



# The Australian

## Australian Expat Investment & Taxation News

A new bi-monthly issue of **The Australian** from **Imperium Capital**.

This document will be made available on our website [australiaexpat.com.au/imperium-capital.biz](http://australiaexpat.com.au/imperium-capital.biz)

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### Currency View



**0.7431** +0.0023(+0.31%) CCY - As of Nov 25, 2016 10:22 PM EDT



Lost ground last week as the U.S. presidential election results favoured the Greenback over the Aussie and with very little economic data out of Australia. The rate began the week on a positive note, rallying on Monday after polls favoured Hillary Clinton as the winner in Tuesday's U.S. presidential election. The pair continued gaining on Tuesday, making its weekly high of 0.7777 before the results of the election became apparent on Wednesday morning. On Wednesday, the pair fell sharply after news that Trump had won the U.S. presidential election. High volatility continued in the rate on Thursday as the market continued reacting to the U.S. election results. Friday saw the pair make its weekly low of 0.7524 after RBA Assistant Governor Debelle stated that, "A well-functioning foreign exchange market is very much in the interest of all market participants. This clearly includes central banks, both in their own role as market participants but also as the exchange rate is an important channel of monetary policy transmission. In a globalised world, the foreign exchange market is one of the most vital parts of the financial plumbing." AUD/USD closed at 0.7548, with an overall weekly loss of -1.7%.

Commentary Data are the latest available as at 14 November 2016

## Property & Mortgages

### INTRODUCING STONETURN

# SPECIALIST AUSTRALIAN DOMESTIC MORTGAGE PROVIDER FOR THE AUSSIE EXPATRIATE



**Stoneturn** exist to help you achieve more freedom. Freedom to own the home of your dream and freedom created from investing in property. At Stoneturn, our mission is to bring you finance and property advice you can trust.

#### In a nutshell

We're about all aspects of creating wealth with property. It's what we do best.

If these questions sound like you, then we're on the right track.

- Looking to upgrade the family home to make room for new additions?
- Thinking about investing in property or using the value in your property to invest in shares?
- Feeling busy with work and not getting the time to research into this?
- Wanting to build the dream home?
- Considering buy the holiday home?
- Expanding your property portfolio?
- Wanting to renovate, pay off your loans sooner, eliminate credit card debts or car loans?
- Wanting to plan for your children's education?
- Working out how property can cashflow your future dream lifestyle?

It's a bit of a journey, home buying, investing, self managing and getting the right financial solutions. Research, documentation, talking to the right people and finding the best answers. It's a journey that we're ideal for. A bit like a trustworthy sherpa, the right life coach or your hairstylist. We're that person.

It's not an opening meeting and a closing meeting with 2 emails in between.

It's ongoing support and advice through regular reviews and market updates.

We'll sit down with you and understand where you're headed, what your goals are and what you consider aspirational.

We'll then provide you with detailed advice and finance recommendations to achieve this.

We'll manage the application and coordinate with all parties.

We'll connect all the dots.

If you need extra help with legal, tax, financial advice, the property search, building and pest, we've got you covered with our close network of top property specialists.

It's been over a decade in the making and we know pathways to make it happen.

#### The background

These are our areas of expertise.

Economics // Credit Advice // Asset Selection and Protection // Tax Minimisation // Cash Flow Management and Planning // Risk Management // Finance // Interest Rates //

We are also a Full Member of the Mortgage and Finance Association of Australia (MFAA) and an Australian Credit Licencee - so you know you're getting sound advice. Our lenders include big and small banks and credit unions, over 30 in total.

#### But let's talk experience.

Over \$350 million of property in 10 years? Done.

#### The Proof?

We are a business built on referrals. Doing business the way it matters most old school style - honest conversations and hard work.

#### Let's talk.

The dream family home by the beach. The private school planning. The yacht that can't wait to hit the waters. The financial freedom and security for your future. We're here for the long haul, so let's make it happen.

We're ready when you are,

To be put in contact with Alycia and team please contact AES at [client.services@australiaexpat.com.au](mailto:client.services@australiaexpat.com.au) or your Advisor direct

#### Testimonial

“ The recent decision by many Australian banks to stop lending to non-residents almost led me to losing my deposit on a Melbourne property and if it wasn't for Alycia & her teams perseverance and can do attitude this would almost certainly have happened. I spoke with 5 banks and 3 mortgage brokers to no avail until Alycia sorted me out via Westpac and I can therefore say without reservation that this is the best team I have worked with in this area. ”

Cameron R. Knox



## Stock Market Update



**John Goodlad** Interview by **Darren J. Casson**  
*Senior Advisor at Imperium Capital &  
Director of Australian Expatriate Services Pty Ltd*

### Recent Market Moves

"Instead of a "Trump Dump" in the unlikely event that he would win, we have seen a significant rally in share prices - particularly the resources and banking sectors" said Goodlad. BHP moved up by 8% in one morning. "I cannot recall seeing a move like this in my 18 years of broking" said Goodlad. The rally was premised on the President Elect actually delivering strong economic growth in the US.

At the same time bond prices have peaked and the outlook for interest rates in the US is now up. There has been a rotation over the last several weeks from so-called "Bond Proxies" such as high yield infrastructure, property and telecommunication stocks into other sectors in the market. Whether this continues depends on the timing and pace of interest rate rises.

Many market analysts believe the selloff has been overdone as interest rates will stay "lower for longer". In any event, said Goodlad, it appears that the days of the days of ultra-low long term interest rates are over.

### What to Do?

Goodlad stresses that a diversified, long term portfolio of shares should continue to hold companies across the 5 major market sectors: Financials, Industrials, Property/Infrastructure and Utilities, Resources and Energy. He is always on the lookout for mispricing opportunities - buying undervalued high conviction situations and trimming the overvalued ones.

Goodlad has been buying large cap resources companies like BHP, South32 (S32) for several months and looks to accumulate on any weakness. With a grossed up yield of close to 10% Telstra (TLS) is a buy at current levels.

He continues to Accumulate CBA and Westpac (WBC) for their dividend flow and, in the case of Westpac, further internal cost reductions.

Gold was meant to rally if Trump won. It has done the opposite. But Goodlad believe there is still room for gold in the new Trump world. His favourite large caps are Newcrest (NCM) and Northern Star (NST) at current levels.

Finally, Goodlad notes there has been a rotation out of mid-cap Industrials which have done so well in recent years and into large cap companies in the ASX50. He is very keen on Listed Investment Company Wilson Leaders Limited (WLE) which focuses on Australia's largest companies. "These guys did an outstanding job with mid cap specialist WAM Capital Ltd (WAM) and they looking to replicate this with the relatively new WLE".

Hartleys latest research on these companies is available via John Goodlad or your **FP advisor**.



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## Tax & The Aussie Expat **AUSTRALIAN SUPER UPDATE**



### Background

On 15 September 2016, the Government announced that it will drop its \$500,000 lifetime non-concessional contributions ('NCCs') cap (announced on 3 May 2016, which was retroactive to 1 July 2007) for a prospective contributions limit that is outlined below.

### Revised NCCs cap

#### What is the revised change?

The Government's new proposal provides for a new annual NCCs cap of \$100,000 per tax year effective from 1 July 2017. As a result, the current annual NCCs cap of \$180,000 per tax year will apply up to 30 June 2016.

The bring forward rule which allows individuals aged under 65 the option to bring forward three years worth of NCCs will continue to apply. However, from 1 July 2017 the new annual NCCs cap of \$100,000 per tax year, will reduce the maximum amount of NCCs that can be brought forward from \$540,000 to \$300,000.

Where an individual has not fully used their bring forward NCCs cap before 1 July 2017, special transitional arrangements may apply, which will require a reassessment of their remaining bring forward amount, where the bring forward period spans 30 June 2017 to reflect the new annual caps.

Careful planning is therefore needed before making further contributions where the bring forward NCCs cap has been invoked before 1 July 2017.

### The new superannuation balance cap

From 1 July 2017, the Government will introduce a \$1.6 million cap on the total amount of superannuation savings that can be transferred from a concessional-tax-accumulation account to a tax-free retirement account. Further, from July 2017 individuals with a superannuation balance of more than \$1.6 million will no longer be eligible to make NCCs or make NCCs that would mean they exceeded the \$1.6 million balance cap.

The below table summarises the changes in super.

	Existing Law up to 30 June 2017	Budget announced change (3 May 2016)	Revised change (15 September 2016) to take effect 1 July 2017
<b>Annual NCCs cap</b>	\$180,000	N/A	\$100,000**
<b>Bring forward three year NCCs cap</b>	\$540,000	N/A	\$300,000**
<b>Lifetime NCCs cap</b>	N/A	\$500,000*	N/A
<b>Superannuation balance cap</b>	N/A	N/A	\$1,600,00

### Who are the individuals primarily affected?

The Government's revised proposal allows more individuals to build a superannuation balance cap to attain their \$1.6 million pension balance cap for retirement. The \$1.6 million balance cap (plus earnings and growth on that balance) will be the maximum amount of assets that can enjoy tax-free earnings subject to the special rule below where a member can exceed the \$1.6 million threshold.

### Practical application of the \$1.6 million cap

The Government has stated that the \$1.6 million eligibility threshold will be based on an individual's super balance as at 30 June the previous year. This means if an individual's balance at the start of a tax year is more than \$1.6 million they will not be able to make any further NCCs. However, it appears that a member can make additional NCCs if their superannuation balance falls below \$1.6 million in later years despite having previously fully utilised their \$1.6 million balance cap.

The Government has also stated that where an individual's balance is near \$1.6 million, they will only be able to make a contribution in that year and access the bring forward rule for future years contributions that would take their balance to \$1.6 million.

The below table is extracted from the Government's Superannuation Fact Sheet 04 that indicates the amount of contribution and 'bring forward' available:

Superannuation Balance	Contribution and bring forward available
Less than \$1.3 million	3 years (\$300,000)
\$1.3 - <\$1.4 million	3 years (\$300,000)
\$1.4 - <\$1.5 million	2 years (\$200,000)
\$1.5 - <\$1.6 million	1 year (\$100,000)
\$1.6 million	Nil

## Tax & The Aussie Expat

Pinnacle Advisory Group

It appears from the above table that an individual can contribute and exceed their superannuation balance up to just under \$1.7 million without breaching the new superannuation balance cap rule that is proposed. Naturally, monitoring systems will need to carefully track balances and contributions.

### Conclusions

Many people will have to adjust their retirement planning, and are best positioned to do so if they monitor and keep on top of the changes. Pinnacle Legal can assist in advising you of the most suitable retirement strategy tailored to your specific retirement objectives. Finally, please note that there is still the possibility that these changes will be revised, deferred or never finalised as law.

This is for general information only and should not be relied upon for individual circumstances. Should you wish to discuss your tax residency or have any queries relating to the above article please contact: **Craig van Wegen** ([craigvanwegen@pinnaclegroup.com.au](mailto:craigvanwegen@pinnaclegroup.com.au)) or **Nora Fairbanks** ([norafairbanks@pinnaclegroup.com.au](mailto:norafairbanks@pinnaclegroup.com.au)) at the **Pinnacle Advisory Group**.

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John Goodlad owns shares in many of the companies mentioned in this report.

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Or visit our Client website at: [www.australiaexpat.com.au](http://www.australiaexpat.com.au)