



## Autumn 2016 Update

Welcome to the Autumn edition of the quarterly newsletter from Your Life Now Financial Services. Your Life Now is a financial planning practice providing professional advice on superannuation, retirement planning, insurance and investments.

Australian equities were officially in bear market territory in February, with the S&P/ASX 200 Index down more than 20% since its April 2015 highs. Growth asset classes, like Australian equities are generally more volatile than defensive asset classes like bonds. While more volatile, growth assets tend to have better returns over the longer term. In general, the portfolios that I construct contain a mixture of growth and defensive assets. The ratio depends on a client's situation and goals. My aim in constructing portfolios is to reduce losses in down markets while generating good returns in up markets.

In this edition, you will find an article on "Retirement rolls around faster than you think". Many people delay planning for their retirement until it becomes too late. Are you using the magic of compound interest to build a nest egg for your retirement? The article "Have we reached the bottom yet?" is written by Shane Oliver and explains why he sees the Australian market rising by calendar year end. If you are getting nervous about your investments, please make an appointment to see me so we can review your portfolio in the context of your goals. Also "What exactly is income protection insurance and do I need it?" explains the basics of income protection insurance. Do you know someone that should have income protection but doesn't?

I hope you find my newsletter interesting reading. If you would like to print a PDF version of this newsletter, please go to the "News and Resources" section of my website at [yourlifenow.com.au](http://yourlifenow.com.au).

Best regards,  
Jason



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# Retirement rolls around faster than you think

New research shows one in three Australians think retirement is too far away to plan for. That's a big mistake. Take it from me, the day when you're ready to hang up your work boots is likely to roll around far more quickly than you anticipate, and it pays to be prepared.

If you think time passes more quickly as you get older, you're absolutely right. It turns out there's a whole range of scientific reasons for this, but the impact on our finances can be profound especially when it comes to saving for retirement.

A study by Roy Morgan Research found, not all that surprisingly, about 70% of 20-year olds believe retirement is too far off to worry about - and they're probably right. At that age I'd be more inclined to concentrate on building personal skills and qualifications to enjoy a rewarding career rather than focusing on retirement.

## When is it too late?

The big worry is that in the critical pre-retirement years between ages 50 and 54, almost one in five people still reckon retirement is too far away to bother making plans. Don't be fooled - this is a critical window of time where you can make a big difference to your retirement savings.

In our busy lives it's easy to put saving for retirement on the back burner. But the fact is, time marches on for all of us. Waiting until your mid-forties or fifties to start growing your superannuation makes it a lot harder, but not impossible, to accumulate a decent nest egg.

Conversely, the earlier you start building super savings, the more compounding returns do the heavy lifting for you, so if you are comfortably on the path to retirement, spread the word - especially with your grown up children. It's easy to get caught up in raising a family and paying down a mortgage, but with the right strategies they can continue to save for retirement even during the years where cash might be in lesser supply.

## Ideas for saving

Saving for tomorrow doesn't have to mean giving up a lot today. Salary sacrifice - where part of your pre-tax wage is paid into super rather than receiving the money as cash in hand, is a tax-friendly way for many workers to save for retirement.

For some ideas on the different ways to grow your super, take a look at the government's MoneySmart website. It features a handy 'Super Contributions Optimiser' calculator with suggestions on the various ways to contribute to super based on your age and annual income.

Nevertheless, retirement planning is too important to rely solely on an online calculator. Seeking expert advice makes a lot of sense, particularly if you've left your run a bit late.

Speak with us today about the best way to grow your nest egg.

- by Paul Clitheroe AM



**Paul Clitheroe AM,**  
co-founder and Executive  
Director of ipac securities  
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# Have we reached the bottom?

**Shane Oliver**

*Chief Economist and Head of Investment Strategy*

Although it's unlikely that we've seen the worst in sharemarkets, we do expect them to improve by the end of the year. In this article we look at the drivers behind market performance as well as the RBA's likely move to cut rates in the coming months, and the economic impacts of the oil price drop.

## Outlook on the RBA's decision to hold interest rates

The culmination of global economic turmoil and reasonably solid economic data within Australia has prompted the Reserve Bank of Australia (RBA) to leave interest rates on hold following the first meeting for 2016. We expect the RBA to cut rates by approximately 0.25% in the coming months from its current position of 2%, providing some further help for the Australian economy.

## How is the plunging oil price affecting our economy?

There's good news and bad news to come from the plunging oil price, which has come down by 70-80% in the past couple of years. The bad news for Australia is that we're a net energy exporter and therefore a lot of our gas

contracts will now export at much lower prices – there is also a flow-on effect to the Federal Government in terms of reduced tax revenues as a result. The good news; businesses and households that rely on oil and petrol as an input are seeing big savings. For instance, the average Australian household is saving roughly \$700 a year on petrol.

## Have we seen the worst in markets?

History discredits the saying 'As goes January, so goes the year' with only a 30-40% chance that a poor January sharemarket performance will precede a poor year as a whole. Given current concern that global growth may linger for a while and that it will take a while for central banks to spring into action, it's too early to say that we've already reached the bottom for shares. We are expecting more volatility in the short-term however, I see shares moving higher by year-end.

## About the Author

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Dr Shane Oliver, Chief Economist and Head of Investment Strategy at AMP Capital is responsible for AMP Capital's diversified investment funds. He also provides economic forecasts and analysis of key variables and issues affecting, or likely to affect, all asset markets.



# What exactly is income protection insurance and do I need it?

Have you ever wondered how you and your family would cope if you had an injury or illness and couldn't work for several months... or even years?

For some people, income protection insurance might be the answer.

## So what is income protection insurance?

Income protection insurance (or temporary incapacity or salary continuance insurance) provides cover if you can't work due to illness or injury. It generally pays up to 75% of your monthly income for your chosen benefit period to help you pay the bills and maintain your family's quality of life.

### Income protection insurance can:

- cover daily living expenses, such as the mortgage, groceries, school fees
- pay your medical expenses and rehabilitation costs
- provide access to support services to help you return to work or find a new job, depending on your insurer

Generally, you can purchase income protection insurance via your super or through a financial adviser for example.

If you choose to purchase your income protection insurance through your super the premium comes out of your super, which is in pre-tax dollars.

Alternatively, if you pay directly, you'll have to pay with after-tax dollars, but you may be able to claim your insurance premiums on your tax return.<sup>i</sup>

## How long do I have to wait to get paid?

Firstly, you'll need to provide to your insurer all the necessary documents for your claim to be considered, such as your personal details, financial situation and medical information.

Most insurers have a waiting period (usually 30 to 90 days<sup>ii</sup>), before they will start paying your claim. You may be able to select the waiting period when you take out the policy. Additional waiting periods may apply when insurance is purchased through your super, so it's best to check with your insurer.

## Is income protection insurance right for me?

Income protection insurance has helped many Australians to get through a difficult time without the added stress of worrying about how to pay the bills and look after their family<sup>iii</sup>.

Everyone's situation is different, so you need to think about what's right for you.

If you are **employed by an organisation**, you may already have income protection insurance included in your super (sometimes called salary continuance or temporary incapacity cover), so check with your super fund. Make sure the amount you are covered

for would provide enough to cover your everyday expenses, as well as any medical or rehabilitation bills.

If you're **self-employed**, you may not have income protection insurance, so you may decide to buy it separately. Check what it covers, how much it costs and how long you'll be paid for.

Benefit periods and premiums can vary depending on your individual circumstances and the insurer.

## Next steps

So now might be a good time to review your income protection situation.

If you still need help in deciding if income protection is right for you, speak to us. We're here to help.

i [ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Other-deductions/Income-protection-insurance/](https://ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Other-deductions/Income-protection-insurance/)

ii [moneysmart.gov.au/insurance/life-insurance/income-protection](https://moneysmart.gov.au/insurance/life-insurance/income-protection)

iii *As life happens, we're here for you.*  
AMP claims paid 2014.

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