Start Finance
Issue: August 2017

In this edition, we take a look at how superannuation has faired over the 2016/2017 year, the falling rate of home ownership and women and superannuation".

Super Search is now part of Start Finance Services

Super Search Australia has always been a fully owned subsidiary of Start Finance Services. Due to an internal restructure we will no longer be using the name Super Search Australia. Your client file will now be managed by our parent company Start Finance Services. There will be no changes to your account.

If you have any questions about your superannuation or insurance you can contact the Client Manager's at Start Finance.

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Aside from moving from Super Search to our parent company Start Finance nothing has changed. We still offer the same quality services on which you have come to rely.

Please do not hesitate to contact either Jonathan or Evelyn if you have any questions. We thank you for your continued business.

Education for members

Visit our website, http://www.startfinance.com.au/ and keep yourself educated with our weekly Blog articles, to help stay financially fit.
(not all features are currently available on our website however they will be available in the next 30 days)

Investment updates

Finance market and investment updates emailed to you at least 6 times a year, to help keep you informed

24/7 Financial advisor

24/7 access on our website to ask a financial advisor a question, anytime online

Dedicated account manager

Priority access to your own dedicated account manager, to assist in managing your account

Claims assistance

In the unfortunate event you need to make a claim on your insurance, we are here to help and only a phone call away

Financial advice

If you need Financial Advice about anything to do with your superannuation and insurance, we are here to help

Assistance with transition to retirement

If you looking to retire you and have met the preservation age you might be able to draw down up to 10% of your super as a part pension

Personal account reviews

We will touch base with you on a personal level 3 or 4 times a year to give you an update on your account and to check if any of the following has changed

* Updates on your super funds performance.
* Have you changed jobs?
* Have you set up beneficiaries on your super fund?
* Do you think you have any other super funds out
* there that we can help consolidate?
* Have your personal circumstances changed?
* Do you have adequate insurance in your super fund?
* Are you over insured or underinsured ?
* Ensure your employer superannuation contributions are going to the right superfund.

AS A MEMBER OF START FINANCE SERVICES, YOU RECEIVE NUMEROUS BENEFITS

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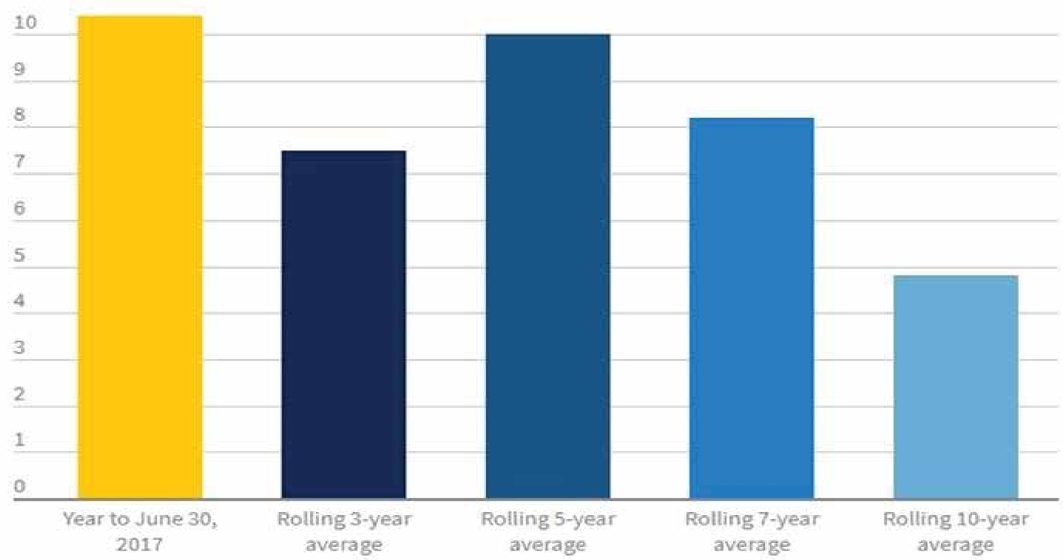
Super Fund Returns for 2016/17 financial year

Superannuation funds have produced double digit returns in the 2016/17 financial year with the average balanced option delivering a 10.4% return, according to SuperRatings research. The double-digit returns mark the strongest performance for super funds in four years, and a big jump from the 2.8% return in the 2016 financial year. The growth has added $140 billion to the national retirement savings pot. Kirby Rappell, the general manager of research at Super Ratings, said it was a "pleasant surprise" given interest rates are very low and many funds were expecting to see lower returns. - it was mostly driven by the share-market's better performance in 2016/17. 1

"Equity markets were a lot more subdued last year," Mr Rappell said. - "Aussie shares are up 12% this financial year and international shares are up 15%..."

Super Performance

Average returns over time



Over the long term, most balanced funds are designed to deliver a gross rate of return above inflation plus 3.5% growth a year. Since 1992, when compulsory super commenced, most super funds had outperformed that benchmark by delivering an average of 7.4% a year. The rolling 3-year return to June 30, 2017 is 7.5%, but the rolling 10-year return is only 4.8% due to effects of the global financial crisis (GFC) in 2007-2008.

Most Australians are in the default option for their super fund, usually a so-called "balanced" option. This means the investment outlook is somewhere between the low-growth but stable "conservative" option and the high-growth but volatile "growth" or "aggressive" option.

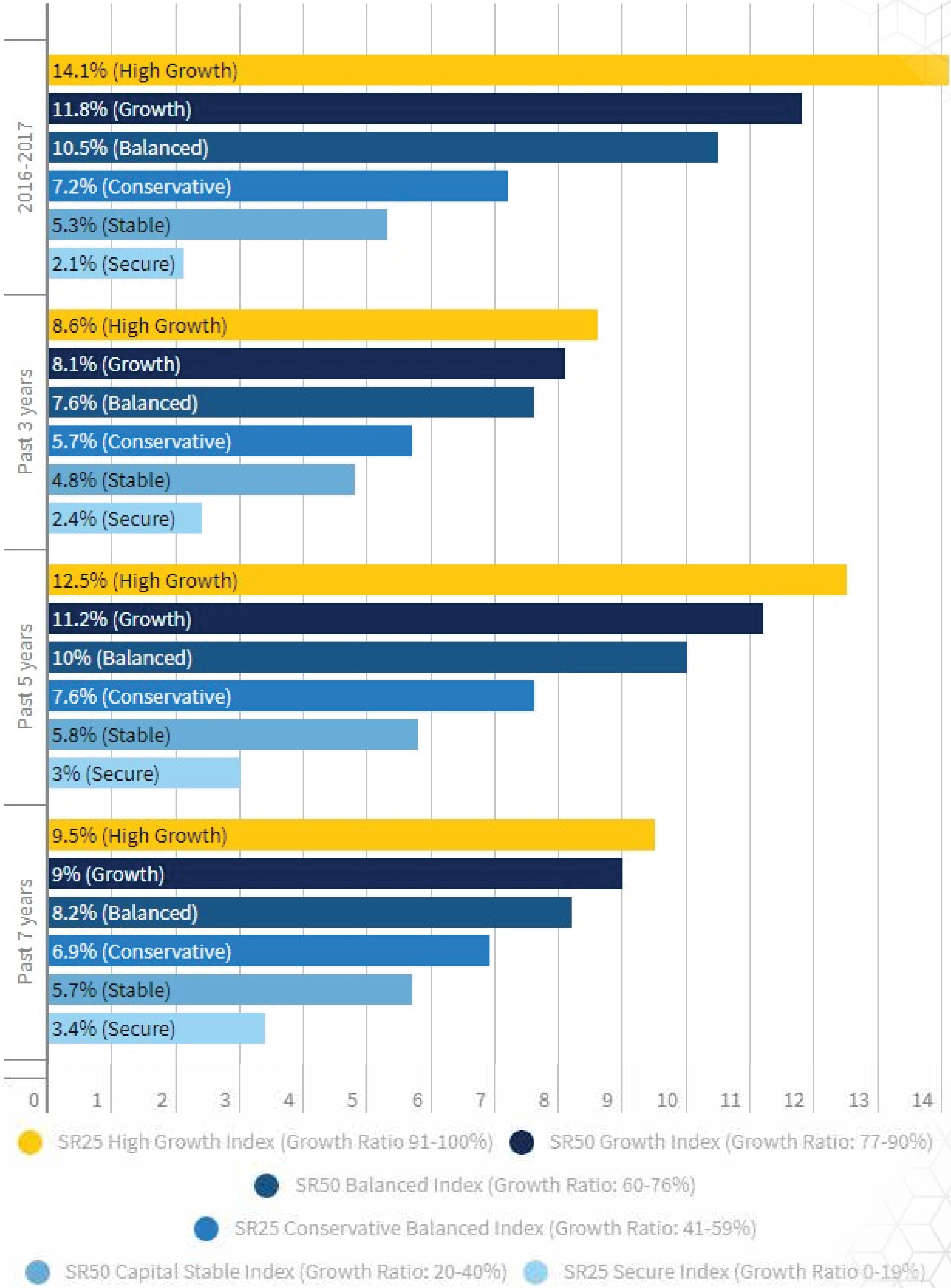
One-year returns grab the headlines partly because they're simple but also because they're volatile and that makes the story more exciting.

The super funds that make the top 10 in one year are not necessarily those that deliver the goods in the long run. There's a lot of luck involved in investing in the short term. - the long-term results are rarely as exciting but this is what really counts. The best funds might be a few percentage points higher than average but even subtle differences of a few basis points add up over time, thanks to the magic of compound interest.

The table below shows the top 10 super funds ranked by annualised returns during 10 years. Funds often prefer to cite a 7 year average to exclude the global financial crisis, which obviously makes them look better. The argument has merit if you regard the GFC as an anomaly.

The long view on super

Annualised returns of super investment options



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Falling home ownership - rising inequality

During recent weeks the Opposition Leader Bill Shorten, Treasurer Scott Morrison, and Reserve Bank governor Philip Lowe have all weighed in on the topic of falling home ownership and the rising inequality.

There are widely different perspectives on what's happened to income inequality recently, however the trend in wealth inequality is fairly clear. RBA Governor Lowe it has become "more pronounced" over the past five or six years.

Housing is the biggest source of wealth generation for Australian households

If the latest figures on home ownership rates are any guide, the debate about inequality has longer to run. In the 2016 census, released in June 2017, it showed the share of home owners has fallen to 65.5%, the lowest level in more than 60 years.

There have been two distinctive features to this decade-long downward trend, one generational and the other geographical.

The decline in ownership has been sharpest among younger households with the 25 to 34yo's standing out. - in 1986, 58% in that age group owned a home but that's now shrunken to 45%.

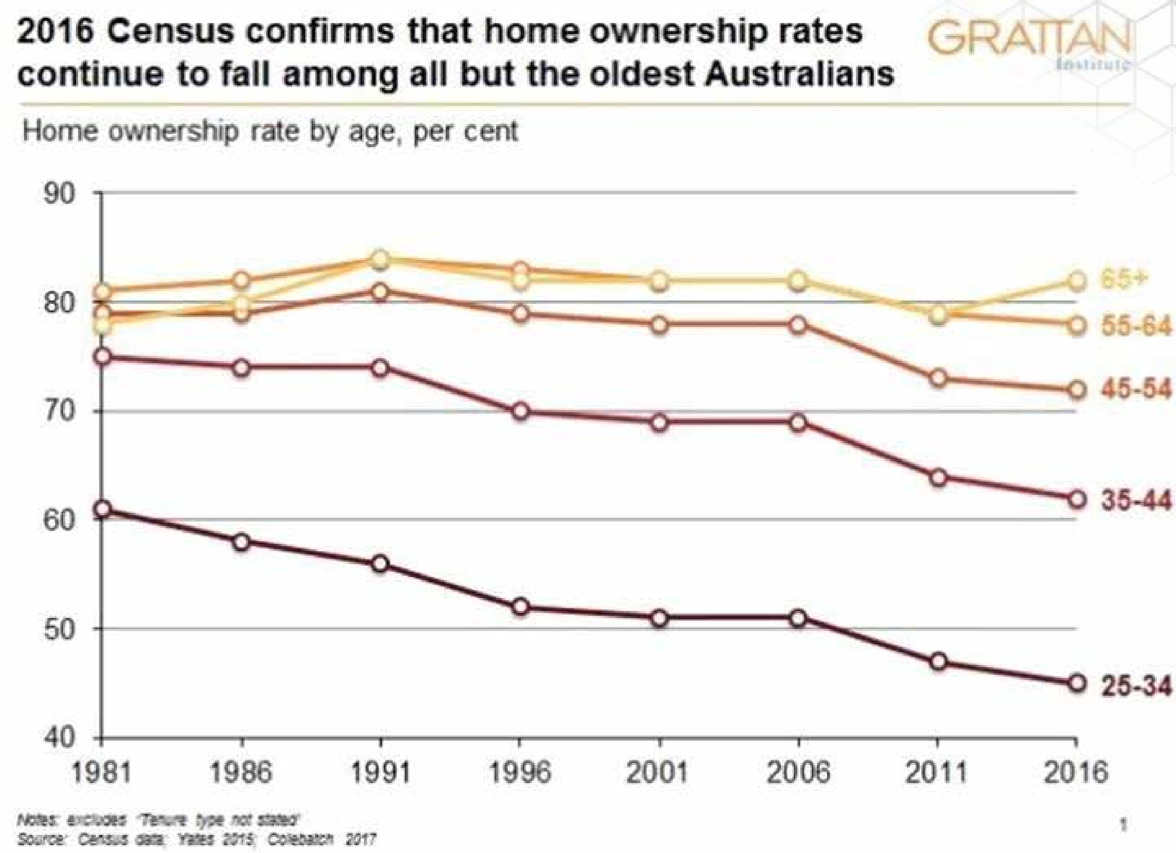

PHOTO: Mortgages now represent a quarter of household incomes. (Supplied: Grattan Institute)

There has also been a marked decline in home ownership in the suburbs of Australia's biggest cities, especially in Melbourne and Sydney. Analysis by the Grattan Institute think tank shows the rate of home ownership fell in 95% of Melbourne suburbs between 2011 and 2016 and in 87% of Sydney suburbs. 1. The scale of the decline in many inner and middle-ring districts is striking.

In 10 of Melbourne's "level 2" statistical areas (which normally combine two or three adjacent suburbs depending on their size) the home ownership rate plunged by more than 9 percentage points between 2011 and 2016. That includes Abbotsford (-14.2 per cent), Brunswick East (-9.3) and Maribyrnong (-9.1).

There were similar falls in a clutch of Sydney's middle ring neighbourhoods including Arncliffe-Bardwell Park (-12.7 %) Homebush Bay-Silverwater (-9.6%) and Castle Hill-East (-9.1%).

Complex demographic and economic forces have underpinned the decline in home ownership. A long-term trend for young adults to delay having children has played a role. The surge in house prices has also been a major factor. It is no coincidence the sharp falls in home ownership across Melbourne and Sydney recently, and a rise in the share of renters, coincides with a period of rapid property price growth.

Median House Price

	2007	2010	2013	2015	2017
Bundoora	$331k	$515k	$464k	$572k	$747k
Werribee	$223k	$285k	$281k	$315k	$434k
Pascoe Vale	$369k	$658k	$582k	$725k	$816k
Ringwood	$351k	$563k	$471k	$690k	$845k
Frankston	$259k	$364k	$350k	$405k	$557k

Source: REIV, March 2017

The Australian Housing and Urban Research Institute recently released research showing that, at the current rate of home ownership decline, the number of households eligible for rent assistance will be 61% higher by 2031 than in 2011. Australia's retirement incomes system, which assumes a high rate of home ownership, will also come under added pressure as more people enter retirement without owning property or still paying off a mortgage. 2.

Sources :

1. Home ownership in Australia in decline for three decades: Grattan Institute, Stephanie Chalkley- Rhoden, 17 Jul 2017

   http://www.abc.net.au/news/2017-07-17/home-ownership-in-australia-declines-for-decades/8677190

2. Inquiry into housing policies, labour force participation and economic growth, Australian Housing and Urban Research Institute, June 2017

   https://www.ahuri.edu.au/research/final-reports/285?utm_source=website&utm_medium=homepage&utm_campaign=featurepanel

Is Superannuation selling women short?

Australia's superannuation system is failing in its primary goal of providing universal benefits and is systematically biased against women, a major study has found. 1

Twenty-five years after its introduction, women are on track to retire on roughly half the superannuation balance of men, with the typical woman's balance on retirement just $80,000, enough to live on for just three years, even on the most basic of living standards.

Conducted by **David Hetherington from progressive think tank Per Capita and Warwick Smith for the Australian Services Union, the study polled 4000 union members and used data from the Household, Income and Labour Dynamics survey to track how superannuation balances were changing over time. 1.**

"I will be stuffed," said one. "I expect to be poor, I may become functionally homeless," said another. "Women continue to be financially penalised across our lifetime because of our reproductive capacity, our lower wages and because of deadbeat dads who refuse to pay their share of the financial burden of raising their children (not all dads are like this but, by God, there's a lot of them)," said another respondent. At age 25, women have roughly similar superannuation balances to men. By the prime child-rearing ages of 35 to 44 their balances are 30 per cent lower, and by ages 45 to 64 they are 45 per cent lower.

The report says superannuation is predicated on the notion that every worker is an employee. But the rise of non-standard work means almost a quarter of subcontractors, for themselves or on zero-hours contracts.

One in every two employed women works part-time compared to only one in every five men. On average, women employed full-time earn 20 per cent less than men.

Because superannuation builds up with wages and because women spend more time out of the paid workforce than men they accumulate much less.

It would appear that the model of working men supporting homemaker women was fast disappearing. - in that model household income was provided by one breadwinner, usually a man, via a job that was full-time and dependable. Implicitly, the benefits of superannuation would largely flow to women through their male partners. What has happened since is that many more women have entered the workforce to earn and save independently, but the nature of work available to them has been more intermittent and lower paid than men's. This, combined with the fact that women still do the overwhelming majority of unpaid housework, caring and parenting, means that the benefits of super, which move in direct proportion to base pay, have not flowed to female recipients as hoped.

The researchers recommend that each person's super be assessed against an "accumulation pathway" that would model the superannuation balance at each age needed to afford a basic retirement. The government would make top-up payments, of 2.5 per cent of income, to people falling more than 5 per cent below the pathway. 1.

Amongst a number of proposals, the researchers submit a number of proposals for Federal Government to consider, including,

- a superannuation contribution on top of the carer payment for all carers (male and female) below the accumulation pathway;
- a superannuation contribution at the prevailing SGC rate for the government's paid parental leave scheme;
- a co-contribution top-up of 2.5% of income, paid annually, for account holders more than 5% below the accumulation pathway. This top up would be phased out on a sliding scale as balances approach the accumulation pathway;
- retention of the Low Income Superannuation Tax Offset (formerly LISC), with an increase of the maximum tax repayment to $1,000;
- removal of 15% contributions tax for all men and women more than 10% below the pathway;
- elimination or reduction of the minimum threshold for compulsory employer contributions of $450 per month in earnings;
- structures and incentives that encourage superannuation contribution sharing when only one parent is working, and specifically that make it easier and more acceptable for men to take time out from work to share the caring burden;
- reduction of the effective marginal tax rates faced by second earners returning to work after having children. One option for achieving this aim is to make Family Tax Benefit payments universal for all parents while increasing the top marginal tax rates such that the overall impact is revenue neutral. In addition, improved access to and affordability of childcare would increase the financial incentive for women to return to work;
- inclusion of a superannuation component in Family Tax Benefit B. FTB B is already calculated on the basis of one parent having a low income. This information could inform a superannuation payment schedule for parents who are below the superannuation accumulation pathway.
- mandatory publicly reported gender analysis of government policies and programs, including, but not limited to gender-based budget analysis;
- prompt implementation of the planned increase in the Superannuation Contribution Guarantee rate to 12%."

Sources :

1. Not So Super, For Women Superannuation and Women's Retirement Outcomes, David Hetherington & Warwick Smith, July 2017

   http://www.asu.asn.au/news/categories/super/170720-new-report-reveals-retirement-is-not-so-super-for-womenasu-percapita-report--not-so-super-for-women--07-2017 (1).pdf