

A man with a beard and sunglasses, wearing a light blue button-down shirt, stands next to a woman with short grey hair and glasses, wearing a white button-down shirt and a blue and yellow patterned scarf. They are both looking at a smartphone held by the man. The background is a bright, outdoor setting with a body of water and a boat visible in the distance.

PortfolioWatch

Quarterly newsletter – Summer 2018

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Apt.

WEALTH PARTNERS

Ageing and aged care in Australia

The number of people aged 65 and over in Australia is projected to more than double, to 8.8 million, over the next 40 years¹. This will undoubtedly increase the need for aged care in the community and put pressure on families and Government funding.

In Australia, the Government subsidises different types of aged care services to cater for older peoples' needs and to support their carers – usually their family. This is a sensitive and complex area and for more and more Australians is a decision they will need to make for themselves or a family member in the future. It makes sense to understand the process and plan ahead to ensure you and your family members receive the care they need, when they need it.

Receiving help at home

Initially, for most people, receiving care at home is the most convenient and the least unsettling option. There are two levels of support.

1. Entry-level support: the Commonwealth Home Support Programme

The Commonwealth Home Support Programme (CHSP) can provide ongoing or short-term care and support services including planned respite care to give you or your carer a break, help with housework, personal care, meals and food preparation, transport, shopping, health and social support.

To access the CHSP, you need to have a home support assessment completed by a local assessor from a Regional Assessment Service (RAS)². The RAS assessor will work with you to develop a support plan that reflects your entry-level aged care needs, goals and preferences.

Costs

The Government subsidises a range of services to keep fees affordable. An income and assets assessment is not required to access these services. You will simply need to discuss and agree any fees with the service provider.

2. Complex support: the Home Care Packages Program

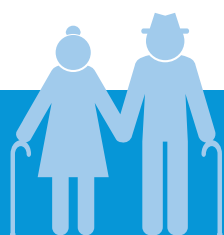
When your aged care needs increase, you can be reassessed to receive a Home Care Package to meet your specific care needs within the home.

An Aged Care Assessment Team (ACAT) will assess your Home Care Package needs. In Victoria, this is called Aged Care Assessment Services (ACAS). There are four levels of Home Care Packages to meet an individual's needs ranging from basic to high.

Costs

The Government provides a different subsidy amount for each level of Home Care Package. You will need to contribute to the cost of your care if your income level, including any Age Pension that you or your partner receives, exceeds certain thresholds. This is called the Income-Tested Care Fee and it is capped at \$14.96 per day for part pensioners and \$29.92 per day for self-funded retirees.

On top of the Income-Tested Care Fee, you need to pay basic daily care fees of \$10.43 regardless of your income level.



There are currently more than 121,000 people³ in need of aged care who are waiting for suitable care. This includes over 40,000 people assessed as needing a higher level of care than they currently have³. The waiting time for a high-level care package is at least 12 months. It is important that you and your family are aware of these timeframes and plan ahead.

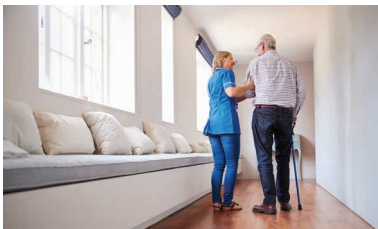
Receiving care in a residential aged care home

If you can no longer live at home, there is the option to move into a residential aged care home. An aged care home provides accommodation and help with everyday tasks, personal care or 24-hour nursing care.

Care and services that are provided include:

- hotel services such as bedding, cleaning, meals, social activities and help in emergencies
- personal care such as assistance with eating, dressing, arranging access to health professionals and emotional support
- complex care and services such as nursing and therapy services.

Your care needs will be assessed and approved by ACAT (ACAS in Victoria).



Finding a home

Each home is different, so visiting a selection of homes will help you to find out what you can expect. You'll be able to see what the accommodation is like and what types of care, services and activities they offer.

It generally takes a few weeks to receive the assessment results from ACAT and can take one to three months to find a suitable aged care home.

Costs

The Government pays for the bulk of aged care costs, however, you are required to contribute to the cost of care based on your financial situation. You and your partner's income and assets will be used to determine the fees that are applicable. Your family home will not be included in the assessment if it is occupied by certain protected persons, such as a spouse, a carer or close relative under certain circumstances.

You will need to pay one or more of the following in an aged care home:

Fee	Services covered	Funding/cost
An accommodation payment	Covers the cost of accommodation in the home.	<ul style="list-style-type: none"> ➤ Low means-tested residents will have their accommodation costs met in full or part by the Government. ➤ High means-tested residents will need to pay the accommodation price agreed with the aged care home.
A basic daily fee	Covers living costs such as meals, power and laundry.	Currently \$50.66 per day
A means-tested care fee.	This is an additional contribution towards the cost of your care if you and your partner's income and assets exceed certain thresholds.	Based on you and your partner's assets and income level. The means-tested care fee is currently capped at \$27,232 per annum and is also subject to a life time cap of \$65,358. These amounts are indexed on an annual basis.
Fees for extra services	Extra service fees may apply if you choose a higher standard of accommodation with an extra service status.	The services and fees vary from home to home and must be published.
Additional fees	Depending on your assessed care needs, you may be asked to pay additional fees for some of the complex care services provided that are critical to your care needs.	The additional fees can only be charged if you are receiving a direct benefit from the care or services the aged care home is providing that they are not required to provide by law.

Aged care can be complex and, like other financial decisions, it makes sense to understand the options available so you and your family can make suitable arrangements as well as good financial decisions.

If you or a loved one needs aged care, please contact us and we can help.

1 [Australian Institute of Health and Welfare 'Australia's welfare 2017: in brief' 19 October 2017.](#)

2 The RAS does not operate in Victoria and Western Australia. The My Aged Care contact centre can assist you in these states to find assessors in their local area.

3 [Australian Department of Health 'Home care packages program data report' September 2018.](#)

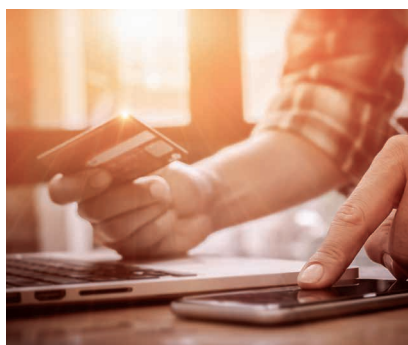


CYBER CRIME

The rising cost of cybercrime

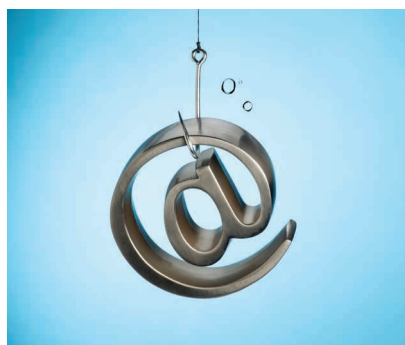
Last year, more than six million consumers – one in three Australian adults – fell victim to identity theft, credit card fraud or had their passwords compromised.¹ This cost the Australian economy more than \$2.3 billion, and, at an individual level, cost each victim an average of approximately \$195 and 16.2 hours (or more than two business days) to rectify.²

We explain a few common traps that you should watch out for to protect yourself online.



Advance fee fraud

This sort of scam generally involves someone contacting you to request that you pay a fee upfront or provide personal information in return for money or a reward. Unfortunately you'll be waiting in vain for your prize to appear!



Phishing emails

Phishing is an attempt to trick you into supplying personal information, such as passwords and credit card details. Often, the email looks like it has come from a well-known company like a bank, an energy company or even the Australian Tax Office, Australia Post or PayPal. Remember, no matter how credible the email appears, most companies will never ask for this type of private information over email.



Social networking scams

Through a phishing email, scammers will ask you to enter your account details into a copy of a login page of a social networking site, such as, Facebook. Once they have your login details, they will take control of your profile to ask for money from your friends or family by pretending to be you in need of financial help.

For further information on cybercrime visit the [Scamwatch](#) and [ACORN](#) websites.

¹ Norton 'Cyber Security Insights Report – Australia' 2017

² Nine Finance 'Six million Australians fell victim to cybercrime in 2017', Stuart Marsh, 19 February 2018

³ ACCC 'Beware investment wolves knocking at the door' 23 July 2018

⁴ Australian Government 'Stay smart online' – Ransomware



Golden opportunity investment scams

These scams involve a fraudster offering you a fake investment opportunity that is 'not to be missed', 'high return' or 'guaranteed'. Disturbingly, in 2018 more than \$26 million has been reported lost to investment scams³.

With the recent hype surrounding Cryptocurrency, this is one type of investment where scamming is prevalent. The fraudsters advertise themselves as a person or company that helps people invest in Cryptocurrency. If you show interest, the 'investment broker' directs you to a website that looks very professional and encourages you to sign up. After completing the registration, they ask you to deposit money by transferring funds or depositing Cryptocurrency into their online wallet. Once they receive your 'investment' the scammer becomes difficult to contact or disappears completely. You receive no return and your investment funds are gone for good.

To check if a company is licensed, use the Australian Securities and Investment Commission (ASIC) [Australian Financial Services licensee register](#) and before parting with any money, speak with your financial planner.



Ransomware

Ransomware is a type of malicious software (malware) that locks your computer so you can't access your files until you pay a fee.

Ransomware can be an attachment or link in an email or on a website.

There are two main types of ransomware.

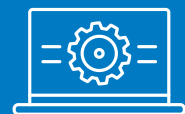
- **Crypto-ransomware:** encrypts your files with an unknown password. The password is randomly generated by the attacker to make it impossible for you to guess. You won't be able to access your files until you pay the ransom and get the password to unlock them from the attacker.
- **Lockscreen ransomware:** locks your computer screen or files. A message will appear on your screen telling you that you need to pay a ransom before you get your access back. You won't be able to remove the message or access your desktop, apps or any files until you enter the password to unlock your screen.

If you are ever infected with ransomware – The Australian Federal Police strongly advise that you never pay the ransom.⁴ Instead, restore your files from backup and seek technical advice.

Tips to help you stay safe online

There are a number of steps you can take to protect yourself online.

- **Passwords:** To keep your passwords safe consider using a password manager, such as Dashlane, LastPass, KeePass or RoboForm.
- **Suspicious contact:** Don't open suspicious texts, popup windows or emails and don't click on links or open attachments. If in doubt, always delete the email or text. Be aware that scammers can use all forms of communication. Apart from email, you can also be contacted via telephone, letter, social media or text message. If you're unsure whether a call or email is genuine, verify the identity of the contact through an independent source such as a phone directory or website.
- **Back it up:** Remember to use a portable hard drive, USB or cloud service to back up your documents and photos on your computer or phone on a regular basis. By backing up you can easily recover all your computer files should you become a victim of cybercrime. Also, make sure you disconnect your back up from your computer because any backups connected to your computer could also be rendered unusable.
- **Antivirus:** Ensure you run antivirus software with the latest antivirus signatures to scan for malicious code.



If you're contacted out of the blue with an investment opportunity that sounds too good to be true, **please contact us** before going ahead with any decision.

Investment market review Quarter – ended 30 Sept 2018



Australian shares

The S&P/ASX 300 Accumulation Index underperformed global markets in the September 2018 quarter, rising 1.5%.

On a sector level, the best performers were telecommunications (up 22.6%), technology (up 9.9%) and health care and industrials (up 3.4%). Utilities were the worst-performing sector (down 5.7%), due to rising bond yields and the threat of a Royal Commission inquest into industry pricing. This was followed by the materials sector (down 2.8%) and the financials sector (down 1.4%).

The strength in the telecommunication sector reflected that shares had arguably been oversold on concerns of mobile phone competition which was alleviated by the prospect of a TPG-Vodafone merger. So, instead of four mobile phone plan options there are now three with less competition implying better profits.

The financials sector continued to struggle owing to disclosures in the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and the prospect of a tougher regulatory environment in the future.



	1 year (%)	5 year (% pa)	10 year (% pa)
Australian shares	14.0	8.2	7.7



Listed property trusts

The Australian real estate investment trust (A-REIT) sector generated a strong return of 1.3% during the September 2018 quarter, however, a headwind for the sector was the increase in bond yields.

A-REITs are viewed as a proxy for bonds, which means rising bond yields (in this case because of strong US growth) can result in poor performance for this asset class. However, valuations heading into the September 2018 quarter were closer to reaching their fair value because their price increases during the June 2018 quarter meant these trusts were not particularly undervalued.



	1 year (%)	5 year (% pa)	10 year (% pa)
Listed property trusts	13.2	12.6	6.5



International shares

International share markets had a strong quarter with the MSCI World Index in Australian dollar terms recording a gain of 7.4%.

The strength can be attributed to improved corporate earnings and economic fundamentals, particularly in the US. To be specific, the synchronicity of these factors has faded in recent months, led by a weakness in China and Europe while the US goes from strength to strength. Given US shares still dominate global indices, their ongoing strength helped the global index finish the quarter higher. That strength was driven by the ongoing leadership of major US technology companies. Apple and Amazon crossed the threshold of companies valued at more than US \$1 trillion, driven by strong iPhone sales and Cloud services.

Chinese shares, especially those on the mainland Shanghai exchange, entered another bear market (a decline of over 20% over the quarter) weighed down by a combination of US trade war concerns and tightening credit conditions exacerbated by the People's Bank of China striving to reduce excessive leverage in the Chinese economy. The concern over trade wars, in addition to the rising US dollar, affected emerging markets during the quarter. Emerging markets produced a small positive return of 1%, which obscured weakness not only in China but also in Turkey and Argentina.



	1 year (%)	5 year (% pa)	10 year (% pa)
International shares	20.6	15.0	9.5



Fixed interest

At the end of the September 2018 quarter the Australian 3-year bond yield was 1 basis point (bp) lower at 2.05% and the 10-year rose by 4bps to 2.63%.

The US yield curve rose with the 3-year bond yield increasing 26bps to 2.88% and the 10-year rising by 20bps to 3.06%. Global trade concerns continued to be a feature of the quarter with new tariffs implemented by the US and China against one another in both July and September. This contributed to volatility in yields but US yields increased overall. Over the coming months, we may see additional volatility in bonds and other asset classes as investors adjust to the prospect of better risk-free returns. This may encourage investors to reduce their shareholdings and increase their holdings of bonds because bonds offer a more competitive return. The Australian outlook remained broadly flat during the quarter due to trade war concerns and weaker inflation with continued low wage growth pointing towards the Reserve Bank of Australia (RBA) being on hold for longer. A further contributor is the out-of-cycle increase in interest rates by several major banks which will curb consumer spending and achieve a similar effect to an RBA interest rate hike.

	1 year (%)	5 year (% pa)	10 year (% pa)
Fixed interest	3.7	4.3	5.6



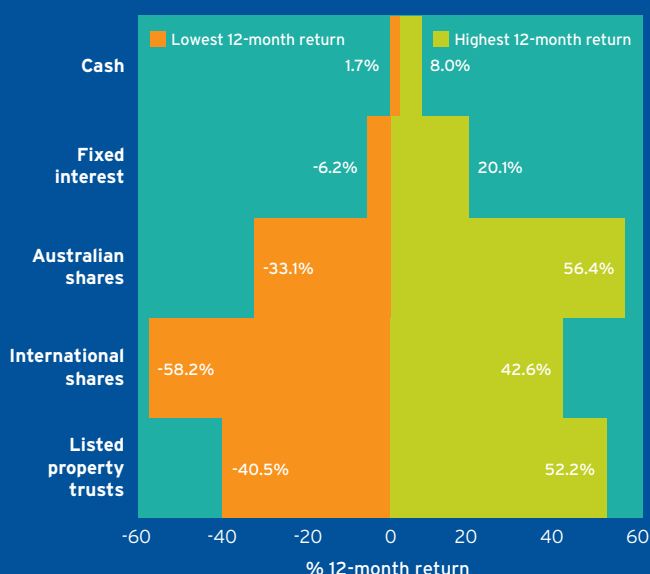
Cash

The RBA left the cash rate unchanged at a historical low of 1.5% in the September 2018 quarter, as it remained concerned about low wage growth and high levels of household debt.

Rising job vacancies should see wage growth and inflation rise, which should lead to a gradual increase in interest rates, but this is not expected until late 2019. June 2018 quarter economic growth surprised to the upside, with 3.4% growth for the year, which was mainly attributable to a strong contribution from an increase in consumer spending. The household savings rate also declined to a record post-global financial crisis (GFC) low, which implies consumers are using their savings to maintain their standard of living in the absence of wage growth.

	1 year (%)	5 year (% pa)	10 year (% pa)
Cash	1.9	2.2	3.2

The long view – highest and lowest 12-month returns over 25 years



This chart displays the highest and lowest 12-month returns of the major asset classes since May 1993.* As you can see, cash provides stability and security, having never generated a negative return over a 12-month period. The trade-off for this stability and lower risk is that cash will be unlikely to match the higher returns generated by other asset classes.

Source: Bloomberg. Indices used are: Cash – AusBond Bank Bill, Fixed Interest – AusBond Composite 0+ year, Australian shares – S&P/ASX 300 Accumulation, International shares – MSCI World Net Total Return Index (AUD), Listed property trusts – S&P/ASX 300 A-REIT Accumulation.

* Data is from May 1993 to September 2018 for all classes except Property where the underlying index begins in June 2002.

Estate planning for overseas assets

With one in four Australians born overseas and almost half of us with a parent born overseas¹, it makes sense that you or your family may have a home or other assets located outside Australia. While this is positive for your overall wealth it may impact your estate plan.

So, you've bought a holiday home overseas or you've received an overseas inheritance from a family member. While you may think that you can leave these assets to whoever you want when you die, this is not necessarily the case.



Forced heirship

There are many countries around the world that operate under a system of forced heirship. In Australia, we are free to give our assets to whoever we want under testamentary freedom. Certain categories of people can challenge a Will but there are a number of things that they need to prove before their claim is successful.

In contrast, in countries with forced heirship, a proportion of a person's estate has to pass to certain classes of beneficiaries. Typically, these are spouses, parents and children. This means, if you have property or other assets in a country with forced heirship, your Australian Will may not be recognised and your assets may not go to who you want them to.

Forced heirship exists in parts of Asia, Latin America, the Middle East and Europe in countries such as Greece, Italy, France and Germany.



Overseas Wills

Some countries do recognise Australian Wills however, if you have overseas assets, it's advisable to have an overseas Will prepared in addition to your Australian Will.

You should also obtain advice from a lawyer in the country where you own the assets. Not only to check if your Will would be recognised in that country but to find out what the tax implications are for your estate and for your beneficiaries.



Tax considerations

In Australia, we don't have estate, gift, succession, inheritance or death duties but some countries like the United Kingdom (UK) and United States of America (US) do.

For example, in the UK when your assets reach a certain threshold, inheritance tax applies at a rate of 40%.

If you hold US citizenship, your worldwide estate is subject to US Federal Estate Tax. However, there are deductions available to offset this estate tax. For example, there is a marital deduction available for bequests made to a spouse who is a US citizen.

Every country is different and arrangements can get very complicated when you have assets overseas. **Please contact us** if you or a loved one has assets overseas and we can help you with your estate planning arrangements.

¹ 'Australian Census of Population and Housing' ABS, 2016.
Source: Australian Executor Trustees

Sydney

Level 28, 31 Market Street, Sydney NSW 2000
t 02 8262 4000 f 02 9283 6331
e sydney@aptwealth.com.au

Melbourne

Level 8, 360 Collins Street, Melbourne VIC 3000
t 03 8779 5254 f 03 8779 5262
e melbourne@aptwealth.com.au

Geelong

24 Moorabool Street, Geelong VIC 3220
t 03 5221 7557 f 03 5222 5037
e geelong@aptwealth.com.au

Apt Wealth Partners Pty Ltd ABN | 49 159 583 847 | AFSL Number 436121

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