

Progressive Recovery

After two years of market turmoil the economic outlook looks promising. The Australian sharemarket reached its nadir in March 2009. At that point, it is fair to say, we were dependent on the sovereign strength of government guarantees (and the support of China as a lender) to prevent the collapse of the global financial system, and the profound impact of that event on economies throughout the world.

Had global credit markets and the global economy collapsed, no form of investment would have been 'safe' – whether cash, shares or property.

We can all breathe a sigh of relief. In the end we are all dependent on political and economic stability and continuity.

The magnitude of global suffering and the refugee flows worldwide are daily evidence of the distress arising from political and economic failure and of the corruption which both accompanies it and causes it.

The Rate of Recovery

What has been both pleasing and surprising is the rate of market recovery. At the time of writing the Australian sharemarket has risen some 45% from its bottom in March 2009.

Stimulus spending has been the powerful determinant in countering the certainty of recession.

AEU/RV January Seminars Retirement 2010/2011

At the AEU Offices
112 Trenerry Cres. Abbotsford

Thurs. 7th Jan. 2010
10.00am – 12.00 midday

Tues. 19th Jan. 2010
10.00am – 12.00 midday

Bookings: Rhonda Webley at the AEU until 18th December 2009. Rhonda.Webley@aeuvic.asn.au or (03) 9417 2822.

Bookings from 4th January 2010 to the RV office (03) 9820-8088.

It is still sobering to note that unemployment levels in Australia have risen from 3.5% to 5.7% and are expected to reach 6.7%.

Calls for the withdrawal of all stimulus spending at this point are misguided. While the rate of stimulus spending can be reduced we are not yet out of the woods.

We can, however, go into the year end break with a degree of comfort which has not been possible over the past two years.

Super Contributions – A Warning

Under rules introduced from 1st July 2009 the maximum **total** of 'concessional' contributions to super allowed for the 2009/10 financial year are – \$50,000 for age 50 and above, and \$25,000 for those below age 50. Concessional contributions comprise employer contributions, salary sacrifice contributions and personal tax deductible contributions. The total of all of these must be within the threshold. Amounts above the threshold will attract tax at the maximum marginal rate (46.5%). A reminder to anyone who is unsure of their prospective position for the financial year – contact your adviser.

Continuing Care Reports

RV's year end *Continuing Care* Reports will be forwarded to clients during the first two weeks of February 2010.



But, for now, it is Christmas again. To quote the tag line of a long gone soft drink commercial – a '*pause that refreshes*'. Enjoy the time with family and friends.

Thank you for your support in 2009. We look forward to working with you in 2010.

Our Best Wishes for the Holiday Season

Alan - on behalf of the RV staff

RV Office Xmas Closure 2009

Close: Thurs. 24th Dec. at 12.30pm
Re-Open: Mon. 4th Jan. at 8.15 am
Full: Mon 11th January 2010

Aged Care – The Changes Continue

As we get older, our needs can dramatically change. A third of all men and half of all women who reach age 65 will go into permanent residential care at some point in their lives. Understanding the alternative accommodation options can be a daunting process. Rob Jowett is RV's specialist in the area. Here he looks at the raft of changes recently introduced.

The Winter 2008 edition of *RV Client News* highlighted issues associated with the move into Aged Care accommodation - an area in which clients are increasingly seeking expert advice, particularly in relation to ageing parents.

Costs

Aged Care accommodation cost is a complex area and one that is regularly subject to change. Significant changes were introduced in March 2008 affecting three types of charge - the basic daily care fee, the income tested fee and the accommodation charge. The recent Increase to the Age Pension (September 2009) has led to further changes in the process of determining charges

Fee Types and the Changes

Although the Australian Government subsidises the costs associated with Aged Care, residents are generally required to contribute towards the cost.

The basic daily care fee is a contribution by a resident toward accommodation costs and living expenses and is the minimum fee payable by a nursing home or hostel resident. Under the new legislation, there are now four different rates of basic daily care fee which are determined according to a resident's income and date of entry into aged care. The four fees and current rates are:

- Standard resident contribution (\$36.94 per day)
- Protected resident contribution (\$33.74 per day)
- Phased resident contribution (\$33.74 per day)
- Non-standard resident contribution (\$42.02 per day)

A resident in a nursing home or hostel may also be required to pay an income tested fee.

It is important for all aged care residents (including self funded retirees) to provide Centrelink with details of their financial circumstances. Not doing so can result in the maximum income tested fee being payable (currently \$59.38 per day).

The income tested fee is determined by the resident's 'total assessable income' above a threshold. Under the new fee structure, there are two thresholds, one for new residents and a different threshold for 'protected' residents.

It is important to note that the income tested fee may be adjusted at any time in line with changes to the resident's assessable income. Depending on the resident's situation, there may be an opportunity to reduce the income tested fee and increase Age Pension.

There are no changes to accommodation bonds or accommodation charges. Where the family home is retained and rented, care needs to be taken in regard to how the bond is paid as this can impact on homeowner status and assessment of rent for Centrelink purposes.

Seek Advice

In many instances those entering the Aged Care system are not obtaining the most efficient cost outcome available to them.

Appropriate structuring of assets and income can significantly influence the level of Aged Care fees payable and the level of Age Pension.

Seek our advice, preferably prior to assessment.



Casebook – Three Recent Cases

Prospective clients often raise with us information or advice they have received elsewhere. In some cases it can be in a formal Statement of Advice they bring with them - in other cases a comment on what a staff member at a super fund or an Adviser has recommended they do.

Too often it is ill informed. Occasionally it is dangerously wrong.

We decided to list some recent examples to alert you.

Generic Plans

Recently a prospective client came in to see Rob Jowett and brought with her a Statement of Advice she had received from an Adviser contracted to a super fund. She dropped it on Rob's desk and said –

'I paid three and a half thousand dollars for this and I could have printed it off the internet.'

Generic plans are too common. A standard template is populated with some personal data, a minimum of tailoring is done, and out pops 'your' financial plan.

Often in such situations the large plan fee is all the Adviser seeks – they have no interest in you, in whether or not you become a client, and nor do they have the capacity or desire to build an ongoing service relationship.

Good planning requires a sound model to be built, sustained by ongoing advice and support over time –

'It addresses a client's situation, needs and objectives in terms of future planning periods. It looks at lifestyle objectives and the income and capital needed to service them across the planning periods. A model is developed taking account of taxation rules, superannuation rules, social security rules, risk and investment options.'

Amalgamating Super Components

We regularly hear of people advised by super fund staff to combine separate salary sacrifice and personal contribution lump sums in a single fund. (In technical terms it means combining a 'tax free' component with a 'taxable' component).

In some cases it can result in significant tax disadvantages, both in relation to withdrawals and in the generation of regular pension income from a portfolio. Such a decision should not be made without considering these implications. It should be made in

the context of overall strategy. Once combined the components cannot then be separated. It is too late.

Transition Strategies

A prospective client with a lifetime pension from age 55 told Ed Paterson that an Adviser had said to her it would not make sense for her to return to work full-time, as she desired, because she would pay too much tax.

Yet she was the perfect candidate for a transition to retirement strategy. Ed was able to commence some top-up pension from her super lump sum and commence salary sacrifice to super from her salary.

She now has a very strong tax efficient income (two pensions and part of her salary) and is building an additional tax efficient lump sum in super for her ultimate retirement.

Transition to retirement strategies can be valuable tools in improving a person's overall income and capital position at retirement.

Staff Snapshot –

Adviser in Training- Steven McIver

Steve is now completing his second year in a planning support role at RV. He came to us with degrees in Applied Science and Health Science, including a Masters degree, and was attracted by RV's client relationship model. He sees himself as a long term RV Adviser – a vision we share.



Our policy of recruiting talented and highly qualified people who will fit well into the RV service culture is exemplified by Steve. He is hard working, able, thorough and warm.

In the time he has been with us he has completed a Diploma of Financial Services (FP) and is now completing his Advanced Diploma.

Steve lives in Mentone with his wife Sheri (they have been together since high school). They were recently thrilled at the arrival of their first child, Benjamin. While Steve looks pleased in the above photo, Ben (three weeks) appears unimpressed.

(Our other Adviser in Training, Alysha Bullpitt, has decided to move back to Sydney for family reasons. We will miss her.)

Client Showcase -

Lambis Englezos A.M.



The diversity of clients' talents and interests led us to commence 'Client Showcase' some years ago. In this Edition we Showcase the achievements of Lambis Englezos, and a feat of historical research and persistence which led to an outcome of national significance.

Retirement means different things to different clients. For Lambis, after a career as an art teacher, retirement meant the opportunity to pursue his passion for history full-time.

He arrived in Australia as a baby with his Greek parents in 1954 and enjoyed the Greek-Australian upbringing which followed. He became a career teacher, married Suzanne and they raised two, now adult, children Sophia and Anthony [picture].

As a spare time historian Lambis became a keen student of the First World War and of Australia's involvement. He studied the war extensively over time and developed a thorough knowledge of the battles in which Australia had been involved, including the geography, the casualties and the war grave sites arising from the battles. One of those battles was the Battle of Fromelles.

'Fromelles was the first major battle fought by Australian troops on the Western Front.... the attack was intended primarily as a feint to draw German

troops away from the Somme offensive then being pursued further to the south. A seven-hour preparatory bombardment deprived the attack of any hope of surprise... When the troops of the 5th Australian and 61st British Divisions attacked at 6 pm on 19 July 1916, they suffered heavily at the hands of German machine-gunners.... The 5th Australian Division suffered 5,533 casualties, rendering it incapable of offensive action for many months.....'
(Australian War Memorial – Official History)

Lambis found a major anomaly. He could not trace the whereabouts of some 200 Australian soldiers who had been killed in the battle.

Years of research, study and visits to France led to his identifying a site in a field at Pheasant Wood, a few kilometres behind the old German front line. It was here he believed that the German army had buried the missing diggers in 1916.

A long grind through labyrinthine bureaucracies began. It took Lambis five years to convince authorities in three countries to undertake the necessary exploration and eventually to excavate the site.

Lambis has recently returned from Fromelles. The excavation is now complete and the remains of some 250 Australian and British soldiers have been recovered. The next task is to try and identify the remains before reburial in a new war grave at the site.

Lambis was recognised in the 2009 Queens Birthday honours list. He was appointed a Member of the Order Of Australia - *for service to the community through research and advocacy roles relating to Australian soldiers of the Great War buried in Fromelles, France.*

If you are interested in the full story of the battle of Fromelles, and Lambis' role in finding the missing soldiers, Patrick Lindsay's *Fromelles* is a fine book.

For up to date information on Fromelles the Commonwealth War Graves Commission has an excellent site. www.cwgc.org/fromelles.

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