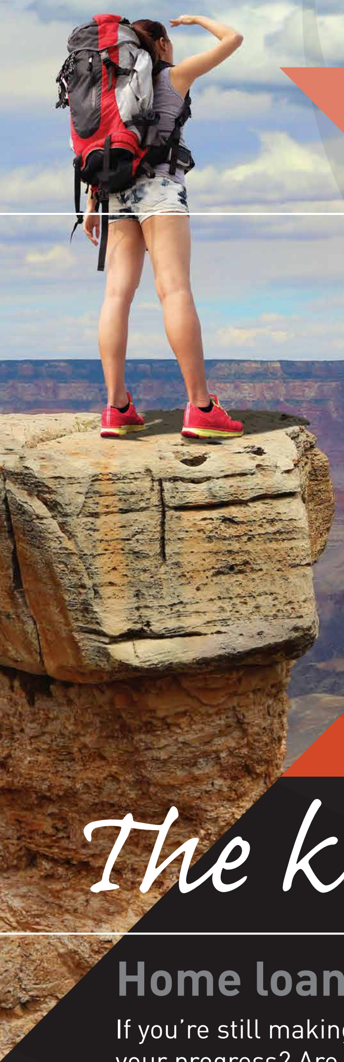
The newsletter exclusively for AGS Personal clients



New Year Financial Checklist

As we look back on 2014 and ponder how fast the last 12 months have come and gone many of us find ourselves thinking about the new year and our aspirations for the future.

Let's face it, we've worked hard throughout the year and now is the time to reflect on what we have achieved; where we want to go; and what we need to get there. These times of reflection are critical to our lives whether we run our own business, are employed or retired.

A financial checklist is an excellent tool to check on how you are progressing towards your goals and to also help identify any specific areas you might need to focus on in the immediate future.

The key issues to consider are:

Home loan review

If you're still making repayments, is it time to revisit your progress? Are you able to increase your payment amounts or frequency to save interest? With interest rates so low, should you refinance for a better deal?

Other debts

Consider the amount of hire purchase, personal loans, credit card or other debts currently being paid off. If the total of all loans exceeds 10% of household income, you need to implement a plan to reduce them as a matter of priority.

Savings

How much money did you save this past year? Are you spending first and saving what's left? If your savings aren't as healthy as you would have hoped, it's time to remember to pay yourself first and allocate up to 10% of your income to a regular savings plan.

Insurance

When illness or accidents strike, most people are caught insufficiently protected. It's important to regularly review your insurance policies to ensure that you and your family have adequate cover. When was the last time you reviewed your insurance cover?

Superannuation

What is the current value of your retirement savings, including superannuation? If you don't know, now is a good time to check. Are your savings and super working as hard as they should be? Are you on track or do you need to start putting more away?

Your will

Making a will itself is not particularly difficult or even terribly expensive. It is a fact of life that people get divorced, form new relationships, change old relationships, or establish new interests. Any of these may result in a will being challenged through the legal system which can create long-term animosity, anger, and considerable delay in finalising the estate. Estate planning matters should be regularly reviewed in addition to your will.

You don't have to wait until the first day of January to review your financial situation ... do it today, and you may find that your other "New Year" resolutions are more easily achievable as a result!

Need help?

If you're looking for friendly, professional help with any of these areas, just contact us at AGS Financial Group, we'll be happy to assist.

Debt Recycling in Action

Own your home sooner and build a portfolio through Debt Recycling. With interest rates down, now is a great time to get ahead!

Debt recycling is the process of replacing mortgage debt, or bad debt, with investment debt, which is known as good debt.

This strategy enables investors to start building wealth while they're still paying off their home. As equity is built up in their home, funds are re-drawn and invested. Income from these investments can be used to further reduce the mortgage balance, while the growth component contributes to wealth accumulation.

This is how debt recycling worked for one couple.

Mark and Jane have built up considerable equity in their home, and upon advice from their AGS financial planner decided to make that equity work harder for them. The couple currently owes $240,000 on their home, which is valued at $400,000. Their planner recommends Mark and Jane implement a debt recycling strategy, refinancing their current loan to give them a $300,000 loan limit. This releases $60,000 of available equity for investment.

Mark and Jane's planner recommends they invest their $60,000 equity into a portfolio of managed investments specifically chosen for income potential. After one year, their portfolio has grown in value to $65,000, and yielded an income of $4,000 which is used to reduce their mortgage further. After regular loan repayments, their mortgage balance is $230,000 after the first year. The couple then draw the extra $10,000 in equity to make an additional contribution to their investment portfolio. This process is repeated each year until their mortgage is extinguished.

Debt recycling can benefit investors prepared to invest not just funds, but also time and patience. To learn if it would be appropriate for you, contact AGS Financial Group today.

Who gets your super?

Who decides what happens to your superannuation savings when you die? You may think that you do, but that isn't always the case. The ultimate decision may be made by someone you don't even know – the trustee of your superannuation fund. Let's look at how you can have greater control.

Binding death benefit nominations

The most certain way to direct payment of your superannuation death benefit is by making a binding death benefit nomination. The nominated beneficiaries must be 'dependants' – a spouse, de facto spouse, child or financial dependant – or a legal personal representative (ie. the executor or administrator of a deceased estate.)

If the nomination has been properly signed and witnessed, and is still current at the date of death, then the trustees of the superannuation fund must pay the death benefit to the nominated beneficiaries.

Unlike wills, valid binding superannuation nominations are unlikely to be overturned by a court, so they provide great certainty. It is up to the trustees of each superannuation fund to decide whether or not to allow binding nominations, so they aren't available to everyone.

Although some funds offer non-lapsing binding death benefit nominations, most are only valid for three years, so it's important to check yours and ensure it remains up-to-date.

Superannuation pensions

The situation is a little different if the member has already retired and is drawing a superannuation pension. With pensions, it is common to nominate a surviving spouse as a reversionary beneficiary. This means the pension payments will continue to be paid to the nominee, either until their death, or until the funds run out. If the reversionary beneficiary dies, any remaining balance is then paid out as a lump sum death benefit according to the type of nomination they have made.

Trustee's discretion

The trustee is under a legal obligation to pay a death benefit to the member's dependants, and in most cases benefits will be paid in a way that is consistent with the wishes of the deceased member. However, it is possible the trustee may recognise a wider range of dependants than the member would have liked – including a separated spouse, for example.

In some cases, the member's preferred beneficiary may not meet the legal definition of a dependant. This may apply to parents, for example. In the absence of any dependants and a legal personal representative, the trustee may exercise their discretion, and pay the benefit to a non-dependant.

Good advice required

Increasing levels of wealth being held via superannuation and the nomination of beneficiaries should be made in the context of a comprehensive estate plan. This includes taking into account the way superannuation death benefits are taxed when paid to different types of beneficiary. AGS Financial Group can help you make the right decision – contact us today.

Sources:
www.superguide.com.au "Binding death benefit nomination"
www.moneysmart.gov.au "Super death benefits"

Investment Update

(Courtesy of AMP Capital Investors)

2014 and the 2015 Outlook

15

2014 has been a positive but somewhat constrained and messy year for investors as the global economy remained in a cyclical "sweet spot" despite various threats, but Australian shares underperformed.

Economic Outlook

Global growth is likely to remain around 3.5%, ranging from 1-1.5% in the Eurozone and Japan, 3.5% in the US and China at 7%. Inflation is likely to remain benign on the back of significant spare capacity and weak commodity prices. Global interest rates are likely to remain low, with the US starting to raise rates gradually from mid-year, but continuing monetary easing in Europe, Japan and China. Europe is likely to expand its Quantitative Easing (QE) program and China is likely to cut its benchmark lending rate to around 4.5%.

For Australia, non-mining activity is likely to continue to pick up pace but in the face of falling national income and subdued confidence this will likely require further monetary stimulus in the form of a lower $A and a further RBA interest rate cut. If this occurs then improving conditions in sectors like housing construction, consumer spending, tourism, manufacturing and higher education should see GDP growth move up to around 3%. At the same time inflation is likely to remain benign. The RBA is expected to cut the cash rate to 2.25% early in the year with a 50% chance of another cut in the June quarter.

Equity Markets looking reasonable

The combination of okay global growth, low inflation and easy money is positive for growth assets, in spite of potential volatility from geopolitical factors. However shares are no longer dirt cheap, so are dependent on earnings growth. Europe, Japan and China are seen as cheap relative to the US, while Australia may continue to lag.

With cash and bond returns likely to remain low, commercial property and infrastructure investments may benefit from the ongoing search by investors for yield.

Concluding comments

2015 is likely to see okay but uneven global growth, low inflation and easy monetary conditions. While the US is likely to start gradually raising rates, other countries including Australia are likely to ease monetary policy.

Against this backdrop the bull market in shares and most growth assets is likely to continue. However, with shares dependent on rising earnings, volatility is likely to be a bit higher and returns okay but constrained.

Economic indicators – 1 January 2015	
	1 Year %, excluding dividends
Australia: ASX 300	0.83
Japan: Nikkei	8.1
UK: FTSE 100	-2.7
US: S&P 500	11.5
Australia:	Current @ 1 January
AUD / USD	0.818
Official interest rates %	2.50
10-year bond yield %	2.88

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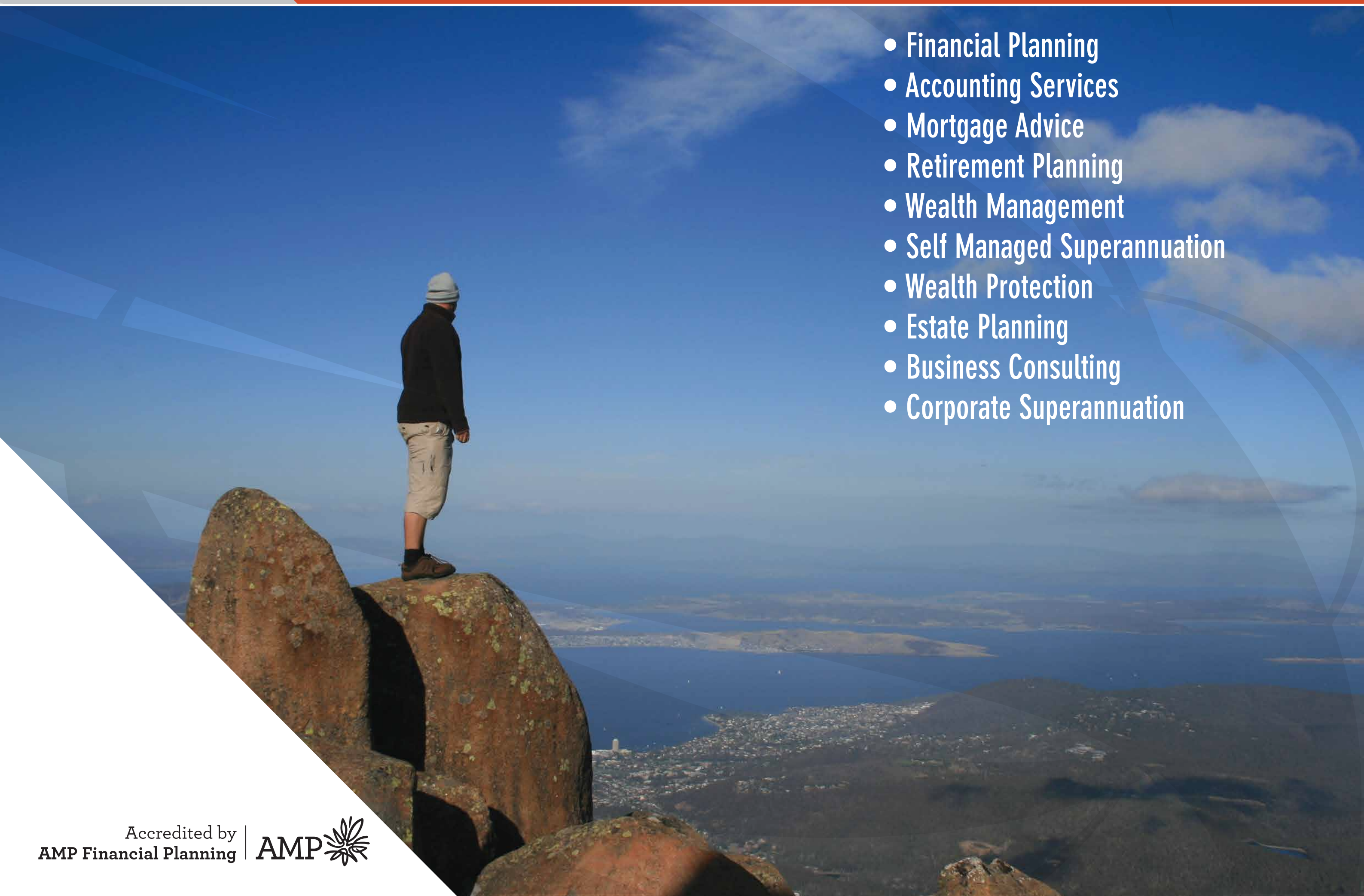

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