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JAMES. W. MANN & ASSOCIATES ACCOUNTANTS

QUARTERLY INSIGHT

InterPrac Financial Planning Newsletter Summer 2016

A Message from the Managing Director of our Licencee, InterPrac Financial Planning

We are delighted to present these quarterly insights to you.

As this information is general in nature, whist we hope you find it of interest, it may not apply specifically to you and your circumstances. Your InterPrac Financial Adviser can explain how these insights may apply to you at your next review meeting.

Financial planning is a profession we are very proud of, and InterPrac Financial Planning as the licensee is independently owned. All our planners act in your best interests, following a process to understand each client's personal circumstances, and providing advice focussed on meeting your needs.

InterPrac Financial Planners must meet the educational requirements of the industry, in addition to enjoying regular training across a wide range of topics, enabling them to deliver you a high quality personalised advice.

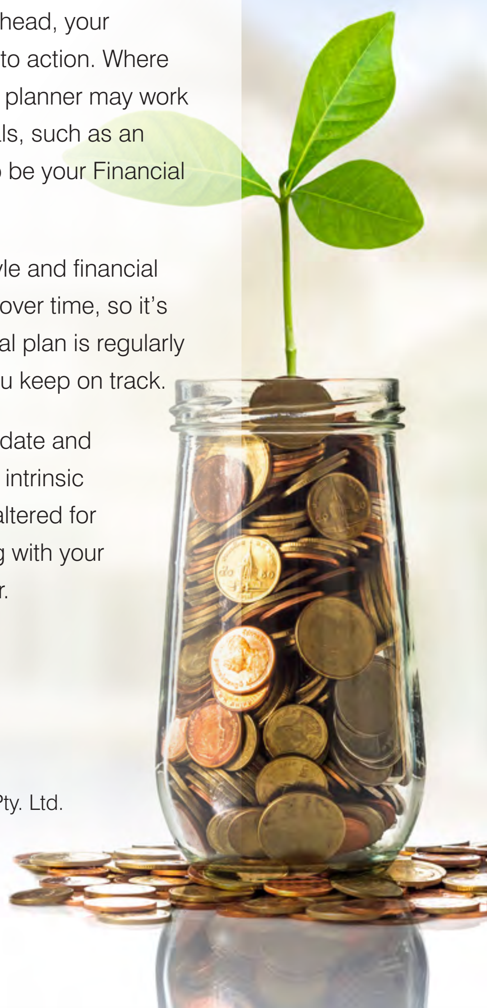
A Planners' role is to identify your short and long term financial goals – and then use this information as a foundation for developing your unique plan. Your planner needs to be able to take a complete look at your position – your assets, liabilities, insurance coverage and investment or tax strategies to give you the best advice for you.

Your planner recommends suitable strategies first of all, and products and services follow on from this, they will also answers any questions you have. Once you're ready to go ahead, your financial plan will be put into action. Where appropriate, your financial planner may work with specialist professionals, such as an accountant (who may also be your Financial Planner), or solicitor.

Your circumstances, lifestyle and financial goals are likely to change over time, so it's important that your financial plan is regularly reviewed, to make sure you keep on track.

We hope you enjoy the update and appreciate the value, both intrinsic and actual, as your life is altered for the better, through working with your InterPrac Financial Planner.

Garry Crole
Managing Director
InterPrac Financial Planning Pty. Ltd.



Happy New Year's Financial Resolutions

The beginning of a new year is the perfect time to get your finances in order. You don't want to just make resolutions, though — you want to be able to stick with them all the way through the year. Here are a few suggestions to help set yourself up for financial resolution success this year.

What are your financial goals this year?

A New Year often means new goals or milestones in your life, and your financial plan needs to change to keep up. Perhaps last year you were saving for a trip abroad, but this year you are saving for a down payment on a house. Don't be vague when identifying these goals. A concrete milestone, such as "I want to save $12,000 to upgrade my car," is going to keep you motivated a lot longer than a vague one like, "I want to save money."

What are your personal priorities for this year?

Factors other than financial goals should influence your budget, too.

Is it important to you to spend time with friends on a weekly basis? Add a "fun" line in your budget for activities like eating out, movies, and weekend activities. Do you want to support the arts in your community? Set aside money for a seasonal subscription to a local theatre or orchestra. Do you have specific causes that you care about? Budget a monthly allowance for donations or charity.

When it comes to finances, it's easy to fall into the trap of letting financial goals determine spending. But life is more than just retirement and mortgages. Give yourself permission to let your personal priorities influence spending decisions, too. You'll be happier, more satisfied with your financial life, and better able to stick to the budget you set.

Where did you slip last year?

The New Year is an excellent time to take stock of what did and didn't work in the past year - that includes where you didn't quite follow your budget. Did you eat out more than you should have last year? Not save as much for retirement as you wanted? Impulse shop too frequently?

You can't improve this year until you know where you went wrong in the previous year. Take some time to look at your spending from the last twelve months and identify where you slipped up, then make a plan for how to avoid those pitfalls this year.

You may need to automate the money that goes into your savings and retirement accounts. You may need to exercise a little more restraint in your spending. Whatever the solution, it will be easier to put into practice once you have identified what the problems are.

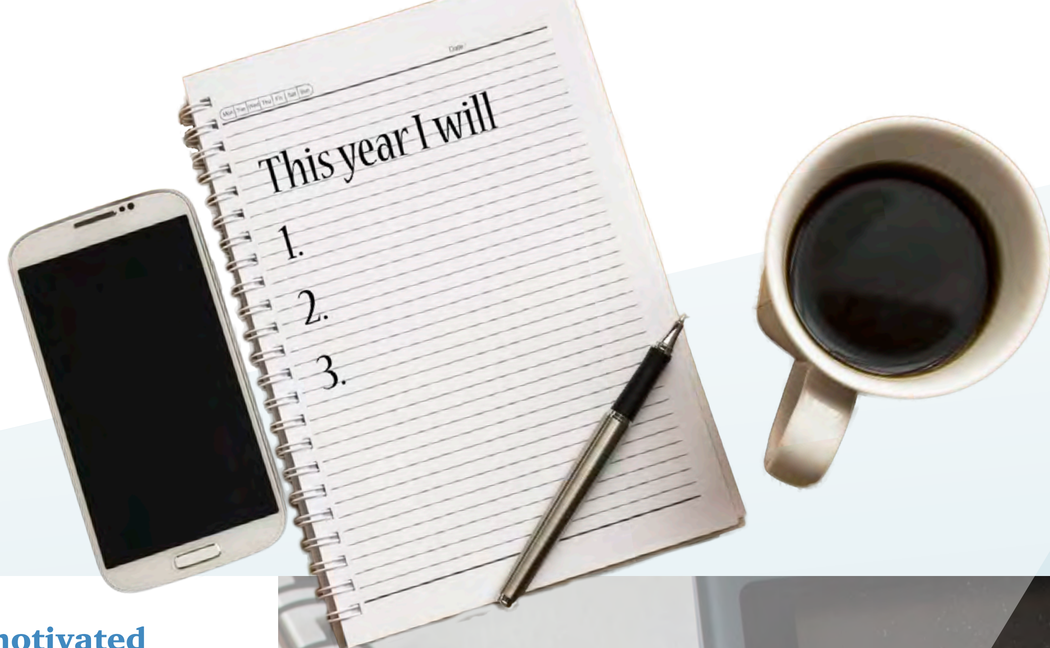
What are your spending triggers?

A lot of financial management is about cutting spending - reducing your insurance bill, avoiding credit card interest, eating out less. But all the small cuts in the world won't help if you don't know your spending triggers.

Spending triggers are those moments or circumstances that make you pull out your credit card and break the rules of your budget, even when you have the best of intentions. If you want to cut your spending, take some time to identify these triggers and come up with a plan to eliminate them.

If you can't resist a discount when it shows up in your inbox, then you should unsubscribe from promotional emails. If you always want to eat out when you're stressed, create a new, free routine for unwinding after a hard day at the office. Do you always spend more when you go shopping with a certain friend? Come up with other activities the two of you can do together and leave your credit card at home when you go out.

Once you've identified your spending triggers and come up with ways to avoid them, you'll have a much easier time sticking to your budget.



Keeping motivated

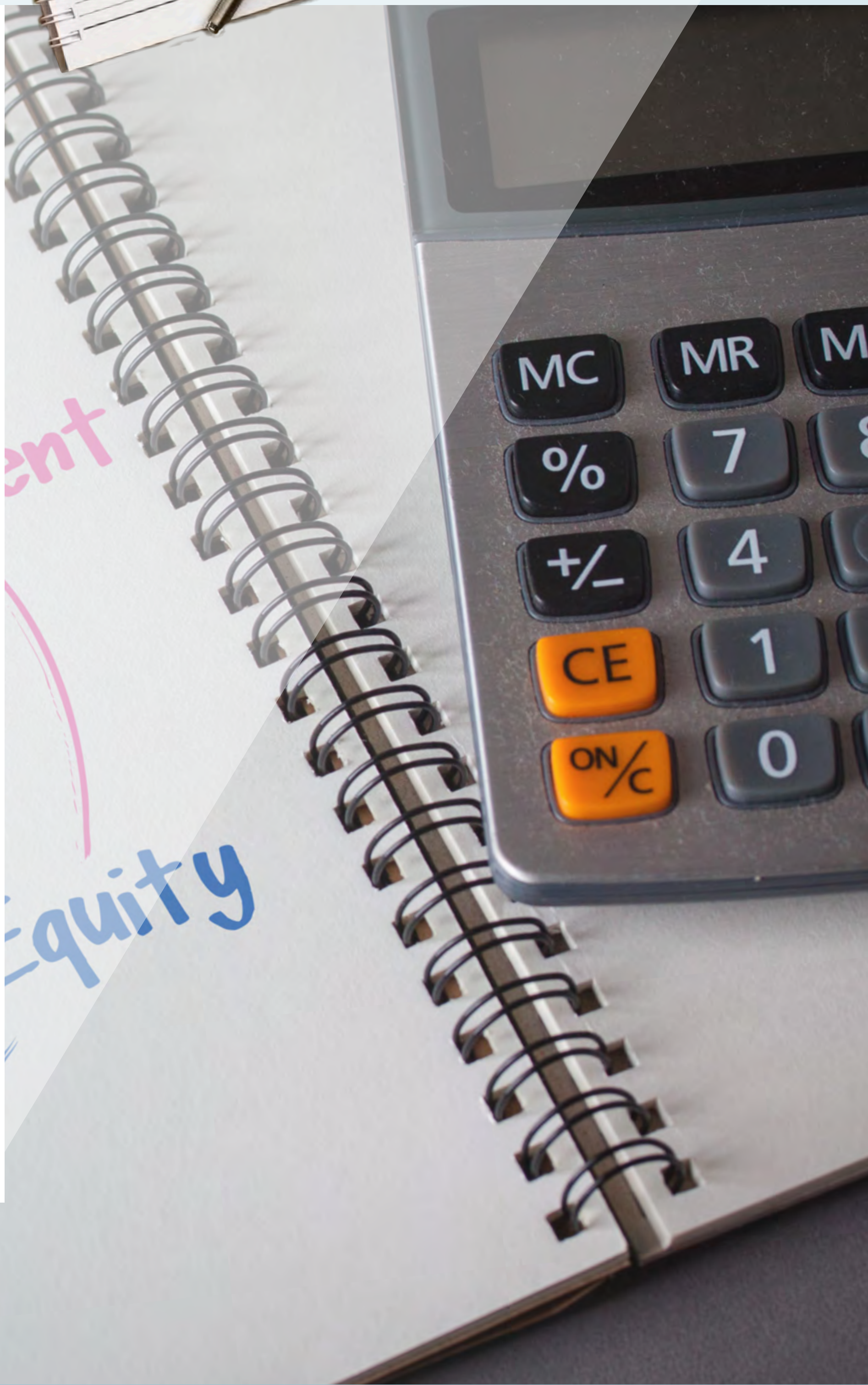
Managing your finances is awesome, and cutting down your spending to save more is a great goal. But if you are on a strict budget all the time, with no room for any lapses or fun purchases, you risk getting "budget burnout" and slipping back into old, bad habits.

To avoid that, identify the places where you can cut yourself some slack. Maybe you're giving up eating out but can still treat yourself to a latte once or twice a week. If you allow yourself a few inexpensive extras, it will make sticking to your larger financial goals feel much less stifling.

Finally, wiggle room also means planning for the unexpected. It may seem smart to put every extra penny into savings and retirement, but what happens when your car breaks down and you don't have any money for the repair? Leave a little wiggle room for surprise expenses, and you won't just start a budget, you'll stick with it.

You may also benefit from the added motivation provided by keeping photos of your goal handy, whether they are stuck to your fridge, or as the wallpaper on your phone or computer, as a visual reinforcement of the financial reward you are working towards.

Inspired by article by Katharine Paljug @ gogirlfinance.

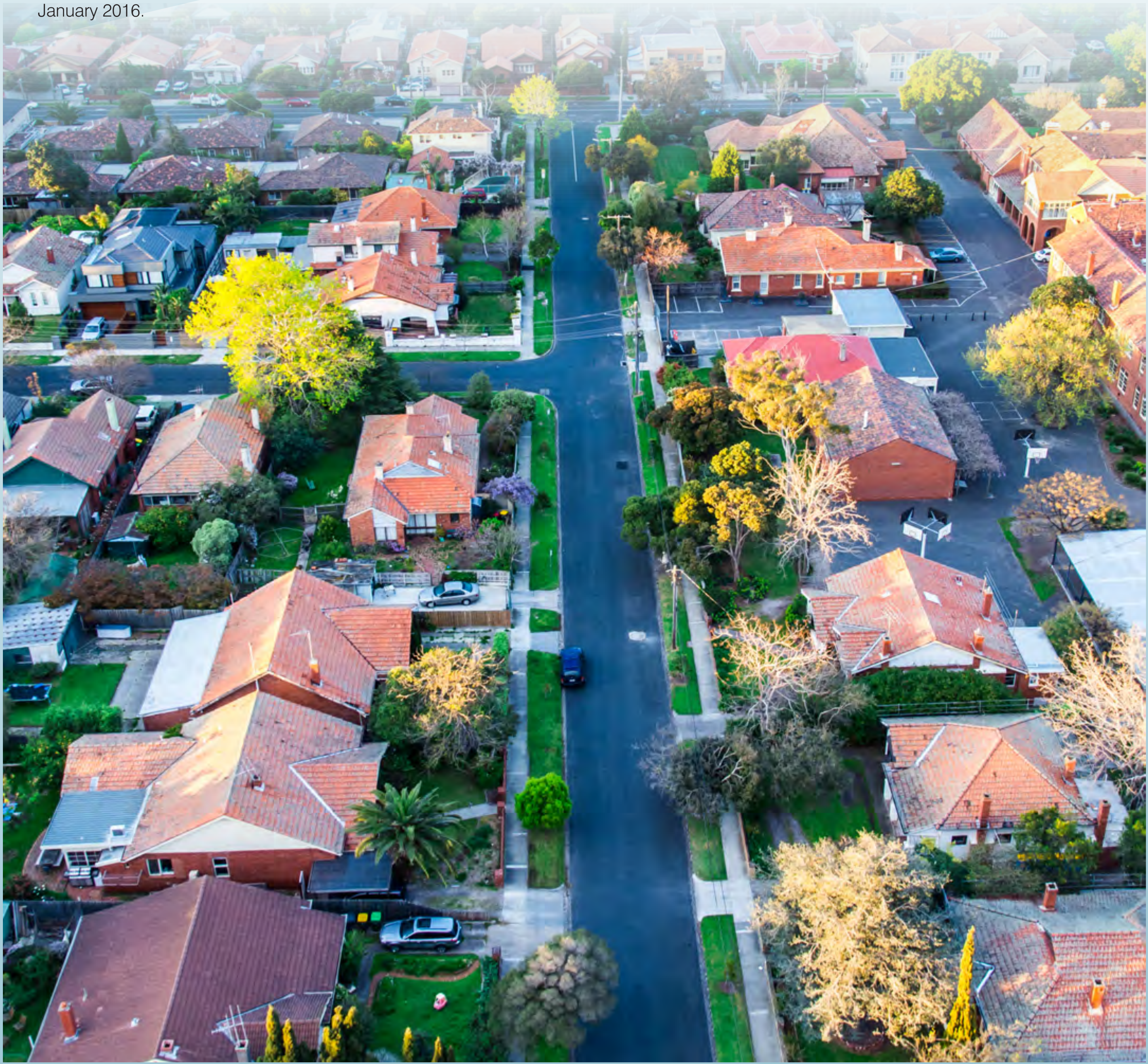


AUSTRALIAN HOUSING MARKET UPDATE

	HOUSE PRICES		UNIT PRICES	
	Median Price (Dec 2015)*	Forecast Growth** (2015-16 to 2017-18)	Median Price (Dec 2015)*	Forecast Growth** (2015-16 to 2017-18)
Sydney	$987,260	2.3%	$684,960	-1.4%
Brisbane	$546,980	13.2%	$393,720	2.3%
Hobart	$332,020	4.9%	$301,060	-2.2%
Canberra	$638,620	3.4%	$412,730	-2.7%
Melbourne	$801,230	2.8%	$525,090	-4.9%
Adelaide	$465,720	0.8%	$345,500	-0.8%
Perth	$619,640	-2.4%	$478,920	-5.0%
Darwin	$523,020	-2.5%	$425,110	-5.2%

* Median prices source CoreLogic RP Data, 31 December 2015.

** Forecast cumulative growth between 2015-16 and 2017-18, as reported based on BIS Shrapnel prepared QBE Housing Outlook in *The Adviser*, January 2016.



How Will Proposed Changes to CGT Affect the Housing Market

The capital gains tax (CGT) has been cast into the spotlight with a new proposal by The Australia Institute, a Canberra based Think Tank, to tax profits on the sale of houses over $2 million, and to re-think the current 50% CGT discount on the sale of homes held for longer than 12 months.

The Australia Institute, Executive Director, Ben Oquist said, "The discount and exemption are costing the budget tens of billions of dollars and while many other areas of tax reform would require compensation for the less well off, such as raising the GST, limiting or reducing the discount or exemption would affect only the very wealthy, be good for the economy and potentially be a multi-billion-dollar budget boost."

Whilst low-income households receive almost no benefit from the CGT exemption, modelling in the report by the Australia Institute shows removing the exemption for homes over $2 million would boost the budget by $12 billion over four years. Last year less than 1% of owner-occupied house sales were for $2 million or more.

The report claims the CGT exemption on the main residence costs the federal budget more than defence, education or Medicare, estimated at $46 billion in 2015-16 and is forecast to be worth $189 billion by 2020.

The Australia Institute report argues "At present the exemption encourages over capitalisation in main residences since any increase in their value is tax free. This has the effect of pushing up the value of housing and therefore making that housing less affordable."

However, according to the Property Council of Australia executive director residential Nick Proud, removing the CGT exemption on the family home would add a significant cost to moving, reduce renovations activity and reduce new dwelling construction. The proposal, which could affect up to two thirds of Australia's housing market, will also put pressure on house prices and impact the financial future of many Australian families. "Existing homeowners would be penalised for moving under this proposal, which would force them to stay in homes. This unnecessarily impacts older Australians who are looking at downsizing. Renovations that improve the capital value on the family home, which are vital for the modernisation and more sustainable effective use of housing, would be less likely under this proposal."

"Owner occupier homes make up two thirds of the 9 million homes in Australia today and the family home is generally the savings base for retirement. This proposal would unfairly impact on people's futures. The record pipeline of new homes for home buyers is finally translating to pockets of greater affordability, however removing CGT would impede new home delivery and turnover, having unintended consequences if introduced," Proud said. "Removing the CGT exemption on the family home would also see capital transfer into other tax favourable investments, such as shares, reducing housing availability, supply and affordability."

Experts Argue – Will the Bear Roar or the Bull Run?

Equity markets around the globe dropped - big time - at the start of the first trading week of this year. The S&P 500 index ended 6.0% lower, the Stoxx 600 index dropped by 6.7%, the Nikkei-225 index retreated by 7.0%, the FTSE-100 index lost 5.3% and the All Ordinaries index finished 5.5% in the red - all in the first week of the first month of 2016.

So, why the recent doom and gloom? Chinese growth is slowing and there are fears that the rest of the world will catch cold - for some like doomsday investor billionaire George Soros, it's not a cold but a deadly new epidemic. Chinese policymakers are devaluing its currency, attempting to prop up growth by making its exports cheaper and competitive. With this having little impact, there is a concern that China may have lost their ability to control their growth rates, and subsequently, ripple effects will be felt throughout the global economy.

Further to this, global news headlines were not encouraging, with the World Bank downgraded its global growth forecast for 2016 by .4% to 2.9%, renewed geo-political turmoil, continued declines in the price of crude oil and most other commodities, and anxiety over the US Fed's interest rate policy and its impact on the US economy and emerging markets.

Royal Bank of Scotland analysts believe the world is in a global recession and 2016 should be a year investors think about a "return of capital, not return on capital." With this headline, along with more alarmist media headlines (bad news sells!) circulating in Australia, it's no wonder we're fearful. Fear often breeds fear as they say, and the fear contagion can be very destructive and self-fulfilling.

Market fundamentals and investor psychology are so intertwined and so difficult to predict, not even the experts can agree, as demonstrated by the **forecasts of the value of the ASX200 by 31 December 2016.**

Credit Suisse	6,000	BT Financial Group	5,750	CommSec	5,600
citi	5,900	AMP	5,700	Morgan Stanley	4,800
Macquarie	5,800	UBS	5,700	Royal Bank of Scotland	4,000

Note: *The InterPrac Investment Committee's position is neither bullish like Credit Suisse, nor bearish like Royal Bank of Scotland, anticipating a 8 -10% per annum average increase for the ASX200 over the next five years.*

The range in predictions represents a difference in size of market capitalisation of about 30% on the ASX200 - or around $400 billion dollars!

In times when bankers are reaching into their pocket for their anxiety pills, and as customers and clients grow fearful, a good financial adviser is more important than ever to ultimately keep you well informed and help you understand the risks involved.

If you have a financial plan in place, you can look forward to market drops, not dread them.

During volatile times you should look to your financial adviser as an independent third party on your side of the table, helping you make quality decisions.

As always for investors wondering what they should or should not do, the first piece of advice is to ask your financial adviser and talk through your concerns with me. As your financial adviser, we have strategies at hand to help you understand and manage your risks, relevant to you.

The Value of Financial Planning

A recent survey conducted by IOOF into the True Value of Advice has shown that, whilst money itself may not buy happiness, our financial decisions do indeed impact on our ability to lead our desired life.

Whilst Financial Planners often promote "peace of mind" as being and intrinsic measure of the value of our ongoing financial advice, this study made this tangible, finding that clients who receive ongoing financial advice also experience:

- 13% greater levels of overall personal happiness.
- 21% more peace of mind with regards to their financial future.
- 20% increased feelings of security regarding their day-to-day finances.

Perhaps more importantly, ongoing financial planning clients are:

- 19% less likely to have arguments with loved ones about money.
- 20% less likely to have their personal relationships impacted due to concerns about money.

Those who do not receive ongoing advice are found to be 22% more likely to have their sleep disrupted due to concerns about money, and 17% more likely to feel that money issues and concerns may have contributed to their health issues.

Successful financial planning outcomes for many clients includes the knowledge that not only themselves, but their loved ones are protected and able to live their lives without financial concern. It was no surprise that family wellbeing was clearly the most important level to personal happiness, and an overwhelming 83% of clients believe it's important that their family members and closest personal relationships receive professional ongoing financial advice.

Evidence concludes that financial advisers also deliver positive emotional benefits that reach beyond the provision of a successful financial plan. One of the most compelling statistics to emerge is that those who receive ongoing financial advice are 22% more likely to feel as though they are living their ideal life.

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