GDA

Your Private Wealth Specialists

WINTER 2018

INSIDE THIS ISSUE

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OPINION

WELCOME

BYRON ARNOLD, CFP®, Senior Financial Planner. BYRON is a member of the Financial Planning Association of Australia and a Fellow of the Australian Institute of Company Directors We at GDA are delighted to welcome Byron and his clients to the GDA Group.

Byron believes that "life is for living", and that people who have a clearer direction in life, make financial decisions that reflect their personal values and objectives. This helps to align their "financial" and "lifestyle" decision making. Byron works co-operatively with clients in all areas of cash flow, investments, insurance, retirement and estate planning to help them create financially sustainable lifestyles for themselves and their family.

Byron adds many unique qualities to GDA and many years of experience. Byron has already added to the atmosphere within GDA, perhaps not to the dress code as evidenced by the polka dot tie and check shirt. In all seriousness we are very pleased to have him join the group.

Byron has time available to see new clients, so if you can live with his sense of fashion please feel free to refer clients through to him.

WARREN BURT, CFP®, Senior Financial Planner. Warren is a member of the Financial Planning Association of Australia and CPA Australia.

Warren has an impeccable dress sense and a wry sense of humour. He is the style setter of Financial Services.

Warren has practiced as a financial planner since 1991 and worked in the finance industry since 1982. He utilises his extensive experience and financial knowledge to help smart people make intelligent decisions about their money, so they can achieve and do the things that are important to them. He provides strategic personal financial advice to employees, professionals or business owners who are seeking to accumulate wealth, to protect their wealth and enjoy their retirement.

Warren has capacity and is eager to meet with new clients.

GDA DIVERSIFIED PROPERTY TRUST

As many of our clients know, we have been involved in the property space for many years. The longest term group of investors in the GDA Diversified Property came in to the Trust when we rolled their investment in from the Haydon Drive Syndicate. They have been investors in one or the other of our property trusts for 22 years.

It is perhaps timely to give you an update on The GDA Diversified Property Trust. Over that period of time you go through many upheavals in the property market and on occasion some major financial disruptions where companies, banks and property trusts have failed. The 2008 Global Financial Crisis produced many such cases. It was a difficult time in the industry for many people including us.

Having said that, at GDA we take it extremely seriously. You are now starting to see some of the hard work that takes place behind the scenes come to fruition. When the audited accounts come out this year the unit price is going to show a significant increase, in fact it is anticipated that the unit price will increase from 77.14 cents on 1 July 2017 to just over 92 cents at the 30th June 2018, a return of 27.56%. The following table shows the return over 1, 2, 3 and 5 years.

GDA Diversified Property Trust	1 Year	2 Year	3 Year	5 Year
Unit Price 1 July	0.7714	0.7778	0.7753	0.7887
Unit Price 30 June	0.9236	0.9236	0.9236	0.9236
IRR Total Return	27.56%	16.16%	13.16%	10.46%

On our recommendation the unit holders voted to make the Trust open ended on 2nd June 2014, since that time to 30 June 2018 the Trust has returned 12.12%. It is of interest that the return to the original Haydon Drive investors over a 22 year period have averaged just over 10%. For the past 5 years distributions have averaged more than 7% with a significant tax deferred component.

The Trust is open to investors, should you have any questions as to whether it might be suitable for you please contact one of our financial planners.

John Fairlie Chairman

TAX UPDATE 2018

ATO's 2018 HIT LIST TARGETS SMALLER TAXPAYERS

The ATO 2018 hit list focuses on small businesses and individuals, after several years of focus on large businesses and multinationals. Undeclared income, wrongly-claimed expenses and unpaid superannuation are key features of the 2018 hit list.

The estimated gap between theoretical tax payable and the amount actually paid – is bigger for small taxpayers as a group than for its "large market" group of big businesses. The ATO estimates the large market tax gap at A$2.5 billion.

The ATO's 2018 list of target issues include:

- **Private expenses wrongly claimed:** Salary and wage-earners claiming expenses that they can't prove are related directly to work. Small businesses mingling some of their private expenses with their business expenses. This includes claiming "standard" deductions for clothing, laundry and car expenses
- **Undeclared income:** For example, why today do people want to have a cash-only business? There's no compelling business reason to have cash only. Cash-only businesses are often not declaring all income, paying cash salaries, and that may mean employees are also failing to receive proper conditions and benefits.
- **Unexplained wealth or lifestyle:** For example, a business owning family which has reported parent incomes of totalling $120,000, but has three children at private schools and has taken business class flights on overseas trips three times in the past two years. The ATO can source such information through feeds from the Department of Immigration, and even Facebook when the ATO risk filters throw up flags.
- **Unpaid superannuation guarantee contributions:** Unlike cash wages, unpaid contributions create "a real loss" for the employee, so there will be "a much greater focus" on the issue. The new single-touch payroll reporting system, which started in July 2018, will provide the ATO with much better and earlier information on unpaid contributions.

More powerful data-matching tools now available to the ATO are catching out more tax avoiders. Cutting-edge data-matching technologies are being progressively rolled out and applied by the ATO to identify and flag more errors with taxpayers.

Back in the old days, there may have just been the banks the ATO was data matching with, now they match data on credit cards and debit cards with all financial institutions.

In the 2016/17 tax year, the ATO cross-checked over 650 million transactions from third parties such as employers and banks to ensure all income is declared and the correct offsets and exemptions claimed. Consequently, 200,000 taxpayers who had apparent discrepancies in the information they reported in their tax returns were contacted and nine out of ten returns adjusted.

The ATO is assessing people on total worldwide income and they have the linkages with foreign financial institutions and governments so they can quite easily match people living and earning income overseas with their Australian obligations.

Capital gains tax obligations catch out a lot of people, and it's only after the land title office submits information to the ATO down the track, that they get a letter from the tax office. So, its important that taxpayers declare the sale of assets such as real estate, shares, whether they have any foreign income and so on.

Typically, clients who get data matching letters from the ATO do so innocently because of a business or financial oversight. They might have sold an asset that they failed to declare because they didn't think it needed to be declared, they may be a member of a family trust and didn't realise they got a distribution. When the trust tax returns are lodged and matched with the client and suddenly they get a data matching letter.

Of the $19.5 billion of work-related expenses claimed each year, electronic devices are grabbing a fast-growing share as the use of technology increases. People use their computers at home for work-related purposes but it is very important they understand the distinction between what is work-related and what is personal use.

The ATO is using increasingly sophisticated technology to check deductions and track down unusual or excessive claims. It enables it to look at every single tax return.

It's important that you have a record of the expense and can demonstrate how you calculated your claims. Every year the ATO disallows lots of claims because there is no evidence to prove the expense. Yet it's so easy to keep an electronic record, for example a photo of a receipt/invoice is sufficient.

'Other' work-related expenses will be an area of focus for record-keeping, after $7.9 billion in claims were recorded last year between about 6.7 million Australian taxpayers. Expenses of this nature can include home office, union fees, mobile phone and internet, overtime meals and tools and equipment.

The ATO is also warning against claiming private expenses where they are bundled with work expenses, such as incorrectly claiming their entire phone and internet bundle, and others who claim an overseas study trip even though they had a holiday as part of the trip.

The tax office does allow for legitimate deductions to be claimed if you're running a home office. As a general rule, you can claim a proportion of your home bills that matches the amount of space dedicated to the office. So, if your office counts as 10% of the home's floor space, you can claim 10% of your heating and energy costs. They also say you can keep a diary of a representative period or claim a flat $0.45 per hour for the time you spend working in your office.

The office needs to be a dedicated space; if you work from the kitchen table- that doesn't count.

It's important to keep your documentation straight in case you are audited. That means keeping receipts (scanned copies are fine as long as they are unaltered) and other documentation so the audit process can go through as smoothly as possible.

The ATO is looking at more than just tax returns when evaluating claims. They might even trawl though your social media posts to look for folks showing off wealth that doesn't tally up with their claims.

Tax Return substantiation Declaration

As part of this focus taxpayer will be required to sign an additional declaration for future tax returns.

Also this year GDA will be introducing an **electronic signature** process to facilitate a faster, simple, easier and more efficient process to signing tax return where you will be able to receive and authorise lodgement of your return on electronic devices. This will overcome delays in us posting out and requiring you to post back the signed declarations. It will also be more environmentally friendly saving a considerable amount of printing and paper usage. Of course, if you prefer a printed copy of your tax return for your records we will be happy to provide you with one.

MONEY MATTERS

HOW REDRAW WORKS AND WHY IT'S A HANDY LOAN FEATURE

It's one of the less glamorous home loan features, but the redraw facility deserves a second look. Here's why:

The redraw facility explained

A redraw facility lets you make additional repayments to reduce your variable rate home loan balance and save on interest. If you pay more than your minimum scheduled repayments, then you'll have money available to redraw from your home loan.

The redraw facility is a common feature of many home loans. It's not available, though, on construction loans and only some lenders allow it for fixed rate loans.

You can redraw funds if, and when, they are needed, or you can keep the funds in your home loan to pay off your principal faster. The amount available for redraw is the difference between what you have paid and how much you were required to pay, less one month's scheduled repayment.

Accessing redraw

You can check your loan account online to view your available redraw amount at any time. Alternatively, you can call your lender and ask them to check for you.

You can withdraw your funds from certain ATMs depending on your lending provider, but this may attract certain fees and come with restrictions on minimum amounts.

What happens after using redraw?

After you redraw money from your home loan, you continue to make your regular repayments as normal. However, be aware the interest component of the repayments you make will increase since you're now paying interest on a higher loan principal amount.

What are the benefits?

Like an offset account, a redraw facility can help reduce the total interest paid on your loan and shorten the life of the loan. And, of course, when you need some cash it's easily accessible.

Depending on your lender, additional payments can be made at no extra cost and redraw funds can be accessed at any time.

When comparing loans and choosing the option that best suits your financial needs, remember to consider the redraw facility.

WHAT IS LIFESTYLE FINANCIAL PLANNING?

As advisers, we play an important role in engaging clients with their finances, and helping them create better financial futures for themselves and their families. But, what if our "lifestyle objectives" are not clear, or aligned with our financial structures?

For example,

- A young couple may wish to buy a house for their family.
- These people could gain tax concessions and generally better long term returns by putting their savings in superannuation, or other types of investments that can potentially earn a higher return than by keeping their money in a bank account.
- Clearly the bank account with lower risk, and easier accessibility, provides a far better option for a client saving for the deposit on a house, or any other short to medium term goals.

Another example is for a person approaching retirement in deciding when to retire. The best financial outcome is achieved by continuing to work, but this is achieved at the expense of some of their potentially healthiest retirement years.

What's the difference between lifestyle planning and financial planning?

On the surface, lifestyle planning might sound much like financial planning. But it's about connecting money with real life, rather than just asking clients how much they need to retire on.

Lifestyle financial planning involves taking a broader view of the client, as a person, and assisting to build a high-quality, sustainable lifestyle based upon their own personal objectives and preferences, taking into account their financial situationIt places equal importance on the three building blocks of successful retirement – Money, Time and Health.

Money

Lifestyle financial planning treats money as an "enabler" or a "disabler"If you have sufficient money to do what you want, then money is an "enabler". If you don't, then money becomes a "disabler"If money is a "disabler" you have the option of changing your objective to something that is sustainable and achievable, or giving up on it.

Time and Health

In today's busy world most people don't have both the time or money to pursue their personal interests until they retireThis creates two problems:

- Younger people don't want to wait until they retire to start pursuing their own interests and objectives.
- Once they reach retirement age, most people only have a limited number of years when they enjoy the physical health and energy levels, necessary to pursue many of the goals and objectives they set for themselves during their working / family years.

Lifestyle financial planning attempts to fund higher expenditure during these earlier, healthier, more active retirement years, and assumes that your living expenses will reduce in your later retirement years.

Lifestyle financial planning also asks questions like:

- How much is enough?
- If you had everything you needed for the rest of your life, what would you do?
- If your doctor told you that you had 10 years left to live, but you would be healthy for as long as you were alive, how would you live it?

When time and health are given equal weighting in forward financial decisions, it often produces different outcomes to when decision are made based upon pure financial outcomes.

Balance

Lifestyle financial planning also generally creates more focus on the client's "passions" and helps to achieve a more balanced life, thereby making it easier to deal with the psychological aspects of retirement or transition through different stages of life.

Clear "lifestyle" goals and objectives

One of the hardest things for most clients is setting clear "lifestyle" goals and objectives.

Most people start with setting financial objectives, as they find this easierProgress towards these can be easily measuredWhen you start with financial objectives, your "lifestyle" has to fit your financial structures. You become prone to making decisions upon what gives the best financial outcome, even if it works against your "lifestyle" objectivesOne of my favourite sayings is "if you don't know where you are going, any road will take you there".

If you start with clear "lifestyle" objectives, you can not only evaluate any investment decision on possible financial results, you can also ask if this is taking you towards or away from your personal "lifestyle" objectivesSimply asking that question can often make it clear if you are receiving personalised advice.

Future Articles

We have attempted to provide a brief overview of what can be a very large topicIn future articles we will look at the benefits of "Lifestyle Financial planning" for people in different stages of life.

Article by Byron Arnold

MARKET REVIEW

Female jobs growth has been phenomenal

- Employment growth has been much stronger for females than for males over the past year.
- Strong growth in the services sector, particularly health, is behind the big lift in female employment.
- The rise in female employment has been accompanied by a lift in participation.
- There are structural and cyclical forces at work behind the lift in female employment. Actual trends in dwelling price momentum are unclear given recent volatility. Macroprudential measures are working in some areas however, the share of housing activity attributable to investors, for example, has fallen.

Overview

The labour force data can be sliced up and analysed in a number of ways. It is common to cut it up by industry, region or employment type. More recently we had a look at it from a public/private sector perspective. In this short note, we take a different approach and observe the data from a male/female split. The results are interesting. Employment growth has been materially stronger for females relative to males since 2011. And female participation has been rising at a phenomenal rate. As a result, females now make up 47% of workers and men 53%. By comparison, back in 1980, women made up 36% of workers and men 64%. Clearly, there are both structural and cyclical forces in play. Here, we explore a few of the more recent trends.

Latest trends in the data

One of the positive features of the Australian economy since late-2016 has been very strong growth in jobs. The rate of job creation has eased a little over the past three months. But the broader picture has been one of strength. Employment growth was 2.7%pa in April 2018, having averaged a pace of 3.3%pa over the prior six months. This is significantly stronger than population growth (1.6%pa). And it means that the total number of people in paid employment has risen by 332k over the year. What has flown under the radar, however, is the composition of that employment growth when looking at the split between men and women.

Over the year to April 2018, employment growth for males was 1.8%. But for females it was more than twice that at 3.9% (chart 1). Put another way, of the 332k rise in total jobs over the year to April 2018, the number of men in paid employment rose by 114k while for women it was 218k.

We can drill down further to look at the male and female split by employment type (i.e. the full-time/part-time split). The trend data, which smooths out the monthly volatility, shows that growth in full time jobs for females has been remarkable over the past year at 4.7%pa (chart 2). Over the same period, growth in the number of males in full-time employment was 2.2%.

Despite the large divergence between the rates of growth in jobs for males and females, movements in the unemployment rate for both groups have been more consistent. Over the year to April 2018, the trend unemployment rate for males fell by 0.1ppt to 5.5% while it fell 0.3ppts for women to 5.6%.

Changes in the participation rates of men and women reconciles the disparity between the magnitudes of growth in employment against movements in the unemployment rate. The overall participation rate has risen by 0.6ppts to a record high of 65.6% over the past year. The lift has been driven by female participation. In trend terms, the participation rate for women has risen by 1.1ppts over the past year to a record high of 60.7%. For men, it's lifted by 0.3ppts to 70.8% (chart 4).

What has flown under the radar, however, is the composition of that employment growth when looking at the split between men and women.

Why such strong growth in employment for females?

Chart 4 and 5 show the headcount by sector for total and females. In the year to February 2018, the health sector put on the biggest lift in headcount (+154k). Within that, female employment rose by 148k while it rose for males by just 6k. So without getting too bogged down on the detail, there a few key points to note.

First, women have an above average share of representation in the sectors that are currently putting on headcount at the fastest rate. Health, education and retail all have a higher proportion of females in employment than men.

Second, the lift in demand for workers, particularly in the services sector, has been accompanied by a rise in supply. This has meant that female participation in the workforce has been growing at a faster rate than male participation.

Third, in many industries, there has been a conscious attempt by employers to lift the female share of their workforce.

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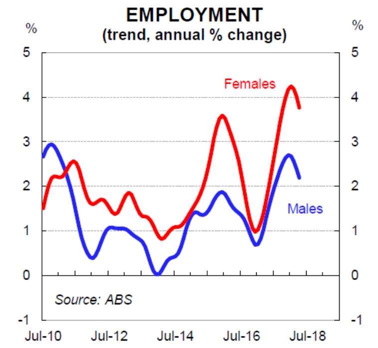

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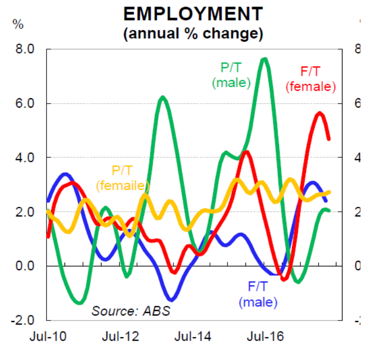

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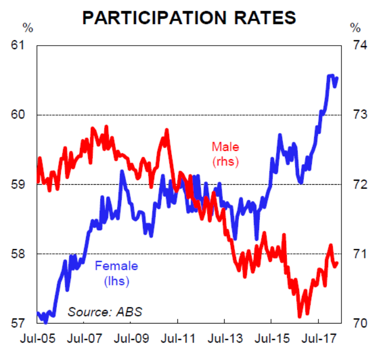

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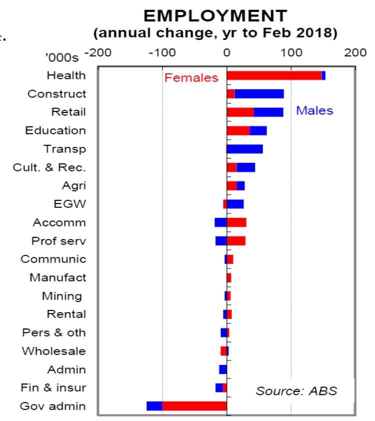

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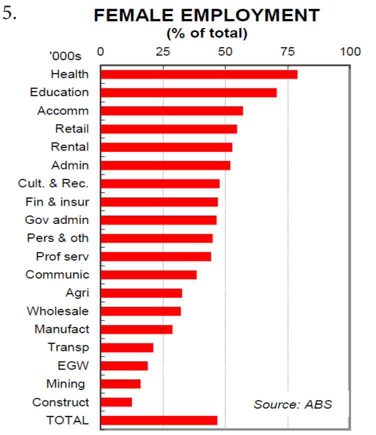

Extract from CBA Global Markets Research: Economics: CBA Edge, 12 June 2018.

For a copy of the full article, please contact the GDA office.