

# Insight

PALLADIUM WEALTH PARTNERS NEWSLETTER

WINTER 2015



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# Welcome

INSIGHT

WINTER 2015

Welcome to the 3rd edition of our in-house newsletter.

Although the cold weather has most certainly set in, we hope our newsletter may provide some warm comfort with your favourite cuppa sitting beside a warm heater or indeed an open fireplace.

In this edition, Simon provides an overview of the state of market with the ongoing Greek tragedy along with the extraordinary events in China whilst Dino provides a round up of the main points of the 2015 Federal Budget and its aftermath.

We also include:

- an announcement for you to save the date for our upcoming client seminar at the Adelaide Pavilion where we will have the pleasure in hosting George Megalogenis about Australia and where our future lies in the world; and
- a welcome and profile of our latest member to the Palladium Wealth Partners team — Daniel D'Amato — whose planning and advice experience will bolster and complement our service offering.

The "Rear View" section in this edition announces the wonderful news of the stork delivering little pitter patters to the Palladium Wealth Partners team.

Happy reading!



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## Palladium Wealth Partners Client Seminar

TUESDAY 29<sup>TH</sup> SEPTEMBER 2015



Corner of South Terrace and Peacock Road ADELAIDE



### GEORGE MEGALOGENIS

George Megalogenis is a senior journalist and political commentator with *The Australian* newspaper, to which he also contributes the much-respected blog Meganomics and is a regular guest on ABC TV's *The Insiders*.

He spent over a decade in the Canberra press gallery, and is the author of *Faultlines*, *The Longest Decade*, *The Australian Moment* and Quarterly Essay 40: *Trivial Pursuit - Leadership and the End of the Reform Era*.

In 2003, he won the Melbourne Press Club Quill award for Best Columnist.

A summary of the books George has written is outlined below.

#### *Faultlines: Race, Work, and the Politics of Changing Australia (2003)*

An in-depth review of the shifting demographics, the political handling of race-related issues, and the work-family challenges that are contributing to the changing face of Australia

#### *The Longest Decade (2006)*

A look at how the 1990's in Australia was an era of unprecedented affluence that was defined by two men, Paul Keating and John Howard, who altered Australia's predictable economic script of bust, boom, and bust.

#### *The Australian Moment (2012)*

Takes in the key events since the 1970's that led to unprecedented economic stability in Australia despite periods of turmoil on world markets.

The book won the 2012 Walkley Book Award, the 2013 Prime Minister's Literary Awards for non-fiction and was Australia's best selling political book of 2012

His most recent lay to claim was the making and airing on the ABC of the 3 part TV series *Making Australia Great: Inside Our Longest Boom* where he delved into Australian economic and political history up until the present day.

George is currently writing his fourth book due to be published later this year.

# Market update

**Financial market volatility with the Greek tragedy and China syndrome proved the centerpiece of the last few months, yet does the turmoil mark a sign of things to come?**

Over the last month, the two dominant issues competing for the headlines in financial news are the Greek crisis, albeit “tragedy” and Chinese stock markets.

Greece recently held a referendum as to whether their population was willing to accept Europe’s proposals for further austerity measures in return for some more assistance and relief on the debt they owe.

The referendum result produced a majority ‘No’ vote for further austerity, in line with how the Greek Prime Minister Alexis Tsipras recommended the people should vote.

However, the Prime Minister then proceeded to do a tight U-turn, giving in to Europe’s demands and recommending the Greek Parliament sign up for further austerity measures, quoting “it was the least bad of all the scenarios”. They complied, voting for the measures to be implemented.

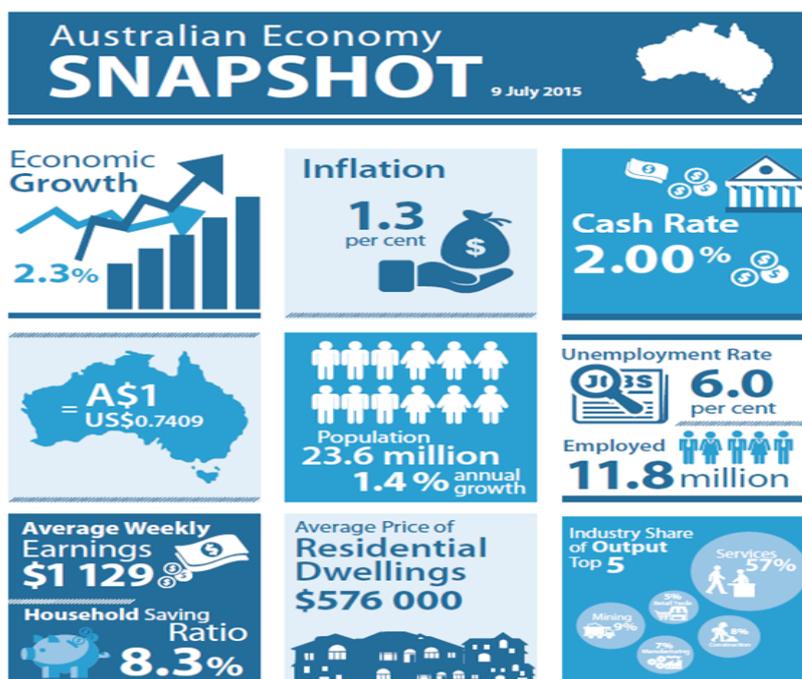
For now at least, this means Greece remains in the Eurozone and inevitably on a similar austerity path of trying to get the financials back on track. At the same time needing to combat extremely high unemployment, deep recessionary conditions and no doubt some more civil unrest.

Our view on Greece remains unchanged, be it, Greece itself is too small an economy to trouble the broader world financial system.

Yet being small doesn’t mean that it can’t cause broader political implications that affect other countries and markets — i.e. the cohesiveness of the European Union.

But the fact that Europe has had over six (6) years to put in place measures to ring-fence the issues at play, it’s likely they have reduced the risk of a contagion or flow on effect.

With the Chinese economy many times greater than the size of the Greek economy, many believe it has the potential to cause much greater havoc if their economy imploded.



Source: Reserve Bank of Australia

Much of the analytical research points to this being an unlikely scenario, with a more likely outcome being a further slow-down or perhaps a pause to the frenetic pace of economic growth as compared to the last decade.

One of the most interesting pieces of news however, was how far the Chinese Government is willing to influence and control their domestic affairs.

After a significant fall in equity markets, near on 30% in the month of June alone, which risked gaining ongoing momentum, the Chinese Government took unprecedented action to directly intervene in suspending trade across a large number of listed stocks — up to 70%, whilst barring large institutional investors from selling.

This was but one example amongst a range of other broader measures introduced in an attempt to control the market.

Yet for all the banter, the Chinese economy since peaking in 2010 has actually been falling steadily overtime which in itself marks

a sign that China’s export driven economy may in fact be stabilising towards a consumer driven one.

Indeed, with all the noise it’s easy to panic and ignore the rest of Europe and Asia as well as the broader world economy, i.e. the US, which we believe as a whole will continue to contribute to overall global economic growth and provide some great investment opportunities within International share exposure in portfolios.

Having said this, expect volatility in our Australian share market and global share markets to continue but in our opinion, being long term investors no drastic decisions are required in view of recent events.

Arguably the best approach to combat uncertain times continues to be having well managed diversified portfolios across asset classes and investment styles, in companies and funds that are aligned to our overarching investment philosophy of capital preservation first and return second.



# 2015 Federal Budget

In the aftermath of the Abbott Government's second Federal Budget, we discuss the main changes that may affect you.

The aftermath since Treasurer Joe Hockey handed down his second Federal Budget on behalf of the Abbott Government has been rather mute to say the least with a number of significant measures already passing into legislation.

This is in stark contrast to last year's first attempt where many of the proposals were mired in the hostile Senate to the extent that they have now been abandoned altogether — think the reforms to higher education as an example.

So on the surface, the 2015 Federal Budget was a winner for most constituents and many so called experts have been praising it for what the doctor ordered given the precarious state of the Australian economy, but as always the devil is in the detail.

So let's look at some of the key measures of

the 2015 Federal Budget and how they may affect you.

## SMALL BUSINESS

The Federal Budget was heavily geared to kick start the economy by directly targeting small business incentives and start ups with the catch cry of *"have a go"*.

### Tax Cuts and Discounts

Incorporated small businesses with aggregate turnover less than \$2m will receive a tax cut of 1.5%, i.e. from 30% to 28.5% from the 2015/2016 financial year.

Unincorporated small business such as sole-traders, partners within partnerships or operating via a trust with aggregate turnover less than \$2m will be eligible for a 5% discount (delivered as a tax offset) on business income capped at \$1,000 per individual per annum.

The 30% franking credit will remain for all companies.

## Immediate Tax Deduction

Small businesses with aggregate turnover of less than \$2m from Federal Budget night will be able to immediately deduct business assets acquired and installed that cost less than \$20,000 per item.

Yet from 1 July 2017 the deduction will cease and current thresholds for immediate depreciation will resume.

## SUPERANNUATION

The Government maintained their pledge not to impose any new taxes on superannuation in their first term as well as making no changes to borrowing provisions for Self Managed Super Funds (SMSFs) much to the relief of many, yet some minor changes were announced

### Terminal Medical Condition

Access to superannuation has been extended from 12 months to 24 months for anyone with a terminal medical condition.



***“This Budget is not about self-interest. This Budget is about national interest”***

*Treasurer Joe Hockey*

**Defined Benefit Super Schemes cap of 10% for Social Security Income Test**

A 10% cap on the tax free amount (deductible amount) will apply for persons receiving a defined benefit pension — think EISS Division 3 pension and Super SA Pension scheme recipients from 1 January 2016 when determining their entitlement to Social Security, i.e. Age Pension per the Incomes test.

**SOCIAL SECURITY**

Many of the changes to Social Security entitlements will have an impact for better or for worse for all current recipients as well as future recipients.

**Low Income Support**

The Low Income Support Supplement for social security recipients will cease from 1 July 2017.

**Deeming Reset for Income Test will not Proceed**

The Government **will not** proceed with the 2014 Federal Budget measure to reset the deeming rate thresholds to \$30,000 for a single person or \$50,000 for couples as envisaged from 20 September 2017.

**Rebalance of Asset Test Thresholds and Increase to Taper Rate**

The lower Asset test threshold will be increased for both singles and couples yet the withdrawal rate (taper rate) at which pensions are reduced once the lower threshold is exceeded will increase from the current \$1.50 per \$1,000 to \$3.00 per \$1,000 of assets above the lower threshold.

By referring to the table below, what this effectively means is that from 1 January 2017, the upper Assets test threshold will be reduced and many existing recipients will lose their entitlements.

**Pension Indexation to CPI will not Proceed**

The 2014 Federal Budget announcement to index the Age Pension to CPI will not proceed and the current arrangement will remain unchanged.

**Health Card Guarantee**

Social security recipients who lose their entitlements per the above measures will be automatically guaranteed either a Commonwealth Seniors Health Card or a Health Care Card depending on their entitlement.

**AGED CARE**

**Removal of the Rental Income Exemption**

From 1 January 2016 rental income will count towards the aged care means test when determining accommodation costs by periodic payment.

**Increased Consumer Choice for Home Care**

From 1 February 2017 My Aged Care Gateway will become responsible for allocating home care packages directly to consumers.

	Assets Test Thresholds			
	Lower Threshold		Upper Threshold	
	Current	From 1 January 2017	Current	From 1 January 2017
Single (Homeowner)	\$202,000	<b>\$250,000</b>	\$775,500	<b>\$547,000</b>
Single (Non Homeowner)	\$348,500	<b>\$450,000</b>	\$922,000	<b>\$747,000</b>
Couple (Homeowner)	\$286,500	<b>\$375,000</b>	\$1,151,500	<b>\$823,000</b>
Couple (Non Homeowner)	\$433,000	<b>\$575,000</b>	\$1,298,000	<b>\$1,023,000</b>

# Introducing the latest addition to the Palladium Wealth Partners team.

Daniel D'Amato joins Palladium Wealth Partners eager to impress with his client centric approach.



## DANIEL D'AMATO

### CERTIFIED FINANCIAL PLANNER (CFP®)

Advanced Diploma in Financial Services (Financial Planning) (AdvDipFP)  
Diploma in Financial Services (Financial Planning) (DipFP)

*He closely works with and assists his clients to make informed investment decisions providing financial security and independence for themselves and their families. He is passionate about what he does and enjoys seeing the benefits sound financial advice makes on the lives of his clients.*

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*"I believe financial planning is more than just providing financial advice, it is also about developing a trusted relationship valued by both the client and myself"*

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Dino, Simon, Fay and Nicole wish to offer a big welcome to our newest member of the Palladium Wealth Partner's team in Daniel D'Amato inclusive of those of his clients that have recently joined us.

Daniel has joined us as a Senior Financial Planner and brings with him over 13 years financial planning experience, primarily within Private and Premium Banking at Westpac Adelaide.

We are pleased to say that Daniel has fit into the team well, having already displayed to us his client centric values and approach to providing financial advice.

As a business we are really excited, not just by the opportunity to build some more scale into our business through attracting additional clients, but also by Daniel providing us additional capacity and insights that we believe will lead to an enhanced ability to continue to service our existing clients and networks.

Whilst specialising in wealth accumulation strategies and Self-Managed Super Funds, Daniel is experienced in and enjoys all facets of financial planning including retirement planning.

He works closely with and assists his clients to make informed lifestyle and investment decisions.

We have no doubt that his caring nature, knowledge and experience will make a meaningful difference to clients and the business as a whole.

Daniel is at a similar stage of life to Dino and Simon, with a young growing family and a desire to be a part of an adviser owned business that enables him to focus on long term client relationships.

This is important as it means that from a succession planning perspective if anything were to happen to either Dino or Simon (i.e. death or disability), there will still be two (2)

senior advisers remaining that can continue to look after clients as well as step-up to run and manage the business.

Touch wood this never happens, and in the meantime there are no changes to your existing adviser relationships.

Although we won't hold it against him, Daniel who was born in Wollongong NSW remains a loyal supporter of the Sydney Swans and St George Illawarra Dragons. Aside from enjoying to help his clients, he also loves spending time with his family and friends, gardening and a relishing a good full bodied glass of SA shiraz.

For those that are able to attend, you will get a chance to meet Daniel at our upcoming Client Seminar on Tuesday 29 September 2015 at the Adelaide Pavilion.



# The “Rear View”

The sound of “*pitter patter*” joins two members of the Palladium Wealth Partners team.

The stork came to two households within the Palladium Wealth Partners team since our last newsletter.

Dino and Dora Mancini along with the “boys” Jacob, Luca and Noah welcomed to the world Mia Mancini born 20 May 2015.



Daniel and Vanessa D’Amato along with Alyssa and Sophie welcomed to the world Emily Rose D’Amato born 10 June 2015.





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