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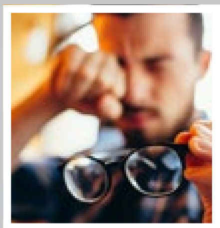
INSIDE:



Three reasons why DNR Capital is optimistic on 2017/2018 financial outlook

Global equity markets have reached an all-time high, but global growth is sustainable and company valuations are fair, according Australian equities manager DNR Capital.

Jamie Nicol, CIO at DNR Capital says: "We are optimistic about global growth prospects after reviewing key asset classes and market trends, such as the potential for expansion of the US manufacturing sector and Australia's rising commodity prices.

He adds: "In assessing the outlook for the Australian market, we are thinking about three key reasons that impact the global growth outlook – the potential for inflation to raise its head, the pressures on the consumer in Australia and the political environment.

"Recent data continues to support the global growth outlook. US manufacturing data has been particularly strong with the Purchasing Managers Index (PMI) accelerating to 57.8 in June, which is at a three-year high and signals strong expansion.

"Likewise, we have seen continued economic improvement in Europe with the PMI at 57.4, the strongest since April 2011."

Domestic equity markets continued to be a stand out in 2017 and the valuations are fair, according to Nicol, reflecting the "improving business conditions since December 2016, with the exception of retail and manufacturing."

DNR Capital also identified Health Care as the strongest performing sector for the 2017 financial year, and Energy as the worst performer.

Nicol highlights some key performers in the Australian market "particularly testing services provider ALS Limited (ASX: ALQ), who experienced growth of 55 per cent for the financial year off the back of a pick-up in commodity prices and the announcement of the company's intention to sell its loss-making oil business and make further acquisitions in the life sciences."

Nicol says: "The domestic market provided a small return for the month of June with the S&P/ASX 200 Accumulation Index up 0.17%, but overall the 2017 financial year closed up strongly at 14.09%."

"Banks continued to be under scrutiny, with South Australia announcing it would introduce its own state-based bank levy on the five major banks (including Macquarie), just six weeks after the Federal government announced a bank levy that aims to raise $6.2 billion. However APRA has provided certainty in terms of the level of capital required by the banks which reduces the risk on this investment."

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Super savings for women

Ask any woman juggling career, home and family and she'll tell you it's a hard slog. Yet as retirement looms, dreams of enjoying the rewards of all that hard work are shattered as the retirement savings just don't support the vision.

According to an inquiry into Women's Economic Security in Retirement entitled *A husband is not a retirement plan: Achieving economic security for women in retirement*, on average, women retire with approximately half the retirement savings as men. The inquiry also found that the majority of Australians on the age pension are women. Of that number, the majority are single, meaning that these women are struggling alone on an income that the Organisation for Economic Co-operation and Development (OECD) defines as poverty.

What about super?

It's a double-whammy for women whose careers were interrupted to raise children, but unfortunately, time off work means there's less money being contributed to the super pie.

Unpaid parental leave translates into no employer super guarantee (SG) contributions. To make matters worse, when they do return to the workforce, managing the school run often means women are working part-time. Employers are not required to pay the SG if the employee is earning $450 or less, before tax, in any calendar month.

So, even once she returns to her job, chances are she's still not contributing to super. In fairness though, this is a stage of their lives when young families often have other things on their minds besides superannuation, and parents are happy to have this little extra in their hands.

For some women, starting up a home-based business presents a viable option. Given that sole traders are not required by law to pay superannuation to themselves, most manage to find something better to do with nine percent of their income.

So what can be done?

The answer lies in planning and budgeting. From July 2017, changes to some of the superannuation laws came into effect. These measures are designed to help low income earners – particularly women – by supporting and encouraging even the smallest contribution to retirement savings. They include:

- **Low income super tax offset contribution (LISTO)** – This replaces the former Low Income Super Contribution (LISC). Eligible individuals with an adjusted taxable income of $37,000 or less will receive a contribution equal to 15% of their total pre-tax super contributions for an income year. Although capped at $500 per annum, this scheme encourages even the smallest super contribution, meaning that it's possible to continue contributing to super while on parental leave, or if you're a sole trader. Every dollar will make a difference as compounding applies over the years.

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- **Spouse tax offset** – If your spouse is earning $37,000 per annum or less, making contributions to her eligible super fund can attract a tax offset of $540 per annum. This amount gradually reduces for income above $37,000 and phases out when income reaches $40,000 per annum. This means that a contribution to your wife's super fund can benefit you both.

There will be many reading this who believe it's too late. It's never too late to develop a financial strategy that can help you achieve your goals. Governments are beginning to acknowledge women's financial needs, however independence means taking control and building your own plan too.

Professional financial advice will help you get on track and through a combination of government policy and personal financial strategy, retirement dreams can come true.

http://mkwealthsolutions.com.au/super-savings-for-women

Clarity on charity

Not all charities are the same – some are not charities at all. So, how do you ensure that your money finds its way into the right hands... and if it is indeed tax deductible? It pays to do a little research first.

There's no shortage of charities competing for donations, and for many people the charity chosen is emotionally driven. For example, the cause may be something they feel strongly about, or a way of commemorating a loved one.

Whatever the cause, it's essential that donated funds are used appropriately and that donors are comfortable with the charity's operations.

The way the charity utilises donations is largely outside of your control, but there are a few questions you can ask before entrusting your money to them.

1. Is it a legitimate charity?

Sometimes a charity name might seem familiar but if you have any doubts you can cross-check its location details and registration status on the federal government's Australian Charities and Not-for-profit Commissions register at www.acnc.gov.au.

Beware of relying on a general internet search for verification as anyone can set up a website or social media page. If you have been approached personally, always ask for identification which displays:

- the full name of the organisation
- an Australian Business Number (ABN)
- a physical business address.

2. Are all donations tax deductible?

Donations of two dollars or more are tax deductible only if the charity has been endorsed by the Australian Taxation Office (ATO) as a deductible gift recipient (DGR) organisation.

The best way to be certain is to visit the Australian Business Register (ABR). See www.abn.business.gov.au and conduct a search on the charity's name or ABN.

3. How do you make a complaint?

Complaints about charities must be made to the relevant state or territory regulator. To find the correct regulator, visit the ATO's website www.ato.gov.au and search for "fundraising".

It's not just about money

It's often assumed that individual donations are the only way to assist a charity but there are many other ways you can help out. You could:

- Leave a bequest in your will – contact the charity to discuss your intentions.
- Donate your time – many charities are short on professional expertise. What skills do you have?
- Arrange a workplace fundraiser – see the ATO's web-page www.ato.gov.au and search for "workplace giving programs".

People support charities because it's good to help a worthy cause. However, it's easy to feel betrayed if funds are squandered or the charity is suspect.

With just a little research you can put your mind at ease and know that your donation is going to those who need it most.

www.thesuperfundco.com.au/blog/clarity-on-charity/

Don't become a one-eyed investor

BY **Robin Bowerman**

Behavioural economists warn investors about a trap known as "confirmation bias". This involves deciding on a course of action and then looking around for evidence to support that action.

The proliferation of online investment newsletters and blogs means that investors can almost immediately find someone, perhaps a so-called expert, who agrees with them.

In short, the trouble with "confirmation bias" is that it blocks out contrary opinions and research.

As investors try to come to terms with the outlook for lower returns in this low-interest environment, they may be particularly vulnerable to falling into the trap of "confirmation bias" as they seek to bolster their returns.

However, investors should treat the overload of opinions available as another form of market "noise" that must be carefully filtered so as not to distract them from their long-term goals.

In times of increased investment uncertainty, it's easier for investors to make bad decisions. And this, includes a greater likelihood of falling prey to "focusing on just the information that confirms our decisions". In other words, "confirmation bias".

A research paper, *Understanding how the mind can help or hinder investment success*[*] – published by Vanguard published several years ago, suggests that investors use a decision-making checklist. Such a checklist would include reasons why an investor should not take their proposed course of action or what could go wrong.

As renowned behavioural economist Dr Richard Thaler of the University of Chicago writes in his latest book, *Misbehaving: The making of behavioural economics*, people have a "natural tendency to search for confirming rather than disconfirming evidence".

So, don't be surprised if you suffer from at least a little "confirmation bias".

Robin Bowerman is head of market strategy and communications at Vanguard. Article reproduced with permission of Vanguard Investments Australia Ltd.

[*] *Understanding how the mind can help or hinder investment success* by Stephen Utkus, director of the Vanguard Centre for Investor Research, and a former Vanguard senior investment consultant, Alistair Byrne.

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