Insight

PALLADIUM WEALTH PARTNERS NEWSLETTER AUTUMN 2017

Welcome

INSIGHT

AUTUMN 2017

From all the team at Palladium Wealth Partners, welcome to the Autumn edition of our in-house newsletter.

We hope you have all enjoyed the passing of yet another Summer season and we can now look forward to the cooler months ahead and the beautiful hues of Autumn.

With the office renovations complete, we are now busy preparing to host you all for the upcoming Palladium Wealth Partners Client Seminar.

This year, it is with great pleasure we announce as guest speaker, the well renowned Adelaide celebrity Dr Deane Hutton, who will talk about what the future holds and how we can embrace it. That aside, this year's seminar of course, would not be complete without the cursory matter of Dino dissecting the Federal Budget and how it may impact you.

So with the line up complete, it should be a wonderful evening and we encourage you all to save the date and look out for your invite soon.

Until then, enjoy this edition of our newsletter, where Dino provides the latest Market Update, whilst also including articles about:

- Capturing the Superannuation Cap Limit Deadline;
- Medicare & Private Health Insurance - Mind the Gap;
- The Pitfalls of DIY Will Kits;
- Aged Care Services - Commonwealth Home Support Programme; and
- Interest Rate Update.

In the 'Rear View" we discuss how we are preparing for Lights, Camera, Action - whereby we are looking to cast **you** in our upcoming video testimonials for our new website and we continue with our front cover competition for 2 Gold Class movie tickets.

In final, with Easter once again drawing near, we extend our well wishes to you and hope your Easter break may be a safe and enjoyable one with family and friends.

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Palladium Wealth Partners Client Seminar

Thursday 25th May 2017

ADELAIDE PAVILION

Corner of South Terrace and Peacock Road ADELAIDE

DR DEANE HUTTON
Futurist

As a leading science communicator he takes his audience on a head-spinning ride into the FUTURE, complete with riveting models, graphics, dramatic demonstrations, audience interaction and entertainment.

With passion and conviction, Dr Deane Hutton will show you how to use an understanding of science and technology to create your desired future.

Dr Deane Hutton has worked professionally as a teacher, lecturer, writer, television presenter, film producer and entertainer in Australia, New Zealand and Singapore.

As one of Australia's best-known futurists and science commentators, he has appeared on television programs including *Curiosity Show*, *Hey Hey It's Saturday*, *Channel Seven News,* and *The New Inventors*. In 2007—2008, he presented weekly science and technology radio broadcasts throughout Asia and Africa on Radio CVC.

Through his presentation on science, technology and the future, you will learn to recognise future trends, overcome the insecurity of change, and create the future you want.

Dr Deane Hutton has degrees in Science and Education and a PhD in Visual Perception and Message Design.

Palladium Wealth Partners wishes to acknowledge and thank Celebrity Speakers www.celebrityspeakers.com.au for arranging Dr Deane Hutton's guest speaking role.

Market Update

Another quarter rolls by and investment markets continue to remain buoyant on the back of global growth and low volatility despite another US Federal Reserve rate rise, the *"white noise"* of geopolitical tensions and the day to day headlines of the Trump Administration. With all this in mind, will the second longest bull market since World War II continue?

The last quarter surprised on the up side across investment markets and more broadly across most asset classes.

For many, ourselves included, the passing of the last quarter with such a positive outcome was with a sigh of relief.

Yet, it is somewhat surreal to say the least, considering the fears so many had envisaged with the incoming Trump Presidency, have virtually evaporated or more to the point, even failed to manifest across markets as volatility is at all time lows.

In fact, US equity markets, again incredibly all simultaneously posted record all-time highs on 27 February 2017 - astonishing, considering the Trump Administration has only issued Executive Orders and has yet to pass any legislation since coming into office.

Indeed, their only attempt to seek to pass legislation was their effort to repeal significant aspects of Obamacare which dismally, did not even make it to the floor of the House of Congress for voting.

It would seem thus far, that the mere hope of economic stimulus and corporate tax cuts in the US is driving global markets higher.

The US Federal Reserve over the last quarter sought fit to increase interest rates by another 0.25% in March - as expected, and the investment markets took it in their stride.

The fear of normalisation of interest rates to pre GFC levels, i.e. in and around 3.5% is now being embraced and the temper tantrum previously exhibited by global markets on the mere mention of interest rate rises by the US Federal Reserve Chairperson Janet Yellen have all but been reversed.

In fact, global investment markets are pricing in another two (2) interest rate rises in the US for the remainder of 2017.

So all told, global shares as measured by the MSCI All Country World Index year to date have risen over 6.5% on the back of the US led recovery and continued economic stimulus by the European Central Bank (ECB) and Bank of Japan (BoJ).

Curiously, adding to this backdrop is the constant negative "white noise" of geopolitical tensions and posturing, whether it be in the Middle East, the South China Sea, North Korea or US relations with Russia as well as the tragic loss of innocent lives in the various theatres of war and via lone wolf terrorist attacks mainly centred in Europe.

So, with the chaotic nature of the world, the second longest bull market since World War II in terms of returns and duration keeps rolling on, now heading into its 9th year.

Yet, the question begs…

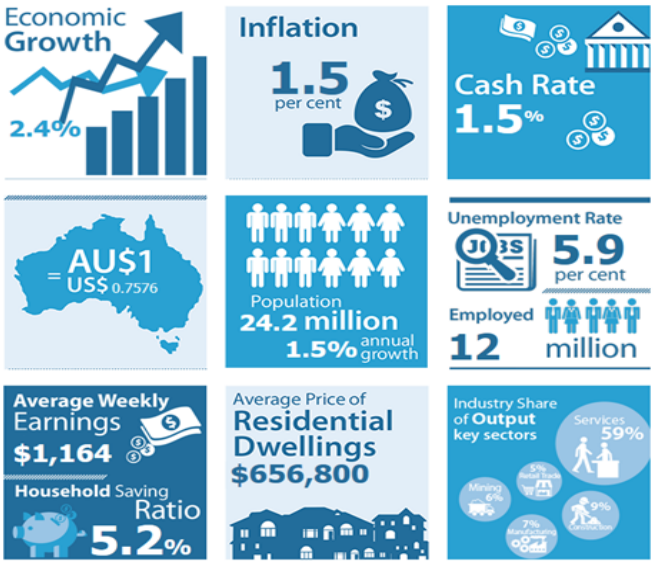
"Can it last?"

So, with this question in mind, how may investment markets fair over the remainder of the year.

Australia

The Australian economy delivered solid 4th quarter GDP growth numbers for the year ending December 2016 of 2.4%.

Aided by a resurgence of commodities prices, particularly iron ore and thermal coal as well as record export volumes, all attributed in delivering a reversal of the negative September quarter growth figure - and thus avoiding a technical recession.



Source: Reserve Bank of Australia

In fact, Australia is now only two (2) quarters away from claiming the longest uninterrupted period of economic growth without a recession.

For now, that title remains the domain of the Dutch.

With continued consumer and business confidence along with the ongoing housing juggernaut - mainly confined to the Eastern seaboard, we feel Australia should continue to perform modestly well.

Why modestly? As mentioned in previous newsletters, the household savings ratio keeps falling and wages growth remains stagnant and these factors combined will likely provide headwinds for the Australian economy and is expected to force the RBA to retain the cash rate at the historic low of 1.5% for the remainder of the year.

Needless to say, out of cycle interest rate rises will likely continue to be implemented by the 'Big Four' banks and other financial institutions as to ensure margins and thus profitability are maintained. Unfortunately, we are unlikely to see such rises, if any, extended to depositors.

All in all, the Australian economy should continue to hum along and the ASX 200, which has already reached pre GFC highs on a dividend adjusted basis should hopefully break through the 6,000 points barrier.

Asia

Chinese shares performed well over the last quarter on the back of easing of credit lending conditions as well as strong business and consumer confidence.

GDP growth is tracking 6.5% and to date, the Chinese authorities continue to delicately managed their economy and avoid a crisis.

They have finely executed supply-side reforms and are restructuring loss making Government owned enterprises, in particular within the steel and coal industries.

Going forward, the likely issue to undermine Asian growth is geopolitical tension amongst nations US aligned or otherwise, whether it be the disputed South China Sea to North Korea's antics will likely be the focal points in the coming months.

Europe

Europe continues to rebound as solid economic growth across the Euro zone propel its various markets higher. Of all the developed markets, Europe represents the best value, particularly its banking stocks.

The risks however for Europe's ongoing recovery also lie in the political outcomes of the year ahead.

The UK exercised Article 50 of the Lisbon Treaty on 30 March to leave the European Union and now negotiations will take place over the course of next couple of years as to determine this outcome.

Elsewhere thus far, the Dutch in their general elections in March re-elected their Prime Minister Mark Rutte and rejected the populist far right leader Geert Wilders.

The upcoming French elections will provide the next focal point in late April and will determine the political fate of far-right National Front leader Marine Le Pen.

Then later this year in September, the fate of German Chancellor Angela Merkel, the longest Western serving elected leader will be decided too.

US

In final and back to the US, its fate and indeed us all too, hinges on the decisions the Trump Administration will make both home and abroad in the coming year and we can only hope for the best.

In the meantime and until the next market update …….. **Enjoy Life!!**

Capturing the Superannuation Deadline

Be sure you take advantage of the current superannuation contribution rules before the new rules take effect from 1 July 2017.

The annual concessional and non-concessional contribution cap limits (and the maximum bring-forward rule) will decrease from 1 July 2017. But no need to panic just yet, as there is still time and opportunities to maximise your superannuation contributions now and into the future.

Current opportunities and transitional measures (2016/2017 financial year) include:

Non-Concessional Contributions Cap and Bring-Forward Rule

The current $180,000 non-concessional contributions cap (where you contribute into superannuation on an after tax basis), and the 3-year $540,000 bring-forward rule will remain until 30 June 2017.

This means that there is still time to utilise the larger amount of the bring-forward rule during the 2016/2017 financial year (assuming you were aged 64 or under at 1 July 2016 and met the work test should contributions be made if you have turned 65 this year) and make up to $540,000 in non-concessional contributions prior to the 30 June 2017 deadline.

From 1 July 2017, the non-concessional contributions cap will drop to an annual limit of $100,000, and under the bring-forward rule you will only be able to contribute up to $300,000 over three (3) years subject to your total superannuation account balance.

Therefore, there is a window of opportunity before 30 June 2017 where individuals can contribute a greater amount to superannuation if they have the necessary cashflow or an appropriate strategy fits within their overall circumstance.

An example of a strategy would be someone making a re-contribution into their superannuation for Estate planning purposes prior to 30 June 2017, knowing too, that the anti-detriment rule is being abolished from 1 July 2017.

Note that if you do trigger the bring-forward rule this financial year and do not fully use the $540,000 cap during the 2016/2017 year, then from 1 July 2017 the triggered bring-forward cap will fall to reflect the drop to the new annual $100,000 non-concessional contribution caps.

If you intend on utilising the bring-forward rule for the 2016/2017 financial year and 2017/2018 financial years there is a transitional arrangement due to the drop in the non-concessional contribution limits.

The example below shows how this works.

Thomas makes a non-concessional contribution of $220,000 before 30 June 2017 and plans to make a further non-concessional contribution in the 2017/2018 financial year.

Because of the transitional measures, he will only be able to contribute an additional $160,000 next financial year out of his after-tax income.

We have assumed here that Thomas is below the total superannuation balance threshold (see the adjacent table).

This is because, under the transitional measures, a triggered bring-forward cap in the 2017 financial year that carries over to the 2018 financial year is then subject to the non-concessional contribution annual limits applicable for each relevant year involved in the trigger.

Thus:

$180,000 (16/17) + $100,000 (17/18) + $100,000 (18/19) = $380,000 bring-forward cap

$380,000 – $220,000 non-concessional contribution made (16/17) = $160,000 remaining (17/18)

TOTAL SUPERANNUATION BALANCE (2017/2018)
+
NON-CONCESSIONAL CONTRIBUTION CAP
+
BRING FORWARD PERIOD

If your Total Superannuation Balance on 30 June 2017 is….	Your Non-Concessional Contributions Cap for the 1st year will be……. and	Your Bring Forward Period will thereafter be….
< $1.4 million	$300,000	3 years
$1.4 million < $1.5 million	$200,000	2 years
$1.5 million < $1.6 million	$100,000	No Bring Forward Period and the Non-Concessional Contributions Cap applies
$1.6 million +	Nil	Not Applicable

The new total superannuation balance threshold also means that from 1 July 2017, if your total superannuation balance exceeds $1.6 million, you will be unable to make further non-concessional contributions into your superannuation.

Concessional Contributions Cap Limit

The current concessional contribution cap (e.g. Superannuation Guarantee (SG), salary sacrifice, employer and personal tax deductible contributions) of $30,000 p.a. for individuals under 49 years of age (as at 30 June 2016) and $35,000 p.a. for individuals 49 years and older (as at 30 June 2016) remains until 30 June 2017.

From 1 July 2017 this drops to $25,000 p.a., which means there may be room to make additional contributions via your existing salary sacrificing arrangements and other individual tax-deductible contributions (for example, if self-employed) before 30 June 2017 and utilise the higher cap.

Future opportunities (2017/2018 financial year onwards) include:

Non-Concessional Contributions Cap and Bring-Forward Rule

From 1 July 2017 the annual non-concessional contributions cap will drop to $100,000 p.a, and the maximum bring-forward rule will reduce to $300,000.

However, this will be indexed by $10,000 increments, in line with the indexation of the concessional contributions cap (see below for further information).

If your superannuation balance is over $1.6 million, you will no longer be eligible to make non-concessional contributions.

If it is below this threshold, you can still make non-concessional contributions as long as you stay under the $1.6 million limit.

We have summarised in the table* above eligibility for non-concessional contributions and the accessibility of the bring-forward rule as it relates to different superannuation balances.

Please note, that the size of your superannuation balance may also have implications for concessional contributions moving forward - see below for more information.

Concessional Contributions Cap Limit and Carry Forward Provision

From 1 July 2017, the annual concessional (before tax) contribution cap will drop to $25,000 regardless of your age.

The cap will be indexed in line with Average Weekly Ordinary Time Earnings (AWOTE), in increments of $2,500. Due to this reduction, it may be worthwhile to revisit your existing salary sacrificing to superannuation arrangements and other individual tax deductible concessional contributions prior to 1 July 2017 to ensure you will stay within the new reduced annual cap.

From 1 July 2018, a new carry forward provision will apply for concessional contribution caps.

This means that any unused portions of your concessional contribution caps can now be carried forward for up to five (5) years as long as your total superannuation balance does not exceed $500,000.

An opportunity exists for those who intend to sell a CGT asset in the future where they can accumulate the amount of unused concessional contributions.

They can then make a lump sum unused concessional contribution to offset the CGT liability on the sale of an asset by making a personal deductible contribution.

Once you exceed the $500,000 threshold, the carry forward provision will no longer be available for you to use, however the $25,000 concessional contribution cap will still apply.

The first year you will be entitled to carry forward unused amounts is the 2019-2020 financial year. This will be beneficial for those who take career breaks or have lumpy income.

Moving forward, superannuation is an important part of most people's wealth creation and wealth preservation strategy both now and post 1 July 2017.

If you are planning on exploring superannuation contributions, utilising the bring-forward rule and/or the carry forward provision, make sure you speak with us.

*Reference: Australian Government (2016).

Superannuation (Objective) Bill 2016 Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016 Superannuation (Excess Transfer Balance Tax) Imposition Bill 2016. Explanatory Memorandum.

Medicare & Private Health Insurance - Mind the Gap -

With private health insurance premiums rising once more, do the benefits still outweigh the costs?

The ongoing debate about private health insurance appears to be a constant one among Australians, especially when premium increases each year come to the forefront.

From 1 April 2016, private health insurance premiums increased by a weighted industry average of over 5%. There are several potential reasons to consider retaining or taking out private health insurance.

On 1 February 1984, Medicare was established; a Federal Government funded public healthcare program that allowed Australians access to free or low-cost medical, optical and hospital care.

Broadly speaking, under the Medicare Benefits Schedule (MBS), Medicare covers:

- Free or subsidised treatment by health professionals (e.g. doctors, specialists, optometrists and, in specific circumstances, dentists), and to a certain extent allied health practitioners (e.g. exercise physiologists and physiotherapists);
- Free treatment and accommodation for public Medicare patients in a public hospital; and,
- 75% of the Medicare Schedule fee for services and procedures if you are a private patient in a public or private hospital (this does not include hospital accommodation and items such as theatre fees and medicines).

Unfortunately, Medicare does not cover the cost of every healthcare service you may require, such as ambulance services, prescription pharmaceuticals (non-PBS), dietary advice, most dental examinations and treatment, most physiotherapy, glasses and contact lenses, and hearing aids to name a few.

Whereas, depending on your private health insurance policy, you may be covered in part or fully for the abovementioned services and more.

Other benefits of private health insurance

Elective Surgery and Waiting Periods

In 2014–2015, Australia's public hospitals admitted almost 698,000 patients from elective surgery (conditions that are not life-threatening) waiting lists. Up to 90% of these patients were admitted after waiting an average of 253 days.

Furthermore, if you were one of those patients, you may have found that you were still required to pay a gap amount and your choice of facilities, treatments or hospital physician were limited.

On the other hand, if you entered as a private health patient, you may have found:

- Your waiting period was shortened;
- You had the option of choosing your medical team and treatments, and
- Medicare covered 75% of the Medicare Benefits Schedule fee and depending on your individual health insurance policy, the remaining costs may have been partially or fully covered by your insurer.

Medicare Levy Surcharge (MLS)

The Medicare Levy Surcharge (MLS) is charged by the ATO when you do not have private hospital cover.

For example, most singles with a taxable income over $90,000 ($180,000 for families) will be charged an extra 1% surcharge on their taxable income.

This increases to 1.25% if you earn over $105,000 ($210,000 for families) and 1.5% if you earn over $140,000 ($280,000 families). By having private health insurance, you may save on your total tax payable.

Lifetime Health Cover (LHC)

The Lifetime Health Cover (LHC) is a financial loading that can be payable in addition to the base rate premium for your private health insurance hospital cover.

If you join after 1 July following your 31st birthday, you may be required to pay a 2% loading on top of your premium per year for every year you are aged over 30 and do not have private hospital cover.

For example, if you wait until you are 40, you could be paying an extra 20% on the cost of your hospital cover. If you wait until you are 50, you could pay 40% more; and so on, up to a maximum of 70% more*.

Consequently, it is important to note that you could end up paying more for private health insurance cover over your lifetime if you do not take out hospital cover prior to 1 July following your 31st birthday. This encourages Australians to start with their private health insurance early.

Ultimately, private health insurance is not compulsory in Australia, nor does it affect your ability to access Medicare.

However, regardless of the tax incentives and saving on premium loadings, choosing appropriate private health insurance and putting a plan in place, can help put your mind at ease – having the capacity to weather the unexpected, and increased control over the type of medical services you receive and the timing of those particular services.

*However, the Private Health Insurance Act 2007 now includes a provision requiring private health insurers to stop the inclusion of the loading to the basic premium after ten years of ongoing hospital cover.

The Pitfalls of DIY Will Kits

Thinking you can DIY your Estate planning? Think again.

According to recent research, approximately 45% of Australians* pass away without a Will, or 'intestate'.

The word intestate is derived from the Latin word *intestatus* meaning a person who passes away without a Will.

Intestacy may result in inconvenience, delay, and expense during a difficult time in your life having just lost a loved one.

Intestacy may occur not only where a person fails to make a Will, but also for other reasons, such as:

- The Will did not properly dispose of all their assets;
- The Will was invalid due to it not being signed and witnessed according to the law;
- The person did not have the mental capacity to make the Will in the first place; and,
- The Will was drafted poorly, and the legal rules governing will construction were not followed.

When considering your Estate planning, it may be easy to fall into the mindset that drafting a Will is a simple Do-It-Yourself task, especially considering there are many cheap DIY options available online and through your local newsagency or Post Office.

However, a recent analysis*^ completed by Choice, in consultation with several Estate planning professionals, looked at numerous DIY will kits available and they settled on this summary comment:

"*Will kits can be an excellent research tool. Depending on your situation and skills, they can help you to write your will, but they cannot adequately handle complex situations such as blended families or Self-Managed Super Funds.*

So we recommend you get some expert advice as well. Making sure your loved ones are provided for is far too important to leave to chance, and the consequences could be disastrous if you get it wrong."

The main points that lead to this summary by Choice regarding DIY wills are as follows:

Will Kit 1

i. The Will kit contained basic instructions, which may have resulted in confusion.

ii. 'Issues relating to children, taxation, superannuation and Executors' were not appropriately covered off on.

Will Kit 2

i. There was no mention of taxation issues.

Will Kit 3

i. There was no space for witnesses (to the will) to sign each page, so the Will may be considered invalid.

ii. 'Discussion about who could challenge the Will was not entirely correct'.

iii. Superannuation issues were not appropriately covered off on.

Will Kit 4

i. The summary regarding the distribution of superannuation was unclear.

ii. There was 'no provision or explanation as to when it would be appropriate to seek tax advice'.

Will Kit 5

i. The Will did not appropriately deal with superannuation and taxation issues.

i. There were no clear instructions to seek professional advice if/when doubt arose from anything contained within the will kit.

As you can see by the above points, there appear to be common trends when it comes to DIY Will kits i.e. formatting issues and the lack of informative information in certain areas, such as taxation and superannuation.

In addition, many DIY Will kits do not offer the capacity for establishing testamentary trusts (to protect assets after your passing or for tax-related purposes), nor are they able to be amended with a codicil (an additional document that allows you to change details in your Will such as an Executor or a beneficiary changing their name).

By seeking professional advice from your Estate planning professional, in conjunction with us, you can limit the chance of leaving behind a partial or fully intestate Estate, as well as make sure the Will that is drafted reflects your full intentions and the individual complexities of your personal finances, such as personal insurances, investments, superannuation, and taxation considerations.

It is a good habit to review your Estate planning situation and needs at least every five (5)years, or if a major event happens.

Should you require assistance with determining which solicitor to engage with, please contact us as we have a number of providers who have a longstanding working relationship with us.

*NSW Government, NSW Trustee & Guardian. Retrieved from: http://www.tag.nsw.gov.au/wills-faqs.html

*^Choice. (2016). DIY will kit reviews. Retrieved from: https://www.choice.com.au/money/financial-planning-and-investing/financial-planning/articles/will-kit-reviews

Aged Care Services
Commonwealth Home Support Programme

What is this programme and how can it help the elderly in need?

For the majority of people, being able to live independently in your home as you age is what you want, but the reality is that sometimes you may need some help with things such as cleaning, meals, transport, personal care, domestic care and nursing care.

Given the scope of services available in Aged Care (home support and care, as well as residential Aged Care), for this article, we will be specifically focusing on the Commonwealth Home Support Programme.

There are several things you need to consider before seeking help at home.

For example, the type of service and eligibility, how to organise the services and the cost to you.

Commonwealth Home Support Programme

If you need some help with daily tasks, however you do not need a full home care package, the Australian Government funded Commonwealth Home Support Programme may be an option worth considering.

To be eligible, you will need to undergo a home support assessment conducted by the Regional Assessment Service (RAS).

A RAS assessor will determine whether you meet eligibility criteria through such parameters as a minimum age* requirement, and your capacity to perform basic activities in your daily living without the need for extra help.

After the assessment, the RAS assessor will work with you to consider what sort of help is suitable to your needs via the completion of a support plan^.

Types of Support

Services can be provided in either your community, whilst you reside at home or a combination of both. For example:

Community : The services that are provided in the community may include:

Social Support – help with accessing support groups and social/recreational activities

Transport – help with transportation to and from your place of residence for your shopping or appointments with either a transport service, or receipt of vouchers/subsidies for taxi services.

Home : The services that are provided whilst you reside at home may include:

Domestic Assistance – help with household jobs like cleaning, dishwashing, clothes washing, ironing and shopping.

Personal Care – help with moving about the house, eating, dressing, bathing and toileting.

Home Maintenance – help with home repairs and garden maintenance.

Home Modification – help with the installation of minor safety aids (such as support rails in your home, as well as ramps).

Nursing Care – a qualified nurse comes to your home to help, for example, with checking aspects of your health (such as your blood pressure and heart rate), treatments (such as changing wound dressings), and managing your medicines.

Community or Home : The services that are provided either in the community or whilst you reside at home may include:

Food Services – help with meals and shopping for food.

Allied Health Support Services – help with particular health problems by health professionals such as physiotherapists, podiatrists, speech pathologists, occupational therapists, exercise physiologists and dietitians.

Organising Services

If your RAS assessment deems you eligible, they will work with you to decide which service providers may suit your needs.

You can research service providers that are in your local area by using the My Aged Care's service finder or by calling My Aged Care on 1800 200 422.

Costs

The Australian Government provides funding, but you may need to contribute towards the cost of your package if it is deemed that you can afford to do so.

Fees payable (and, your potential eligibility for Government subsidy) is discussed and then agreed upon between you and the service provider – this is done prior to the receipt of your services.

It is important to note that an income assessment is not required to access the Commonwealth Home Support Programme and the Government's contributions to the cost of your services don't affect your age pension.

Moving forward, the purpose of the Commonwealth Home Support Programme is to provide you with a selection of services to help you remain living independently and safely at home.

Depending on your circumstances, this may be sufficient to meet your needs. However, if you do require an increased level of care then there are other services available to you such as home care packages and residential Aged Care.

When considering Aged Care services it is also important to discuss your options with your financial adviser as depending on the service you require, there may be implications to contemplate regarding Age Pension and Estate planning.

*Typically, individuals that are either: 65 years and over; 50 years and older, and on a low income, homeless or at risk of homelessness; or, 50 years and over, and identify as an Aboriginal and Torres Strait Islander.

^A support plan documents your strengths, goals, and motivations as well as contains the agreed recommendations for support and your assigned priority rating (based on your level of function, the level of risk in relation to the care situation, and any other concerns that are relevant to your situation).

Interest Rate Update

Last month many financial institutions announced out of cycle rate increases to both owner occupier and investor loans.

So, what can you do to factor in any future out of cycle rate increases?

The Reserve Bank of Australia (RBA) Governor Phillip Lowe recently warned us to expect further possible out of cycle interest rate rises on the back of several lenders inclusive of the "Big Four" banks announcing last month increases to their mortgage rates — both owner occupier and investor loans.

These rate rises were made even though the RBA left the cash rate on hold.

In fact, the Governor warned those who borrowed to the hilt during the period where interest rates were at their *'emergency lows'* to think again.

He recommended against borrowing '*too much'* to buy property, purely on the fact that interest rates may rise further independently of what the RBA sets the cash rate which currently stands at an all time low of 1.5%..

So what should you do in an environment where interest rates may rise?

Everybody's situation is different.

If you have had your mortgage for more than three (3) years, you would have benefited from the fall in interest rates – so the question begs — what did you do with your repayments?

Did you celebrate in having more cash to spend – and you spent it?

Or did you take advantage of the reduction in rates and ploughed the savings back into debt?

The easy option is just to take the extra money from your drop in repayments and spend it – much more fun.

However, if you were to keep your mortgage repayments at the same level (i.e. not reducing them when rates drop), you would be accelerating the timeframe in which it will take to pay off your mortgage.

Saving a little bit now will pay big dividends later.

We sometimes refer to this concept as a *'mental mortgage'* – you are paying the mortgage off like it has a higher balance.

This concept is good for people that are looking to buy a house and get a mortgage as well as those who are upsizing their home and taking on more debt.

It is a great exercise to see if you can save what your mortgage repayments would be with the proposed loan balance.

In addition, you might also assume a higher interest rate, to ensure that if rates do climb, that you will still be alright and you can afford to buy bread and milk.

It is a very expensive and an emotionally draining situation if you end up not being able to afford the house (and mortgage) that you have bought.

You can use many of the online financial calculators, whether it be your own institution or simply logging on to the Palladium Wealth Partners website under the Financial Knowledge Centre tab and selecting *"Calculators"*

By utilising any number of the various financial calculators, you can review areas such as loan repayments, stamp duty and budgeting.

This concept goes for investment properties and borrowing to buy shares as well.

Remember, when calculating different scenarios, it is best to be conservative with income and inflate your expenses. This will give you some room to move if circumstances change.

In final, it is always wise to review your current loan arrangements with your lender and/or a reputable mortgage broker and should you think of doing so, please contact us in the first instance as we can refer you to a number of alternative providers who can save you time and money.

The "Rear View"

Lights, Camera, Action

Always wanted to be a movie star?
Well now you could be!!

We are giving you the opportunity to cast yourself in one of our video testimonials (infomercials) for our new website and future Palladium Wealth Partners awareness campaign.

Ever wanted to be a movie star?

Well, now is your chance!

We are giving you the opportunity to be the lead role in a number of information videos (infomercials) about Palladium Wealth Partners and you.

We will be shooting these infomercials over the course of the next several months in conjunction with Fleetwood Digital as to build a library of videos about your real life experiences of being a Palladium Wealth Partners' client and how quality advice and sound ongoing relationships make a real difference for you.

Specifically, the infomercials will be to highlight your own personal success story about how you achieved your financial goals and objectives in conjunction with receiving quality ongoing financial advice.

Do not worry about getting stage fright either or needing to take up acting classes, as we, in conjunction with Fleetwood Digital will guide you, even provide scripting if need be, so that even you can be proud to share your story and be nominated for an Oscar.

All you have to do for now, is to email or call us to express your interest.

We will then contact you and arrange a suitable and mutually convenient time to shoot the take.

It can be either in our office, but preferably in your own home.

Once we have completed a number of infomercials, we will then upload them progressively onto our website and utilise them more broadly - with your consent of course.

Who knows, you might end up seeing yourself on the big-screen in and around Adelaide.

So hop to it (excuse the Easter pun)…… as we would love to hear from as many of you as we can as to then be able to make it all possible.

As always, we thank you for your support by working with us on this initiative.

We would like to once again wish you all a safe and wonderful Easter break with family and friends.

PS. As is customary with our newsletter at this time of the year, please enjoy the light hearted Easter cartoons.

Our favourite is that of President Trump.

HAPPY EASTER!!

Congratulations to Tony Zollo drawn winner from a number of correct entries of our Summer newsletter competition in guessing the correct location of the front cover picture which for everyone's curiosity was that of Pt Willunga.

How would you like to have another chance to win 2 Gold Class Movie tickets on us, noting that this newsletter edition picture should enable everyone the opportunity to enter.

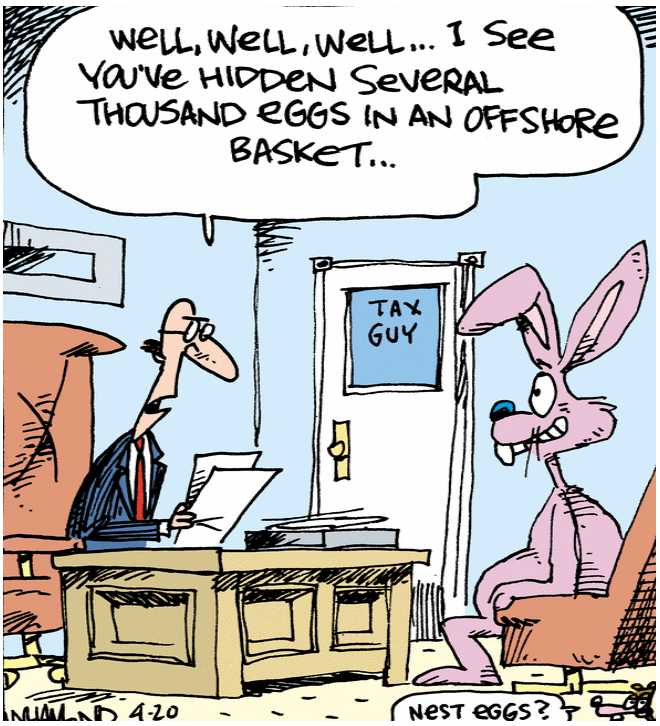
All you need to do is guess the exact location and correct name of the Cathedral pictured on the front cover of the Autumn newsletter.

Simply email us at **enquire@palladiumwealth.com.au by Sunday 23 April 2017** with the correct answer along with your full name and contact number and you will go into the draw to win.

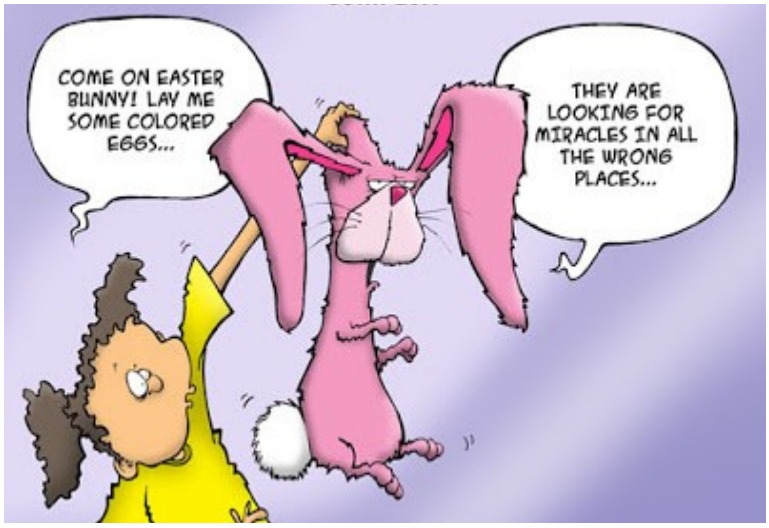
The draw of all the correct entrants will be conducted on Monday 24 April 2017 and the winner will be contacted by telephone.

We will post out the tickets to the winner and announce to you all who that winner was in our Winter newsletter. **Good Luck!!**


COLORING EGGS?
PAINTBALL


WELL, WELL, WELL... I SEE YOU'VE HIDDEN SEVERAL THOUSAND EGGS IN AN OFFSHORE BASKET...
TAX GUY
NEST EGGS?


I DECIDED TO TAKE UBER THIS YEAR! IT'S FASTER!


COME ON EASTER BUNNY! LAY ME SOME COLORED EGGS...
THEY ARE LOOKING FOR MIRACLES IN ALL THE WRONG PLACES...


Some People don't believe in the Easter Bunny.
PRESIDENT

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