

## Seasons Greetings to Our Clients and their Families

Welcome to the Summer Edition of RV Client News. With spring and summer tends to come a level of freshness, enthusiasm and relaxed anticipation that seems harder to find in winter. Is it the warmer weather, the longer days or the prospect of Xmas and the holiday and family season? As well as those things this time of year always portends for me the bushwalking season and for Geoff the garden season.

Retirement Victoria continues to enjoy the strong support of clients and a period of rapid growth. In the winter edition of the News we commented on the office redesign which was underway at that time. The office redesign has been completed and has given us much improved accommodation for staff and better service, meeting and filing facilities.

### Staff Additions

Since we last wrote Gary Martin and Ray Wilkinson have joined the staff as Advisers. Kristi Badgery has joined the Support Staff and is working with Gary and Ray. We extend a warm welcome to them.

All three are highly qualified for their roles and bring with them the sorts of skills and attitudes in terms of commitment to clients which are central to our ethos. I will provide more information about them in future editions of the News.

### Markets & Risk

The Australian markets in particular have continued to perform well in 2005 on the back of a solid 2004 and the recent decline in the Australian dollar has given a boost to International investments. There is some evidence that inflationary pressures may develop during 2006 with some upward pressure on interest rates. Oil prices have fallen back in the short term but this may be temporary. The daily press has tended to focus heavily on returns rather than on risk and volatility. Retirees and those approaching retirement need to retain a strong focus on a quality, prudent

### Xmas Closure

As is our usual practice the office will close between Xmas and New Year.

**Last Day before Xmas:** **Thurs 22 Dec 2005 @ 5pm**  
**Office Reopens:** **Tues 3 Jan 2006 @ 8.30am**



income and growth model and not be enticed by the fool's paradise of short term gains. These issues remain central to our planning approach.

### Continuing Care Reports

Our reports to Continuing Care clients are sent twice each year. The next set of reports will be progressively sent to clients throughout February. The numbers of reports are such that the process now takes place over two weeks.

Thank you to all clients for their ongoing support of RV. And thank you for the large number of direct referrals of colleagues, friends and family which we receive. We look forward to assisting you and working with you in 2006.

For now we extend our Compliments to All of You and to your wider Families.

Best Wishes

Alan for **Alan and Geoff** – on behalf of our team –

Alan Cooper	Melanie Brown	Geoff Allen
Maria Beltran	Joan Zivchak	Emma Delahey
Denis Cleary	Chris Harris	Gary Martin
Ed Paterson	Susan Heath	Katrina Hage
Marnie Ewinger	Ray Wilkinson	Kristi Badgery

# Thinking about Income and Retirement

The working years of most people's lives include a mortgage, costs of raising a family, dependence on a single income for all or part of the time, and a chronic shortage of spare capital.

The commencement of the retirement years often coincides with the end of the mortgage and the end of the period of family raising. Often for the first time, retirement brings access to capital and time.

Planning for retirement is first and foremost about lifestyle planning – deciding what you wish to do and then constructing your financial strategy to meet your lifestyle objectives according to planning periods.

Those still in the workforce should look at their likely future need for income and capital and use their present situation and the rules that apply to ensure that they commence to structure and position effectively.

For most people in retirement a strategy which combines a core of regular income with a pool of capital provides the most flexible structure. Core income is intended to meet the normal costs of living from year to year, with cash and growth reserves available to service lifestyle needs such as travel.

Age based factors which impinge on thinking about future planning periods include –

- **Earlier years of retirement:** People often wish to do the things they have waited all their lives to do. This may involve such things as travel, pursuit of special interests, home renovations or study. The early years of retirement or partial retirement can involve a lot of activity and an associated need for commensurate income and capital.
- **Later retirement years:** The need for income tends to drop away. People tend to become less mobile and less keen to travel and spend. Research shows that retirement income needs of those in their 70s and 80s tends to be lower than for those in their 50s and 60s.

- **Age Pension:** The application of an age pension friendly strategy can significantly buffer total income thus taking pressure off your capital to provide core income, allowing some of it to be used for lifestyle in the earlier retirement years.

- **Tax Rules:** Most retirement incomes can be structured with little or no tax payable. Federal superannuation and retirement incomes policy is directed towards encouraging people to use the superannuation system to provide retirement income through the provision of tax concessions.

The retirement, superannuation, tax, social security and investment worlds and the way they integrate can be complex. Commence planning early. Plan to satisfy your lifestyle objectives over the various planning periods of retirement.

Consider the present opportunities available to assist you by positioning now to enhance prospective future benefit levels. For example –

- the use of salary sacrifice to superannuation and the associated tax benefits
- starting a superannuation income while still working
- the capacity to split superannuation contributions with your spouse
- the use of gearing
- the distribution of assets within a family to enhance income sharing in retirement
- an efficient timetable for the sale of assets in terms of tax
- efficient consideration of age pension deprivation rules as they might affect you in retirement
- the inclusion of tax and age pension friendly assets
- family tax benefit rules and salary sacrifice
- youth allowance rules

If you think you have not given sufficient focus to the planning issues that affect you then take the opportunity to make an appointment.

## Retiree Case Study – An Efficient Income

Bob and Jan are long term clients who put together their retirement strategy in the run up to Bob's retirement at age 55. Over the past ten years – the first planning period – they have indulged their passion for travel and used some capital for travel both overseas and within Australia.

Having reached age pension age they are now in the second planning period.

Bob receives a Government Superannuation Pension of \$19,000 p.a. and Jan receives superannuation allocated pension income of \$15,000 p.a.

In addition they receive age pension as a couple of \$12,000 p.a.

They have no net tax liability.

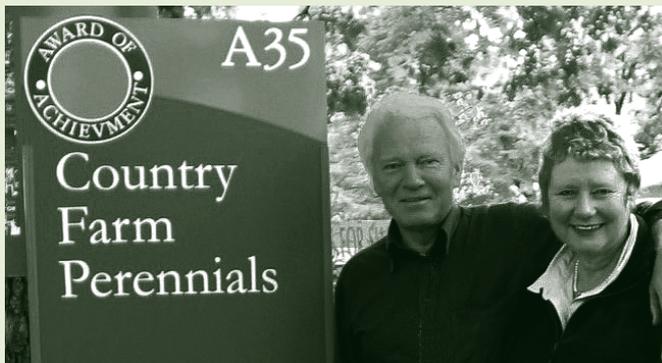


# Client Showcase

We have always greatly enjoyed those aspects of our contact with clients which go beyond formal financial planning. Often this involves simply yarning with clients about family, kids, holidays, work and other interests. As well as being enjoyable we see such discussion as important to our understanding of your perspectives and needs as long term clients and in your understanding of us.

Our clients are diverse and talented. They include painters, writers, sculptors, potters, craftsmen, photographers, musicians, inventors... Some are professionals while others see retirement as an opportunity to pursue their passions. Many of you in visiting RV will have seen paintings or other artwork on walls or in offices which have been done by our clients.

From time to time we will take the opportunity to showcase clients in *RV Client News*. Below we look at some clients who have made their passion their career.



## David & Merryle Johnston Garden Tours & Nursery

A passion for beautiful countryside and plant collecting was the inspiration for 'Country Farm Perennials' – a Nursery and Garden Tours business run by RV clients and former teachers David and Merryle Johnston.

In 1986 when David and Merryle returned from six months travel in Europe, Merryle propagated seeds they'd collected and sold the plants at markets.

Such was demand that in 1988 she gave up teaching to develop the nursery business. David built the structure while Merryle produced the plants. Thus developed a business employing six people – primarily a mail order nursery selling exotic perennials, roses and rare bulbs.

In the nursery's early days Merryle organised day trips for garden lovers, taking people to noteworthy gardens throughout Victoria. Demand built and in 1996 they organised their first international Garden Tour to England and France.

Tours now travel to Canada, America and most of Europe including England, France, Italy, Hungary, Czech Republic and Scandinavia. They combine the gourmet and cultural interests of clients with tours of gardens often not accessible to the public.

Australia is the theme every Spring when they run tours across the country from the Kimberley to Tasmania.

Their clients are diverse and include many teachers, other professionals and retirees. A number of RV clients have been members of past tour groups and have spoken highly of the enjoyable atmosphere with plenty of emphasis on fun, food and wine as well as on gardens.

Garden Tours are fully booked for 2006 but bookings are available for 2007 and beyond. For information contact David or Merryle on 03 5628 4202 or by email at [cfp@desi.net.au](mailto:cfp@desi.net.au)

*David & Merryle  
– Prizewinners at the 2004 Melbourne International Flower & Garden Show*

## Sandie Catley Singer/Performer

Sandie Catley has always loved music. Throughout her teenage years music was her focus and she would lock herself away for hours transposing and writing songs. At 19 she met singer/guitarist, Peter Crewe. Their folk duo 'Catley and Crewe' performed successfully throughout Victoria for four years and recorded three tapes.

In the years following Sandie was involved in a number of groups and duos before developing her solo singing career. Sandie performs at private and corporate functions, weddings, wineries, clubs and hotels.

Her CD *Still Within The Sound of My Voice* was released in 2004. Each track reflects what Sandie describes as "a sensitive arrangement with a strong lyric". She is a performer with warmth and feel which the mood of the CD nicely demonstrates. Tracks featured in addition to the title track include *Wind Beneath my Wings, Some People's Lives, The Look of Love, Under the Boardwalk* and *Song of Bernadette*.

Sandie is available for bookings and can be contacted on 0408 500 075 or by email at [chiron@satlink.com.au](mailto:chiron@satlink.com.au). Her CD can be purchased directly from her.

**RV is giving away eight of Sandie's CDs**  
– first four request calls to Maria from Melbourne clients and first four request calls from country clients.



# Offers

## Topical Bits and Pieces

### Offers to Buy Your Shares – Beware

From time to time clients receive a mail offer to buy their shares in a particular company. The most recent offer we have seen was for shares in AXA.

An offer of \$3 per share was made for shares with a market value at the time in excess of \$4.80. Any person accepting the offer by signing and returning the offer document was in effect selling their shares for some 60% of their actual value.

Such offers from private organisations to individual shareholders are disreputable but at present are likely to continue.

Clients should not accept or respond to such an offer. If you have any doubts seek advice.

### Salary Sacrifice Contributions & Withdrawals from Superannuation

Some people we see express the concern that if they salary sacrifice to superannuation they will be charged 15% contributions tax at the time of the contribution and another 15% when they access the benefit at retirement resulting in the effective tax rate on the income being 30%.

This is not normally the case. Provided an efficient strategy is used little or no tax will be payable on the capital at retirement. Where capital is withdrawn from the superannuation world the rules for withdrawing capital from superannuation define the amount of tax to be paid. As a rule of thumb most retirees would pay no more than 1% tax on amounts they withdraw at retirement. Ensure that you get advice.

### Marginal Tax Rates

The adjusted marginal tax rates which will apply from 1st July 2006 are set out below.

Income Range	Published Price \$
0 – 6,000	Nil
6,000 – 21,600	15%
21,601 – 70,000	30%
70,001 – 125,000	42%
125,000 +	47%

# Adviser Snapshot

### Denis Cleary – Strong Service Ethic

Clients of Retirement Victoria become clients for the long term and it is important to you and to us that the quality of our advice and service is maintained over time.

Fundamental to achieving this is the quality of our recruitment and staff training. We seek to find people who will fit comfortably into our culture and service model while having the technical skills and understanding of clients' needs in the special areas in which we work.

Five years ago we set out to find a new Adviser. It took eighteen months to find a person who we considered met our standards and Denis Cleary was appointed to the staff.

He has now been with us for more than four years. In that time he has established himself as a leading adviser with wide respect in the teaching service and among retiree clients.

Denis worked in the financial services industry for seven years from 1978. He then spent fifteen years as a teacher, sub-school manager and AEU sub-branch representative before being approached by us in 2001.

He holds a Bachelor of Business degree, a Diploma of Education and a Certificate IV in Financial Planning.

His background in business, teaching, and financial planning provides the basis for his detailed knowledge of public sector superannuation and strong understanding of the workplace, retirement and financial issues faced by all employees and by teachers and public sector employees in particular.

Denis' first love is his family life with his wife Fiona who is a teacher, his son Andrew and daughters Johanna and Rachel. His friends would say he has few vices beyond an inexplicable devotion to golf.



## About RV Client NEWS



*RV Client News* is written and published by Retirement Victoria as a service to clients.

Retirement Victoria are specialists in public sector retirement strategy and are the Australian Education Union's preferred provider of financial and retirement planning services to members.

The information in *RV Client News* is of a general and summary nature only and is neither represented as, nor intended to be, personal advice on any matter. No person should act on the basis of the information contained herein but should seek appropriate professional advice based upon their own personal circumstances.

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