> ..mortgage refinances are the hot topic of the year to date...

Tulips and Bitcoin

Have you ever heard of "Tulip mania"? If the Bitcoin article tweaks your interest, then perhaps the next topic of research should be the Dutch Tulip Bubble of 1637.

In this newsletter we've got a couple of articles, one on Bitcoin, and the other outlining some of the changes that could allow you to build a bigger Super balance in those later years.

And following on from the comment made in the last newsletter, mortgage refinances are the hot topic of the year to date and I think it will continue as there is a very big mismatch between what new clients are getting from our banks compared to the ones already with those same banks.

As always I enjoy hearing your feedback, so feel free to reach out.

All the best,

Brett

Brett & the team

Super opportunity for first home buyers and downsizers

Whether you're buying your first home or you're ready to downsize, you may be able to use your super to help make the most of your money. These two new schemes support the Government's goal of reducing pressure on housing affordability in Australia.

FIRST HOME BUYERS

The 'First home buyer super saver scheme' allows you to save for a deposit for your first home using your super account. The benefit of saving within your super is the concessional tax treatment of super which can help you save faster compared to a traditional savings account.

HOW DOES IT WORK?

From 1 July 2017, you can make your own concessional and nonconcessional contributions into your current super account to save for your first home. There is no need to open a special super account.

From 1 July 2018, you can apply to the ATO to release these contributions, along with the earnings on the contributions, to fund the purchase of your first home when you're ready.

WHO IS ELIGIBLE?

To be eligible you must:

- be 18 or over at the time of applying for the release of your money from super
- have never owned property in Australia, including a home or investment property
- live or intend to live in the property for at least six months of the first 12 months after purchase
- not have withdrawn an amount under this scheme before. Money that can be released from your super account includes:
    - your non-concessional (after-tax) contributions
    - your concessional contributions, such as salary sacrifice contributions and personal deductible contributions minus 15 per cent contribution tax
    - the associated earnings on the above contributions.

Note: The non-concessional contributions must be released before any concessional contributions. Also, super guarantee contributions, spouse contributions and government co-contribution cannot be released.

HOW MUCH CAN YOU SAVE?

The maximum amount you can contribute is:

- up to $15,000 from any one financial year, and
- a maximum of $30,000 in total across all years.

This means a couple saving for a first home could contribute up to $60,000 together.

While the non-concessional contributions can be paid tax-free, all associated earnings plus any concessional contributions in a withdrawal will be taxed at your marginal tax rate. But, with a 30 per cent tax rebate from the government this considerably reduces your overall tax liability.

BENEFITS

This scheme can benefit you if you make salary sacrifice or personal deductible contributions by:

- reducing your tax liability
- helping you budget via 'forced savings', and
- taking advantage of the investment returns which are usually higher than a bank account.

DOWNSIZERS

After 1 July 2018, if you're over 65 and sell your home, you can now put some of the money you receive into your super.

HOW DOES IT WORK?

You can use the money from the sale of your house to make a 'downsizer contribution' to super of up to $300,000 or $600,000 for a couple.

WHAT TYPES OF PROPERTIES ARE INCLUDED?

The property must be located in Australia. It does not need to be your current home. It can be your, or your partner's, former home as long as you or your partner have owned it for more than 10 years and lived in it at some point in your life. An investment property that neither of you have lived in is not eligible. But, the property does not need to be owned by both members of a couple for both of you to make a contribution of up to $300,000 to your super. Unfortunately, the sale proceeds from a houseboat, caravan or mobile home cannot be used.

WHO IS ELIGIBLE?

You are eligible to take advantage of this scheme if you are an Australian citizen and aged 65 or over.

Unlike the non-concessional contributions, the good news is that you don't need to be working and there are no age limits to making downsizer contributions.

Also, the total super balance test of $1.6 million and the $100,000 non-concessional contributions cap restrictions don't apply which makes it a great option if you want to contribute more to super and are currently ineligible because of these restrictions.

If you are considering selling your property and are interested in contributing to your super you should hold off selling until after 1 July 2018 as a property sold before this date is ineligible.

Note: if your family home is currently exempt from the Centrelink assets test and you sell it and put the money into super – your age pension entitlement could be affected.

If downsizing and contributing to super is something you're interested in, please contact your financial adviser to discuss your particular circumstances in detail.

Source: IOOF

Bitcoin: emerging asset or speculative mania?

The launch of Bitcoin futures on some major US exchanges has been an important step in the development of the cryptocurrency, giving it greater familiarity and wider usage. Still, while 2017 has seen it evolve from being largely associated with black-market and criminal use, towards greater legitimacy, our team's view is that Bitcoin remains a speculative, immature financial instrument based on an experimental technology.

The broad idea behind cryptocurrencies is that they can provide an efficient alternative to traditional 'fiat' currencies, appealing to those who distrust central banks and those who wish to conduct transactions, peer-to-peer, away from the oversight of banks and regulators. Whereas fiat currencies have their foundations in the traditional system of central banks and financial intermediaries, cryptocurrencies are based on networks of cryptography, miners, exchanges, and wallets. In theory, cryptocurrencies could provide low cost, secure, decentralised alternatives to fiat money. In practice, they are nowhere near being ready to stake such claims.

Additionally, cryptocurrencies are currently plagued by a number of practical problems that would have to be overcome before they could be seriously considered as plausible alternatives to fiat currencies, including hacking and theft, cryptocurrencies being lost forever due to bugs and accidents, the market infrastructure beginning to look strained, and decentralisation.

Further, the processes supporting cryptocurrencies are hugely energy consuming, with vast numbers of computers operating 24 hours a day, running the calculations that generate each unit of the digital currency.

Another important consideration for Bitcoin investors is the growing regulatory risk and whether the shortcomings of cryptocurrencies exposed by their rapid development are just teething problems, or rather inherent flaws in their design.

Only time will tell if current investors will ultimately be rewarded for disregarding the developing problems of cryptocurrencies. Perhaps some are chasing a dream that will never materialise. Whatever happens, both anecdotal evidence and the price action suggest that there is a considerable degree of speculation already embedded in cryptocurrencies.

The recent move in Bitcoin is looking to us increasingly like a speculative mania, rather than being evidence of an emerging mainstream asset class. The market is still very much dominated by retail investors and press reports highlight some extravagant use of leverage. While it is very difficult to form a meaningful view of the medium-term potential of any individual cryptocurrency, the combination of parabolic price moves, high retail participation, and leverage mean that when the next Bitcoin dip arrives, it has the potential to become a hair-raising affair. It is therefore our opinion that Bitcoin is still a long way from being an investable asset with a serious role to play in institutional portfolios.

Source: Janus Henderson Investors

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