

# AMBLESIDE NEWSLETTER SPRING EDITION

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# MARKET UPDATE!

## A WORD FROM THE PRINCIPAL

The Australian and US markets have been relatively volatile over the past three months after a very strong start to the year. On the 30<sup>th</sup> July the ASX 200 briefly surpassed the all time high of 6,851, which was set on 1<sup>st</sup> November 2007. There is of course more to the story than price, as these stocks have been paying consistent dividends over the period.

The chart below shows the ASX 200 over the last 12 months, and you can clearly see the strong gains between January and August this year.



Interest rates have dropped again since our last newsletter and the official interest rate now stands at 1.0%. It is quite unusual to see interest rates being dropped while the share market is hitting all time highs, usually interest rates are lifted to slow down a strong market. This is happening because despite the sharemarket doing well the government is concerned other parts of the economy are struggling and bordering on recession. This includes the retail sector and of course the devastating impact of the ongoing NSW/Qld drought.

Overall the Australian economy is growing slowly, with real economic growth only 1.4% for the year to June 2019. This is also being seen in global economies that are feeling the effects of the escalating US-China trade war and European political risks with Brexit. The Reserve Bank is however optimistic as the full effects of the interest rate and tax cuts are yet to flow through the economy.

While this latest growth figure is low it allows Australia to maintain its record of over 27 years of economic growth, with the last recession being in the early 1990s. Borrowing is also very cheap and we are seeing owner occupied home loans at just over 3%. As I'm often told by the farmers I meet with this is far cry from the nearly 20% seen in the early 80s.

Welcome to our spring newsletter. In this issue Caitlin looks at the changes to deeming rates and Tom covers the basics of credit scores.

The financial year is complete and tax statements are starting to be released by MLC and other fund managers. We will forward these directly to your accountant and send you a copy as well. We expect all statements to be released by the end of October. Please contact us if you have any queries. For those of you who claim franking credits directly through our office we will be in touch when these are ready to sign.

The re-elected Liberal government has been in place for over 100 days now. Parliament has passed the \$158bn income tax plan which will see tax cuts for the majority of Australians between now and 2025. In the short term that means increasing the low and middle income tax offset and in the longer term changes to the tax brackets. Similar to the recent interest rate reductions, the government hopes this will result in increased spending and a permanent boost to the economy.

The banking royal commission report was handed to government on 4<sup>th</sup> February 2019. Although this seems like a long time ago the government has yet to implement the recommendations, although we expect to see this start happening very soon. The Liberal Coalition (along with Labor) committed before the election to implementing the vast majority of the recommendations. Many of the large financial institutions, including MLC, are already making internal changes in anticipation of the recommendations.

It remains to be seen exactly how these changes will impact Ambleside and other financial planning businesses. We are already seeing more back office compliance and documentation requirements, and I expect there will be changes to the way we communicate and obtain your agreement to charge fees. As I have said before I believe the Royal Commission and these changes are good news for both consumers and the future of financial services.





## HAVE YOU HEARD? DEEMING RATES HAVE BEEN LOWERED!

### What is “deeming”?

Deeming is a set of rules used by Centrelink to work out income from your financial assets. It assumes an amount of income received from a financial asset regardless of the actual return. Deeming applies to Centrelink benefits such as the aged pension.

### Why does this matter?

The amount of deemed income you earn is added to your other income and assessed under the income test by Centrelink. This could impact the amount you receive in your fortnightly pension.

### The changes...

The lower deeming rate will decrease from 1.75% to 1% for financial assets up to \$51,800 (for singles) and \$86,200 (for couples). The upper deeming rate will decrease from 3.25% to 3% on balances over these amounts. Changes were made in July and backdated to 01 July 2019. Deeming rates have not changed for four years and lobby groups have long been pushing for reductions to the rates to make the system fairer. The change is expected to cost the government \$600 million over the next four years.

### What does the RBA have to do with this?

The Reserve Bank of Australia has recently cut interest rates from 1.5% to a record low of 1%. The RBA hopes that by lowering the interest rates banks will in turn pass these onto consumers and give them more money to spend, thereby supporting businesses and stimulating the economy.

The flip side of saving borrowers money is savers earn far less on money in bank accounts or term deposits. This has put a lot of pressure on deeming rates.

Take for example the situation where you have \$50,000 sitting in the bank. Under the old rules, the government would be deeming you to be earning 1.75% on that money even though interest rates at the bank are much lower. Under the new rules, your \$50,000 would be deemed to be earning 1%, which is more realistic.

### How this may impact you...

If you are currently receiving Centrelink Age Pension and are being assessed under the income test then you may be eligible for more pension. Centrelink will automatically apply these new rates. Note that this change unfortunately doesn't benefit people being paid under assets test.

If you have any questions or would like to discuss your personal situation with us please feel free to touch base.



# AFL FOOTY TIPPING COMP RESULTS!



With the AFL footy season done and dusted for the year, we would like all our client's for getting involved in the competition. First place scored 132, with second 124 and third 122. We still have the competition up on our website, so be sure to have a look at how you went. Once again, thank you for participating in our competition - will be back next year!

# MOVIE NIGHT REMINDER!

Just a quick reminder that our movie night is on **Wednesday night 25<sup>th</sup> September** from **5:30pm**. If you haven't already, please RSVP by either calling the office on 5561 5180 or sending us an email on [info@ambleside.net.au](mailto:info@ambleside.net.au). The movie this year is the highly anticipated 'Ride Like a Girl.'



# FINANCIAL COUNSELLING

Over the past few months we have met with two organisations that provide financial counselling services in the South West region. We sometimes get calls from people in need of assistance and it's important to know who can provide support.

The two organisations are **Bethany**, which provides general financial counselling services to individuals; and the **Rural Financial Counselling Service** which supports farmers and small businesses.

**Bethany's** Warrnambool office supports people living in the South West Victoria region. Support services available include emergency relief, financial counselling, support for family and tenancy assistance. Regarding financial counselling support, area's the team can assist with include:

- Identifying what you can / can't do if you are having trouble paying debts, fines or bills
- Outlining your rights and obligations in relation to debts
- Organising and implementing payment plans
- Assisting with personal budgets



For more information, please contact us or check out their website at [www.bethany.org.au/financial-counselling/](http://www.bethany.org.au/financial-counselling/)

Shane from the **Rural Financial Counselling Service (RFCS)** visited the team to discuss how this service can help our local community. The RFCS is a free, independent, professional planning and support service for farmers and small businesses.

This service can help people assess their financial situation, prepare budgets and cash flows, assist with loans and refinancing and access government and private assistance packages.

We can help setup meetings with RFCS. For more information, contact us or check out their website [www.wswrcs.com.au](http://www.wswrcs.com.au).





## UNDERSTANDING CREDIT SCORES - TOM

There were a number a changes to lending practices following the Banking Royal Commission, including application processes and background checks.

In this article I'll cover the basics of credit scores and provide some tips on how to keep a healthy score.

**What are Credit Scores?** Credit scores are a system that lending institutions use to determine the risk of lending you money.

This score helps them determine if they will lend you money at all, how much to lend and in some cases what interest rate to charge.

The score is a number between zero and 1,200 (or zero and 1,000 depending on the reporting agency used). The higher your score the better, and most scores are between 300 and 850. A good score is 500 or higher.

The number places you in one of five categories:

- **Excellent** - Highly unlikely to have any adverse events harming your credit score in the next 12 months
- **Very good** - Unlikely to have an adverse event in the next 12 months
- **Good** - Less likely to experience an adverse event on your credit report in the next year
- **Average** - Likely to experience an adverse event in the next year
- **Below average** - More likely to have an adverse event being listed on your credit report in the next year

**What affects a Credit Score?** The obvious such as defaulting on a debt will lower your score, but there are several other lesser know activities that will have an impact. These include:

- **Making multiple applications for debt** (for example credit cards, home loans, personal loans, store cards). Even if you don't proceed with an application this can lower your score. This includes refinancing your home loan or balance transferring credit cards.
- **Late or missed repayments.** Although late fees will apply and many companies will let you make catch up payments your credit score will also be affected.
- **Changing limits on existing loan or credit accounts.** Each time you apply for a credit card, a credit enquiry can be recorded on your credit file by the lender. These credit enquiries stay on your file for five years and can impact your score.
- **How can I view my credit score?** You can get a credit score from a number of online providers and best of all its free. These can be found through Google or the ASIC MoneySmart website.

The application process is fairly simple and you will need to supply your address (you must have lived there for longer than three years or be able to provide other addresses), mobile number and identification (drivers license, medicare card or passport).

**Can you improve a Credit Score?** Credit scores change from month to month but it can take a long time to repair a bad score.

Negative information can stay on your report for up to seven years but lenders tend to pay more attention to recent information.

Actions that will improve your score include:

- lowering credit card limits
- consolidating multiple personal loans and/or credit cards
- limiting applications for credit
- making repayments on time
- paying rent and bills on time
- paying mortgage and other loans on time
- paying credit card off in full each month

If you would like any more information on credit scores, or help to request a credit score please don't hesitate to contact us.

The ASIC MoneySmart website has some great information at [www.moneysmart.gov.au/borrowing-and-credit/borrowing-basics/credit-scores](http://www.moneysmart.gov.au/borrowing-and-credit/borrowing-basics/credit-scores)

# DONATE FOR THE KIDS CHRISTMAS DRIVE RETURNS FOR 2019!

The annual Christmas Toy Drive is back again for 2019. We will be getting together to support the local community initiative, 'Beyond the Bell.' We will be sending you out more information in the coming months. We can't believe it's already nearly Christmas time!!!



## ACCIDENTIAL COUNCELLOR WORKSHOP



James, Caitlin and Tom were back in the classroom last month attending the 'Accidental Counsellor' workshop.

The aim of the course was to give the team skills they need when providing emotional support to clients.

Financial advice is becoming more complex. We are not trained counsellors but increasingly find ourselves in situations where clients need non-financial support.

The one-day course was run at the local TAFE and is highly recommended.

Contact Linda Wilson at [www.elitecounselling.com.au](http://www.elitecounselling.com.au) for more information.





# SPRING RECIPE

# CREAMY GARLIC PRAWNS

## INGREDIENTS

750g prawns raw  
1 garlic clove large  
1 cup chicken stock  
(liquid)  
2 tbs white wine  
115g butter  
1 tbs plain flour  
½ cup cream  
½ tsp mustard powder  
1 tbs parsley chopped  
fresh

## METHOD

1. Heat butter and crushed garlic in a saucepan
2. Add the flour and stir until combined. Remove from heat.
3. Gradually add chicken stock, cream and wine and stir until combined.
4. Return pan to the heat and stir until the sauce thickens and boils.
5. Add mustard and season with salt and pepper.
6. Bring the sauce to the boil and add the prawns.
7. Cook for 5 minutes or until the prawns are cooked.
8. Add the parsley and stir until combined.

## GENERAL ADVICE WARNING

General Advice Warning: This advice may not be suitable to you because it contains general advice that has not been tailored to your personal circumstances. Please seek personal financial advice prior to acting on this information. Before making a decision to acquire a financial product, you should obtain and read the Product Disclosure Statement (PDS) relating to that product. Opinions constitute our judgement at the time of issue and are subject to change. Neither, the Licensee or any of the National Australia group of companies, nor their employees or directors give any warranty of accuracy, nor accept any responsibility for errors or omissions in this document. The information in this document reflects our understanding of existing legislation, proposed legislation, rulings etc as at the date of issue. In some cases the information has been provided to us by third parties. While it is believed the information is accurate and reliable, this is not guaranteed in any way. Past performance is not a reliable guide to future returns.



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