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Wishing you and yours a very Happy Christmas and thank you for your valued support in 2016.

Warm regards,
Renato, Michelle, Tom, Anna, Amie, Simon, Sue, Steve, Caitlin, Jaclyn and Rose

Keep your money safe over the silly season

Paul Clitheroe's Making Money

A colleague of mine had an interesting experience this week. She received both an email and SMS from her credit card provider saying her card had been blocked due to fraudulent activity. It was an unnerving incident, and a timely reminder that none of us can assume 'it won't happen to me'.

In this particular instance, a dodgy offshore company had tried to make a transaction for $0.08 using my workmate's card. Apparently this is quite common. Fraudsters often try out a very small or even zero dollar transaction to test the waters and see if the card is active. If all goes well, they can go on to make far bigger purchases using your card details.

Fortunately, in this case the card issuer's fraud system recognised the bogus transaction and instantly blocked the card. However not everyone is so lucky.

A recent report from the Australian Payments Clearing Association shows credit card fraud is on the rise. Chip technology and mandatory use of PINs is making it much harder to steal data at the terminal. But it's a different story for 'card-not-present' (CNP) transactions where shoppers hand over their card details online, by phone or by post.

In 2015, CNP fraud accounted for $363 million stolen by crooks – a good chunk of the total $461 million lost to card fraud. Over 60% of these dodgy transactions were made offshore.

It's worth noting that fraud impacts just 0.03% of the seven billion card transactions made in Australia each year. Nevertheless, as we head towards the festive season Australians will be ramping up their shopping activity, with many choosing to shop online. So it's worth being mindful of the need to keep your money safe during the Christmas rush. Taking a few simple steps can help to protect against fraud.

First and foremost, stick with reputable online retailers, and look for the padlock symbol in the URL bar indicating a secure website.

Equally important, make a point of monitoring the activity on your card.

Online and mobile banking make it possible to check credit card transactions regularly without the need to wait for monthly statements.

If you come across a transaction that looks unfamiliar, contact your card issuer. Bear in mind some retail outlets are run by private companies with a different name to the store brand. However if the date or dollar value of a transaction looks odd, it's better to be safe than sorry by speaking with the card provider. The sooner you take action, the sooner your card can be blocked to prevent crooks dipping into it further.

by Paul Clitheroe AM

Paul Clitheroe AM, co-founder and Executive Director of ipac securities limited, Chairman of the Australian Government Financial Literacy Board and Chief Commentator for Money magazine.

What does a comfortable retirement look like?

How much money you'll need will depend on a variety of things.

Have you got a plan in mind for when you retire? Is it to travel overseas, hit more balls on the golf course or spend time with family and friends? Whatever your goals, you'll need to have a plan for how you're going to get there financially.

COMFORTABLE VERSUS A MODEST RETIREMENT

Everyone's idea of how much money they'll need in retirement is different.

As a guide, the Australian Superannuation Funds of Australia (ASFA) suggests couples around age 65 will need $59,000 a year and singles will need about $43,000 in today's dollars to live 'comfortably'.[1] Now this is assuming you're in relatively good health and that you own your own home.

On this budget, you should be able to afford things like a new car, private health insurance, to dine at quality restaurants and have local, and some overseas, holidays.

By comparison, a 'modest' yearly budget of around $34,000 for couples or close to $24,000 for singles would provide a more basic lifestyle.[1] This means you'd probably have to keep your older appliances and car for a bit longer, eat out less frequently and generally stay locally for holidays.

SO HOW MUCH IS ENOUGH?

To work how much money you'll need in retirement, start by asking yourself these questions:

- Do I have enough money saved in my super? Try AMP's super simulator to find out if you're on track or if you have a gap in your savings
- Am I going to have to rely on the Age Pension? If you plan to retire before you get the Age Pension, consider what savings you'll need to support you for those extra years in retirement
- Will I have to work longer or do something else to generate an income?

HOW YOU COULD RETIRE WITH MORE

Once you've considered these questions, think about ways to give your financial situation a boost while you're still working.

- Got more than one super account? Think about consolidating your super into one account to save on fees and reduce paperwork
- Consider making extra before-tax contributions to your super through salary sacrificing. Use AMP's salary sacrifice calculator or to find out how much you could put aside
- If you're eligible, think about making a personal tax-deductible contribution to your super, as these will typically only be taxed at 15%[2] and you can claim these as a tax deduction.[3] You'll need to fill in a 'notice of intent' form and send it to your super fund before you submit your tax return
- If you decide to sell or downsize assets, such as your home, make sure you check what the tax implications are and whether it will affect your eligibility for the Age Pension. Find out about what changes are happening to the Age Pension assets test from 2017.

It's also important to note that the Federal Government proposed a number of changes to superannuation in the 2016 Federal Budget, which may progress to legislation. You should seek financial advice before making any decisions regarding additional super contributions.

WE'RE HERE TO HELP

Deciding on how much money you'll need to achieve your retirement goals and how you'll get there may be easier if you have professional advice.

If you'd like to explore your goals, please call us today.

1 http://www.superannuation.asn.au/resources/retirement-standard
2 30% if you earn over $300,000 per annum.
3 These contributions will count toward your concessional contribution cap. The concessional contribution cap is currently $30,000 (or $35,000 for those aged 49 and over on 30 June 2016).

By AMP Life Limited, originally published on 18 August 2016 on amp.com.au/insights

Are you prepared for the changes to the Age Pension assets test?

How the assets test will work in 2017 could increase your Age Pension entitlements, or take some or all of them away.

With revisions to the Age Pension assets test just around the corner, it's important to understand how the changes could impact you, particularly with part-pension thresholds somewhat tighter than initially projected.

These thresholds are the value of assets you can own (excluding your home) before you lose eligibility for the Age Pension.

WHO THE CHANGES WILL AFFECT

The Age Pension assets test changes will affect Age Pension recipients, aged 65 and over. To be eligible for a full or part Age Pension, retirees must satisfy an income test and an assets test, as well as other requirements.[1]

According to reports, changes to the assets test, **effective 1 January 2017**, will see more than 50,000 additional Australians receive the full Age Pension. Meanwhile, roughly 300,000 retirees on the part pension will have their entitlements reduced, with about 100,000 losing all entitlements.[2]

WHAT'S ACTUALLY CHANGING IN 2017?

The Age Pension assets test thresholds will change

The cut-off thresholds previously announced were only projections, as Age Pension rates were not updated until 20 September 2016.

Following the recent update to Age Pension rates, the part-pension cut-off thresholds are a bit tighter than previously announced, meaning more people could be affected.[2] The lower thresholds for eligibility for a full pension remain unchanged.

If your assets are below the thresholds in table one, you will be eligible for a full pension under the 2017 assets test.[3]

Full pension	Current asset limits	2017 asset limits
Non-homeowner (single)	$360,500	$450,000
Non-homeowner (couple)	$448,000	$575,000
Homeowner (single)	$209,000	$250,000
Homeowner (couple)	$296,500	$375,000

The table below outlines the assets test cut-off point for those on a part pension. If you have assets above these limits, a part-pension will no longer be payable.[3]

Part pension	Current asset limits	2017 asset limits
Non-homeowner (single)	$945,250	$742,500 (initial projection $747,000)
Non-homeowner (couple)	$1,330,000	$1,016,000 (initial projection $1,023,000)
Homeowner (single)	$793,750	$542,500 (initial projection $547,000)
Homeowner (couple)	$1,178,500	$816,000 (initial projection $823,000)

The Age Pension assets test taper rate will increase

This means that pension payments will reduce by $3.00 per fortnight for every $1,000 of assets above the lower assets test threshold. Currently, the taper rate is $1.50 (75c each for couples) per fortnight, which means from 1 January 2017 pensions will reduce at a faster rate.

WHAT ASSETS ARE TAKEN INTO ACCOUNT?

The market value of most of your assets is taken into account when calculating your Age Pension. This includes, **but is not limited to**, things such as:

- Property (excluding your home)
- Motor vehicles, boats and caravans
- Financial investments
- Superannuation if you're over Age Pension age
- Business assets
- Household contents and personal effects.

Find out more about which assets are assessable on the Department of Human Services website.

UPSIDE TO LOSING YOUR BENEFITS

People who lose their Age Pension in 2017 as a result of the changes will automatically be entitled to receive a Commonwealth senior's health card and/or a low income health care card. These cards will provide access to things such as Medicare bulk billing and less expensive pharmaceuticals.

PREPARING FOR THE CHANGES

Depending on how the changes may impact you, there are a number of things worth exploring and talking to us about, including:

- How you might replace any lost income if your entitlements are reduced
- How you might be able to trim down your assets before the changes come in, to retain your current entitlements—for example, gifting within annual limits, moving savings into a spouse's super, or bringing holidays or home renovations forward
- How strategies outside of asset reduction may be able to help—working for longer or reviewing your budget in retirement.

MORE INFORMATION

Contact Centrelink to find out how your Age Pension entitlements might be affected or contact us to explore possible strategies.

1 http://www.humanservices.gov.au/customer/services/centrelink/age-pension
2 http://www.superguide.com.au/how-super-works/300000-retired-australians-to-lose-some-or-all-age-pension-entitlements
3 https://www.humanservices.gov.au/customer/enablers/assets

By AMP Life Limited, originally published on 14 October 2016 on amp.com.au/insights

Looking ahead at 2017

The outlook for 2017 is in places easy, in other places hard and in one particular area, near impossible.

Let's start with the impossible. I am often asked for my view on the Australian dollar against the US, Euro and Pound sterling. I think I have got this right about once in my 35 years in the money industry. Ironically, this was a few years ago when I was doing a series of talks with AMP's Shane Oliver. The Aussie dollar was buying around $US1.10. All the predictions were for it to go higher. My comment was that this was as high as I had seen it. It has been as low as US 50 cents to our dollar, and my view was that at a $US1.10 for an Aussie dollar, I would at least buy enough US dollars to pay for 5 years of holidays that linked to the US dollar. This, with hindsight, was pure genius. Can I not mention the other times I was completely wrong?

Frankly, I and nobody else has the first clue. For example, I have been banging on that the UK economy has been recovering strongly over the last few years. That of course would cause me to want to hold pounds. Hang on, along comes Brexit and the pound plunges big time against our dollar. Currency punting is a mug's game. I just tend to watch our dollar as it hits historic highs and lows and use that as my guide. I tend to hold my global investments unhedged against the Aussie dollar, I figure currency can go either way.

An easy call is low interest rates. They will be at or around where they are now for 2017, and I suggest beyond. So for near retirees, like me, or retirees, this presents a major issue. Life is long, at least on average, so we all need to make our money last and it won't in a term deposit at under 3%. Even if you pay no tax, inflation will grab much of that 3% return.

So this takes us into the harder areas. Property and shares. It is bleatingly obvious that a growing population, an undersupply of housing where people prefer to live and very low interest rates make property in 'population growth' areas, with public transport, entertainment, jobs, schools and decent coffee a very attractive investment. So to no one's surprise, property in these areas has exploded in value. Sooner or later it will go backwards for a while, but the growth in our population underpins rental demand and prices. So while I am not a seller, I am not an eager buyer.

Shares are also a hard call, but here I feel more comfortable. The average income return on shares is nearly 4% and usually comes with franked dividends. So while I hold some cash in term deposits as my 'safety' money and I'll hang on to my property, I do have quite a decent exposure to shares, both here and globally. I regard shares as the best way to spread my risk outside of Australia and also into industries we just do not have here. Don't forget, our market is mainly banks, financial services companies and resources. Sure, we have companies such as CSL and Sonic, both in the health sector, which operate quite significantly in the global market, but I do like many of the food, biotechnology and technology companies that are listed outside Australia. An international fund or ETF may be your best way to hold these investments, but I'll leave that to you and your adviser.

I appreciate my shares can and will at times, fall in value. At times the falls can be large. But I am not a seller, and I reckon the dividends, which is the bit that buys me food and so on, will not go away. So while I am broadly diversified as I should be as a 61 year old, I think my shares are likely to be my best asset class in 2017. And here we need to remember this is why I am diversified. I hold term deposits, residential and commercial property, local and international shares. I really doubt they will all do well in 2017, but I also doubt the whole lot will do badly!

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