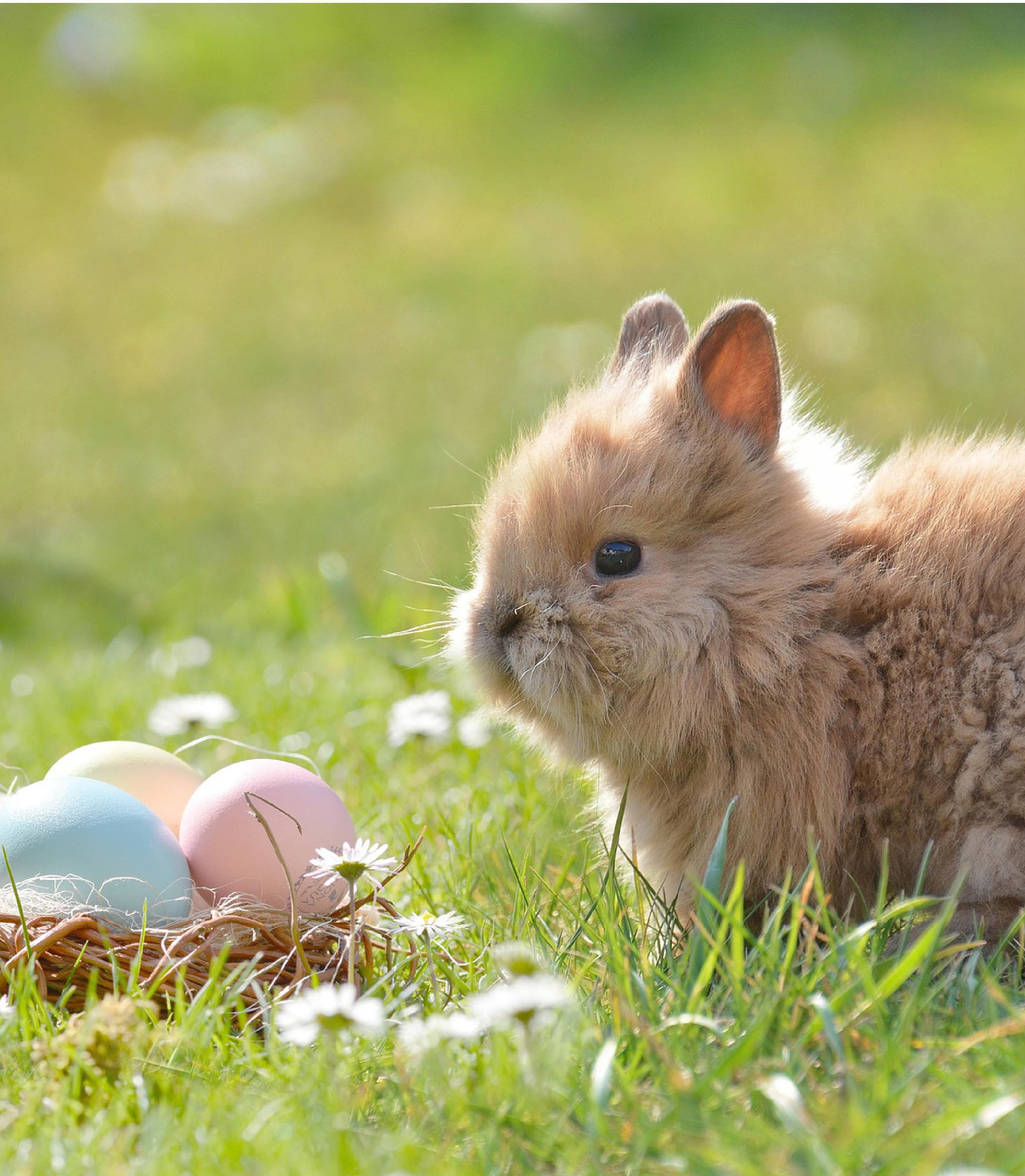
INTEGRA INSIGHTS

Great Advice Greater Life

Autumn 2019

INTEGRA FINANCIAL SERVICES



WELCOME

to our Autumn Newsletter

The start of the year has flown by and here we are approaching Autumn! Whilst we all love the long summer days bring on the milder weather and the beauty of the change of seasons.

Since our last newsletter, there has been a great deal happen in the news and politics. Commissioner Hayne has handed down his final report on the Royal Commission into Banking and Finance. The media has been extremely absorbed in reporting on the several areas outlined in the extensive report; including Financial Advice, Banking, Mortgages and Culture.

Further in our Newsletter I have provided a report around the Royal Commission and what it means for you.

As we approach an election in May there have been some proposed policies outlined by the ALP which may affect you.

Negative Gearing

Labor will limit negative gearing to new housing from a yet-to-be-determined date after the next election. All investments made before this date will not be affected by this change and will be fully grandfathered.

This will mean that taxpayers will continue to be able to deduct net rental losses against their wage income, providing the losses come from newly constructed housing.

Capital Gains Tax

Labor will halve the capital gains discount for all assets purchased after a yet-to-be-determined date post the next election. This will reduce the capital gains tax discount for assets that are held longer than 12 months from the current 50 per cent to 25 per cent.

All investments made before this date will not be affected by this change and will be fully grandfathered.

Franking Credits

Labor released its plan to end cash refunds for excess imputation credits for individuals and superannuation funds to save $11.4bn over four years. Franking credits will still be claimable as a deduction to reduce tax paid on income, and pensioners are exempt from the policy. I am sure we will see many more reforms flagged before the election.

Should Labor get into power and they decide to implement any of these changes we may need to review your portfolios to ensure that you continue to get the best result available to you from your investment.

What's happening!

We have been busy with the transition from our previous licensee to our new home with Oreana. There has been a lot of work from the team to get systems and processes working; together they have done an excellent job.

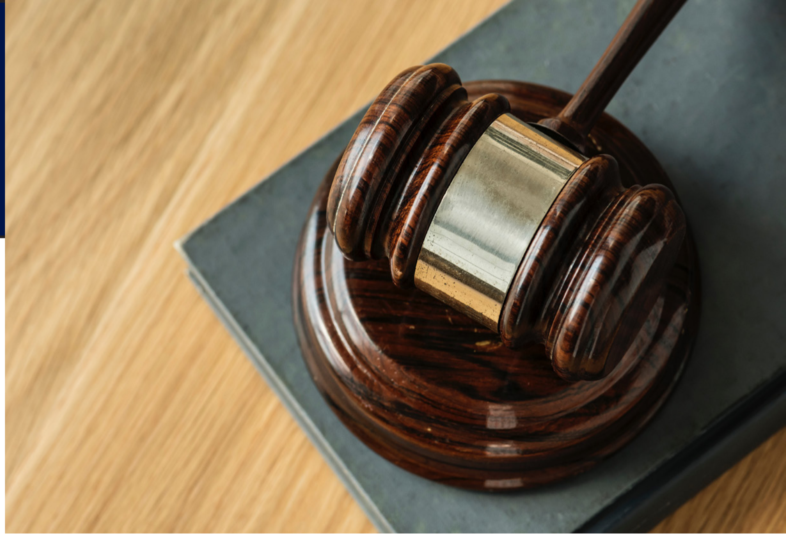
Anthony and I will be conducting our reviews with you and we will be getting new questionnaires and risk profiles completed to ensure our compliance with Oreana. As a result it may mean your next review appointment may be a little longer to allow us to collect and update this data in our systems.

We are excited for the future and how we will be building efficiencies in the business going forward.

We thank you for your patience throughout this process, and we look forward to our next review with you.

Deborah Kent CFP®Dip FP MAICD FChFP
Financial Adviser I Director

Royal Commission



Commissioner the Honourable Kenneth Hayne QC finally released his much-anticipated report into misconduct in Banking, he made some 76 recommendations of which the Government has committed to reviewing and implementing, so from a financial Planning point of view what are the key recommendations and how might they affect you as our clients.

Grandfathered Commissions to be Banned

Grandfathered commissions are usually paid out of old super products sold through Life Insurance companies by an Adviser many years ago, or attached to old corporate super polices. These feature highly in the Royal Commission with "fees for no advice" many consumers have these products which are paying a fee to an Adviser that they have never met. We support the removal of Grandfathered commissions to ensure consumers are getting the appropriate advice for their circumstances.

Fee disclosure renewal of service agreements yearly

You will be aware that we send you every year a "fee disclosure statement" and for new clients from 2013 we supply a new service agreement under "opt-in" the recommendation is to supply a service agreement "opt-in" every 12 months for all clients. We are very comfortable with our disclosure documents to our clients, and we have already decided as a business that we will supply yearly service agreements and comply under "opt-In'. This will require more paperwork from us to you in the future.

Disclose your lack of Independence

Under this recommendation as a Financial Adviser you will need to disclose your lack of independence, which will mean disclosing the connection with a Licensee who has a parent that has its own in-house products, and any benefits you may receive from your Licensee.

In November we moved our business under the Licensee of Oreana financial Services, Oreana is an independent Licensee that does not own or produce any product, does not accept any remuneration from product providers, nor receive any benefits from product providers, this is one of the reasons we chose Oreana has our Licensee.

Integra cannot call ourselves independent under the corporations Act s923A as to do so you practice must not take any commission, currently we still take a commission on insurance that we may place for our clients, all our other work is done on a strictly fee for advice model. We do not have any issues with this recommendation has it does not affect us or the work that we do.

Insurance Commission potentially to go to Zero

This recommendation is around Life Insurance, Income Protection and Trauma policies that are sold to consumers.

In November 2015 the Government released its reforms into Life Insurance and Commissions, capping up front commission on Insurance products from 120% to 60% by January 2020. The Hayne recommendations suggest that they should go to Zero if necessary, at this time, when ASIC will do its review.

What does that mean for consumers? To obtain Life Insurance you would need to pay a fee to get this advice, traditionally most consumers don't want to pay a fee for Insurance advice and are comfortable with a commission being paid the Adviser for the work that they do. We have always operated on what is called a hybrid model of 80% upfront. We can offer a fee for to our clients for this work, or currently a commission, mostly the commission method is chosen.

This will be an interesting area should commissions be banned, it has the potential to send consumers to online insurance solutions which unfortunately do not always give the client the right outcome at the time of a claim.

Mortgage Broking removal of commissions

This is an area that Integra does not specialise on, rather we refer this work to one of our respected mortgage brokers. Mortgage Brokers will work with you to find the right solution across the market place for your lending and save you interest on the life of the loan.

There is a lot of work that goes into placing a mortgage, with Brokers sometimes looking at a number of alternatives until they find the right one for you. We don't necessarily support the removal of commissions for Brokers, as we believe it creates competition in the market place and generally good outcomes for consumers.

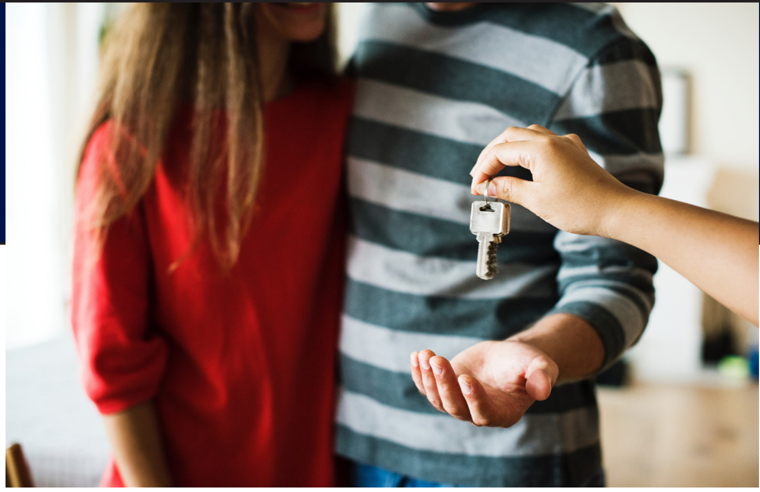
The recommendations also note that Mortgage Brokers must act in the best interests of their clients. We fully support this as all work done for a client should be in their best interests. Like all areas of service there can be inappropriate advice and the intention of the Royal Commission is to stamp out this behaviour.

The Royal Commission and its recommendations have become a political issue, given we have an election coming up we expect some of these recommendations to be adopted by Government and certainly any change in government will do the same.

We are always here to assist you, if you have any questions on any of these reforms, please let us know.

Improve your chances of being approved for a home Loan

Written by Canstar



How can you improve your chances of a home loan application being approved? One of Canstar's 5-Star rated product providers, State Custodians, has some tips for you.

How to get a home loan

Here's a checklist of tips for making sure your hunt for a home loan is smooth sailing all the way:

1. Make sure you can show ability to repay
Being able to show that you can repay a home loan is one of the key requirements for lenders and they will want to explore your current living expenses and financial commitments.

If your overall repayments are going to increase, the lender will be interested to see where the money will come from. Rent you are paying currently may cease, you may also be putting money away in savings or paying extra on your personal debt to pay it down quickly.

All of this can help evidence that you will be able to meet the repayments on the loan.

2. Check your credit rating
Borrowers should make an effort to regularly check their credit report. This will give you an idea of how many times your report has been accessed in the past few years and if you have any defaults or negative repayment history recorded.

If there is anything on it that isn't correct, you have time to contact the company that recorded it to get it corrected.

Having late or missed repayments on any of your debts is not going to look good when you apply for a home loan. On the flip side, showing that you are diligent with your repayments will show the lender that you are a good risk. Lenders have the ability to see the past 24 months of your repayment history.

3. Cut down on unnecessary financial commitments
Financial commitments and personal debt can impact your application in two ways. Too many credit enquiries can be detrimental to your credit profile.

The credit limits on all of your cards are included in your repayments as if they are fully drawn. Credit cards, store cards, interest-free facilities and other personal loans can mean that you have less surplus cash available to meet repayments on a new loan.

Before applying for a home loan, review whether your interest-free card or store card is still being used and if not, cancel them. You can also look to reduce the limit on your credit cards to help increase your borrowing power.

4. Have a savings history
Savings serve two purposes when borrowing; Firstly, the amount of money you put away can be used to meet your loan repayments.

Secondly, your savings form part of your contribution to the purchase.

The larger the contribution the less you need to borrow and the lower the risk you are to the lender. If you're borrowing more than 80% of the purchase price, many lenders require evidence of savings. Your savings will need to add up to around 5% of the purchase price of the property to meet the genuine savings requirement of many banks.

5. Show that you have a safety net in place
Having adequate personal insurance is good advice, but lenders don't generally enquire about it. Most people do it for their own peace of mind and when you take out a home loan it is a great opportunity to review your cover.

A buffer of funds can help provide a safety net in case your income stops. Most people either continue to save after they have taken out a home loan or hold back some of their savings to provide a buffer.

6. Don't apply with too many lenders
Although it is important to compare lenders, submitting applications to several different lenders at once will appear on your credit report. Only submit an application after you have completed your research and have decided to go with that particular lender.

7. Try to have stable employment
Employment stability is important, as this is generally the income used to meet repayments. Most lenders prefer borrowers to be with their current employer for at least six months, not counting probation.

If you have changed jobs recently, then lenders will look carefully at what you did immediately prior. Being in a similar role in the same industry for the past two years can be used to satisfy the lender's employment requirements.

8. Disclose all information
It is important to disclose all relevant information when you apply for a home loan. If during the process lenders uncover credit cards or other debts, the loan may be declined due to non-disclosure.

Getting approved for a mortgage

Getting approval for a mortgage is a daunting process between the meeting with the mortgage lender, making an offer, filling out paperwork and organising your finances, there's a lot to think about. By following these 10 simple tips, you could be one step closer to applying and owning your dream home – with one less stress!

Economic Update

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Shane Oliver 11 January 2019 – Nest Egg Magazine

2018 was a rough year for investors. Australian stocks ended the year 6.9% lower, their worst calendar year since 2011. The US finished 2018 down 6.2% - the worst year for a decade.

But after a sharp pre-Christmas sell-off we had a much anticipated Santa Rally which limited the damage for the year. Between Christmas and New Year, US shares surged 6.6% and Australian shares were up 2.8%.

As investors enter 2019, they must now be wondering whether this Santa Rally represents a bottoming in markets.

It's too early to say. But as we begin the New Year, it's probably a good time to review why I think that the current sell-off is still likely to be part of a ''gummy'' bear market (like 2011), rather than a "deep grizzly" bear market like the one we saw during the global financial crisis (GFC).

Gummy or Grizzly?

To recap, a gummy bear market typically has falls of around 20%, but then the market rebounds over the next 12 months. That is what we witnessed in 2015-2016 for Australian and global shares.

A grizzly bear market, by contrast, sees top-to-bottom falls of 20%, followed by further 20% or so falls over the next 12 months. It's what we saw in 1973-74, the tech wreck and the GFC.

The main difference between gummies and grizzlies is the latter is typically associated with recessions. I still don't believe a US; global or Australian recession is imminent for several reasons:

Despite the US Federal Reserve increasing rates, monetary conditions in the US are still not tight, and are easy globally. The US and China are starting to work through their trade war. Consumer spending will be boosted by the 40% fall in oil prices since October highs. We are not seeing excesses that usually come before a recession: debt, overinvestment, capacity constraints and inflation. Fiscal stimulus will continue to boost US growth in 2019.

In Australia, falling house prices, particularly in Sydney and Melbourne, will have a negative impact on the economy, but that should be offset by business investment and infrastructure spending.

How markets could bottom in 2019

So how is a 'gummy' bear market likely to play out in 2019? After the Santa Rally, we could see more downside early this year. Those falls would shift the current sell-off from a normal correction into a gummy bear.

Those lows would coincide with concerns around global growth. But those concerns are likely to trigger more stimulus in China and from the European Central Bank.
At the same time, the US Fed is likely to have paused its rate hikes. The recent sell-off was partly triggered by fears the Fed would raise rates too far and tip the US into recession. Our base case is that the Fed will hold the Fed Funds rate flat during the first half of this year and only raise rates once in the second-half.

Along with a Fed pause and global stimulus, the US and China should be making progress in resolving their trade tensions. Ultimately shares should bottom around March. Essentially this path is a repeat of what we saw in 2015-16, but in a tighter time frame.

What should investors do?

- There are a few things that investors should do the
- current uncertain environment.
- Remember that periodic sharp falls in share markets, while stressful, are normal and healthy. Over the long term, shares generate higher returns than other more
- stable assets and the periodic setbacks and volatility are the price we pay for that.
- Avoid selling shares or switching to more conservative strategies after a major fall because that just locks in losses.
- Adopt a planned, long-term investment strategy to guard against selling based on emotion
- Remember that when shares and growth investments fall, they are cheaper and offer higher expected returns over the long-term. So, look for opportunities in pullbacks.
- Remember that while the value of shares has fallen, the dividends you receive from the market haven't. Stick with a well-diversified portfolio of shares that are delivering decent income.
- Shares bottom at the point of maximum bearishness. So, remember it's time to buy when everyone is panicking.
- Turn down the noise. It is difficult to stick to a long-term plan, or to see opportunities, when negative news is at fever pitch. So, try and pay less attention to the negative headlines around markets.
- Opportunities for the prepared

After a difficult 2018, it's understandable that investors are confused, even frightened, and looking for a respite from the sell-off. But we are likely to see volatility remain higher for a while yet.

But with no sign of a global recession, we should avoid a grizzly bear market and the correction/gummy bear should bottom in the first half. That will provide investors who are prepared with significant opportunities to buy assets at attractive prices. The key in the meantime is to remain patient and not panic.

Why age doesn't matter when it comes to pursuing your dream

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By Jerome Doraisamy courtesy Wellness Magazine

Age is no barrier when it comes to achieving the things that will bring us personal, emotional and psychological joy and meaning, argues a Sydney-based author and entrepreneur.

Speaking to Wellness Daily, Alan Manly, founder of Group Colleges Australia and author of The Unlikely Entrepreneur, said that life is a journey and that all meaningful pursuits can take time to accomplish.

"The question that is impossible to answer is... just when will be the right time to pursue a dream? When you are ready is the best answer that comes to my mind. If on your life's journey there remains a few dreams, celebrate your good fortune by starting that chapter in your life today," he explained.

When asked whether one's age and stage of life dictates the setting of particular goals and targets, he referred to George Bernard Shaw's quip about youth being wasted on the young.

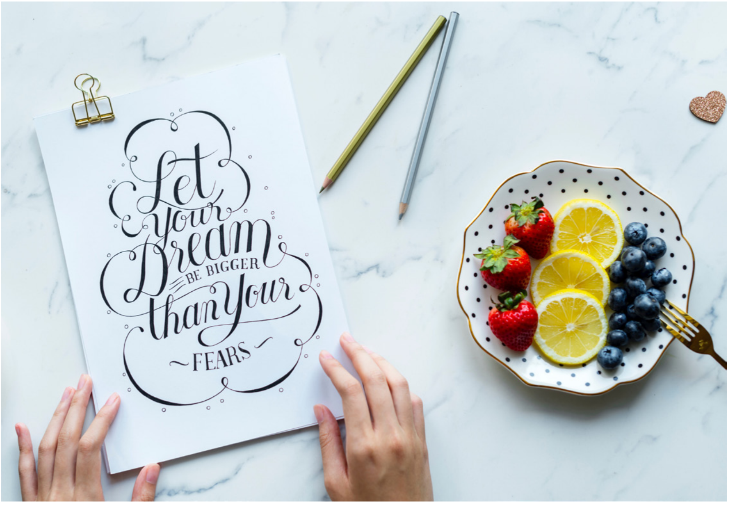
"When young, we tend to live for the moment, but later in life the goals and targets naturally change. Looking back on our own innocence, and maybe foolishness as we say, I would never do that again is a declaration that everything depends on where we are on our life's journey," he said.

For those who are anxious about their age, he said that life begins every morning you wake up, not at any other point in time.

"Panic is the best policy. This day is not only the beginning of the rest of your life, it may be one day from the unexpected end. Enjoy life as much as you can. Be brave and hug those that matter to you," he said.

The top tips Mr Manly suggested for pursuing one's dreams, regardless of age, are:

- "Admit that you still have dreams. You may think that you will sound silly, but who cares!"
- "Take the first step to investigate how you could achieve your dream. Learning all about your dream will be half the fun."
- • "Take the plunge and do it. Tell them all to be damned. This is your journey and it will end. End it with a smile!"



Bulletin

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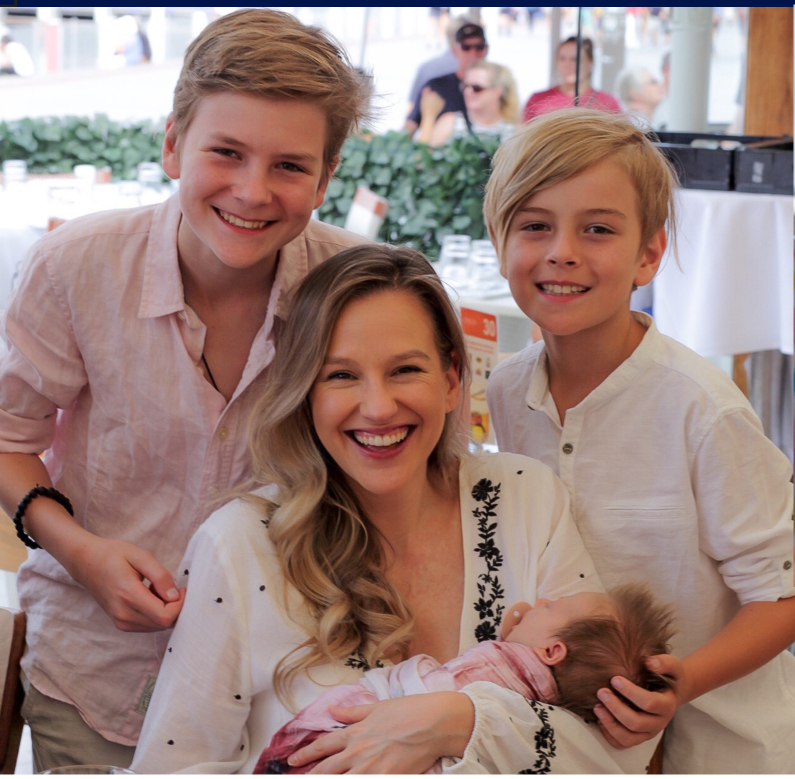

Welcome Eevee Parker-Kent

We are thrilled to announce the birth of Eevee Parker Kent, she entered the world on 23rd Jan. The family are enjoying their beautiful baby girl ! and of course Deb is having fun buying everything Pink !!

Have you seen this young man when you've been in the Integra Financial office?

Well, we are pleased to announce that we have a new member of our client services team! Liam has joined our team working part time with us whilst he is studying a Bachelor of Commerce at Western Sydney University.

Find us on Facebook

If you are like many of us you will from time to time throughout the day check your Facebook page to see what your family and friends are busy doing.

Did you know that Integra has a Facebook page to? We will post things each week from articles and updates to stories to share with are clients and friends. We'd love you to join us on Facebook, you can find us here @IntegraFS

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