



AMBLESIDE NEWSLETTER

CHRISTMAS EDITION!

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A WORD FROM THE PRINCIPAL

Welcome to our new look summer newsletter and an update from the team prior to breaking for Christmas. We've run some great functions over the last month with a first home owners seminar over pizza and beer at the Super Kawaii Studio in Warrnambool, and an afternoon tea at Heytesbury House in Cobden. We're looking forward to running more functions in 2019, with lots of requests from younger people new to the workforce and wanting to better understand superannuation, budgeting and investing.

Prime Minister Scott Morrison has announced the 2019 budget will be delivered in April, with the election looking likely to be the following month in May. Recent political events are making it increasingly likely the Labor party will form government at the next Federal election. While a lot can happen in five months of politics the main investment and tax policies proposed by Labor are outlined below.

Franking credit refunds. Franking credits can continue to be used to reduce tax payable, but excess franking credits will not result in a tax refund. An important exception to this is the 'pensioner guarantee', which will exempt people receiving full or part aged pension. This policy is estimated to make \$10.7bn in the first two years.

Negative gearing of investment properties. Negative gearing will no longer apply for people who purchase investment properties. The two exceptions are newly built properties and properties purchased before the legislation passes. This was originally pitched by Labor as a policy to reduce house prices and make them more affordable. Arguably this is not such an issue with house prices having fallen sharply in the past few months.

Capital gains tax reduction. The CGT discount will be halved from 50% to 25% for assets held longer than 12 months. Exceptions to this policy include investments purchased before the legislation passes, investments made by superannuation funds and the assets of small business owners.

We will continue to monitor policy updates from both major parties as we get closer to the election. As with any changes, strategies will emerge to minimise any financial loss and take advantage of the changes wherever possible. Have a safe and happy Christmas and we look forward to seeing you in the New Year.

MARKET UPDATE

The last three months have seen corrections in both the Australian share market and domestic property market. While the falls have been sharp the long term outlook remains strong and recent activity is widely seen as part of the normal market cycle.

Recent Australian share market performance can be attributed to three main factors, which all stem out of the US and have seen us follow their market. The ASX 200 peaked at 6,373 on the 30th August 2018, which was a 10 year high for our market and has since fallen to below 5,600. This is a drop of 12%. Key issues in the US include President Trump's ongoing trade dispute with China, the US Federal Reserve's raising of interest rates and the fact the S&P 500 hit an all time high on 20th August 2018. Much like the situation with our property market, the US share market had to correct at some time and couldn't maintain the long run of positive growth.

There is however good cause for optimism as behind this recent market performance are strong economic numbers. Unemployment in both the US and Australia remains low and the Morrison government is due to deliver a budget surplus in next year's budget. While capital returns (as measured by the managed fund unit or share price) have not been strong, investments have continued to provide good dividends which can be used to fund regular withdrawals or purchase additional units at a reduced price.

The other major market trend has been the downturn in Australian housing prices. Although this varies by capital city it is most keenly being felt and reported in Sydney and Melbourne. This correction has been flagged for years, with many graphs showing incredible levels of growth and debt that simply could not continue. The government was well aware of this and put a number of policies in place to try and slowly reduce prices instead of seeing the market collapse. Commentators are predicting a total fall of up to 20% in Sydney and Melbourne markets, with around 10% of this still to come in 2019.

Tightening credit (i.e. it's getting harder to borrow money) has been a major factor in why we are seeing these changes. Interest only loans are being converted to principal and interest, three of the big four banks increased their interest rates in September and the banking royal commission has forced banks to better scrutinise mortgage applications.

The Reserve Bank of Australia (RBA) has maintained the cash rate at 1.5% since August 2016 and it was interesting to see the banks increase their rates independent of the RBA. This was done because the banks borrow a portion of their funds from overseas markets and increases to global interest rates have increased bank borrowing costs (and reduced their profit!). Given the housing market correction, we are unlikely to see interest rates rise in the short term and there are some predictions they may even drop in the second half of 2019.

Source: AMP Capital Olive's Insights 12Dec18, www.commsec.com.au

WHAT IS A POWER OF ATTORNEY?

Powers of attorney are legal documents that let you appoint someone to make certain decisions for you, or support you in making and giving effect to your decisions. These documents can be temporary and for a fixed period of time, or indefinite.

Enduring powers of attorney continues even when you are unable to make decisions and are an important estate planning tool. **Supportive attorney appointments** are designed to promote the right of people with disability to make their own decisions about things that affect them.

The most important decision when preparing a power of attorney is who you appoint as the agent, or the person to make these decisions. In some cases this two or more people who make the decisions together, and in other cases it must be a single person. You should also consider alternative agents, meaning a backup person in case your first choice is unable to act for you.

Different Types of Powers of Attorney

General non-enduring Power of Attorney

A general non-enduring power of attorney is a legal document where someone appoints one or more people to make financial decisions for them. Financial matters include dealing with legal issues that relate to the person's financial or property affairs. People make general non-enduring powers of attorney because they are unavailable or want assistance to manage their financial affairs. General non-enduring powers of attorney are often used for a specific purpose and for a fixed period of time. For example, someone needs another person to run their business while they are overseas, so they make a power for the period that they are away.

A general non-enduring power of attorney is not a long-term estate planning tool. If the person who made the power of attorney loses the ability to make decisions for themselves (for example if you were unconscious in hospital), a general non-enduring power of attorney ceases to operate.

Enduring Power of Attorney

By making an enduring power of attorney you can choose who will make important financial and personal decisions for you, such as where you will live or what happens to your house, if you are unable to make those decisions yourself. The power endures - or continues - if and when you are unable to make decisions. While something could happen to a person of any age that requires an enduring power of attorney this is especially important for elderly people who can sometimes slowly lose their ability to make decisions.

What about medical decisions?

Medical decision making laws changed on 12 March 2018 when the *Medical Treatment Planning and Decisions Act 2016* commenced. You can now appoint a medical treatment decision maker with authority to make medical treatment decisions. You no longer make a medical enduring power of attorney to do this.

A medical enduring power of attorney made before the law changed is recognised under the new Act. This means there is no need for legal documents made before 12 March 2018 to be redone.

Medical Treatment Decision Maker

If you are unable to make a medical treatment decision, your health practitioner will need the consent of your medical treatment decision maker before providing treatment to you. Your health practitioner will need to seek their consent, unless it is an emergency, or you have consented to, or refused, the particular treatment in advance in an advance care directive.

Support Person

There may be times when you want someone to support you to make medical treatment decisions. One way to get this support is to appoint a support person under the *Medical Treatment Planning and Decisions Act 2016*. Someone appointed as your support person under this Act can support you to make, communicate and give effect to your medical treatment decisions.

Preparation of documents

Powers of attorneys can be completed online through the public advocate office (www.publicadvocate.vic.gov.au) or by a solicitor. We recommend that these documents are completed by a solicitor at the same time you prepare you will. At Ambleside we help you prepare these documents by attending the meeting with your solicitor, and we then review the documents each year with you to make sure they remain appropriate.

If you would like more information on these documents please feel free to contact us.

DO IT FOR THE KIDS!

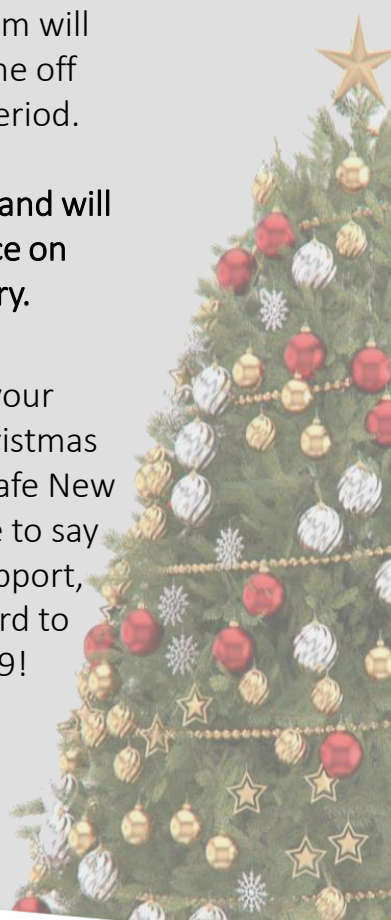
The Beyond the Bell's 'Donate for the Kids' Christmas drive was a great success this year. We'd like to say a BIG thanks to everyone's generosity.



AMBLESIDE'S CHRISTMAS OFFICE HOURS

The Ambleside team will be taking some time off over the holiday period. We're finishing up on Friday the 21st and will be back in the office on Monday 7th January.

We wish you and your family a Merry Christmas and a happy and safe New Year. We'd also like to say thanks for your support, and we look forward to catching up in 2019!



TOWER HILL CHALLENGE!

The 'Aside Avengers' tackled their first challenge, completing the Tower Hill challenge this year. James, Tom and Nicole endured running through mud, climbing up walls and dodging kangaroos in the 15 km circuit. We're sure the team will be back next year to beat their time!

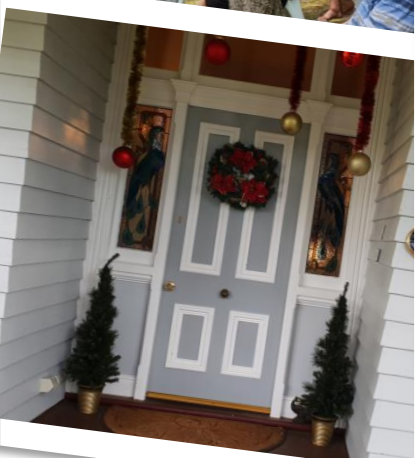
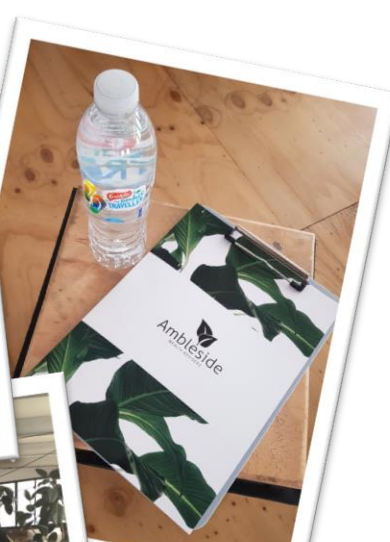


AMBLESIDE EVENTS!

This month we've hosted a couple of great functions. Special thanks to our own Tom Carstein, Tom Symons from Harris & Wood Real Estate, Marcus Malseed from Jellie McDonald and Rebecca Sutherland from Finance Hub for sharing their knowledge and expertise when it comes to purchasing a new home. We had a great turnout and we look forward to hosting more workshops like these in 2019.

We also hosted an Afternoon Tea at the Heytesbury house in Cobden. We were fortunate that Cobden's weather turned it on for us. A big thank you goes out to our guest speaker, Courtney Guy, who shared her personal story with us to help spread awareness and reduce the stigma that surrounds mental health, particularly within the farming industry.

If you want any further information regarding these events or if there are any causes you'd like us to get behind, please give Nicole a call at the office.



HOW WELL PROTECTED IS YOUR BUSINESS?

If you're like many business owners you have already insured the physical assets of your business from theft, fire and damage. But have you considered the importance of insuring yourself - and other key people in your business - against the possibility of death, disability and illness. Not being adequately insured can be a very risky oversight, as the long-term absence or loss of a key person can have a dramatic impact on your business and your financial interests in it.

PROTECTING YOUR ASSETS

The business knowledge (known as intellectual capital) provided by you or other key people, is a major profit generator for your business. Material things can always be replaced or repaired but a key person's death or disablement can result in a financial loss more disastrous than loss or damage of physical assets.

If your key people are not adequately insured, your business may be forced to sell assets to maintain cash flow – particularly if creditors press for payment or debtors hold back payment. Similarly, customers and suppliers may not feel confident in the trading capacity of the business, and its credit rating could fall if lenders are not prepared to extend credit. In addition, outstanding loans owed by the business to the key person may also be called up for immediate repayment to help them, or their family, through their situation.

Asset protection can provide the business with enough cash to preserve its asset base so it can repay debts, free up cash flow and maintain its credit standing if a business owner or loan guarantor dies or becomes disabled. It can also release personal guarantees secured by the business owner's assets (such as the family home).

PROTECTING YOUR BUSINESS REVENUE

A drop-in revenue is often inevitable when a key person is no longer there. Revenue protection can provide your business with enough money to compensate for the loss of revenue and costs of replacing a key employee or business owner should they die or become disabled.

PROTECTING YOUR SHARE IN THE BUSINESS

The death of a business owner can result in the demise of an otherwise successful business simply because of a lack of business succession planning. While business owners are alive, they may negotiate a buy-out amongst themselves, for example on an owner's retirement. But what if one of them dies?

The remaining owners must now negotiate with the deceased owner's legal representative, who may be more concerned about the needs of the estate than the needs of your business. Many business owners mistakenly believe that this contingency has been catered for in the business' constitutional documentation or business owners' agreement. But often there is no buy-out provision, or if there is, it may be ineffectually drawn up and inadequately funded.

Ownership protection can provide enough cash to facilitate the transfer of the outgoing owner's equity to the continuing owners in the event of a business owner dying, becoming disabled, or suffering a critical illness resulting in the outgoing owner leaving the business.

CONSIDERATIONS

The right type of business protection to cover you, your family and business associates is dependent upon your current situation. We can help you by:

- + working with your business accountant to determine the value of your business
- + reviewing your personal insurance needs to ensure you are suitably covered with potential tax effective and convenient ways to package and pay premiums, and review any of your existing insurance
- + facilitating, with legal advice from your solicitor, any changes that may need to be made to your estate planning and ensure your insurances are adequately reflected in your legal documentation.

SUPER EASY WHITE CHRISTMAS SLICE!

White Christmas is simple to make, and you can vary the ingredients easily. This version uses jelly snakes for colour and chopped pistachio nuts.

Ingredients

Serves: 6
500g white chocolate bits
1 tablespoon cream (optional)
2 cups Rice Bubbles
1 cup jelly snakes, finely chopped
200g pistachio nuts, chopped
1 cup desiccated coconut

Directions

Preparation: 15min
Extra time: 1hour chilling
Ready in: 1hour 15min

Grease a square tin and line the bottom with baking paper. Melt the chocolate over a double boiler or in the microwave, stirring occasionally until smooth. Stir in the cream if it seems like it might 'seize.' Stir in the remaining ingredients and press into the tin. Refrigerate until firm, about 1 hour. Using a warm knife, cut into small squares.



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.

