

Financial Lifestyle Managers **WELCOME BACK, TONY BULL**

We extend a very warm welcome home to a financial planner and barrister of the Supreme Court of Victoria known to many of you – Tony Bull. For the past few years Tony has been a financial planner with State Trustees, but has now ‘seen the light’ and returned to Investwell Financial Planning. Tony is also drawing on his many years legal expertise to offer an estate planning review service, at our expense, to our clients, and will also be available to draw up Wills and Powers of Attorney at a discounted cost. For more information on the importance of estate planning, see the article below.

Where there's a Will . . .

So you're a person who is married with children and you don't have a will, but you think if you pass away your spouse will get everything anyway, so why bother?

Well, how wrong you are, because under Victorian law if you die without a will you are deemed to be intestate and as such your estate is divided according to a strict legal formula over which your beneficiaries have NO control.

If you die intestate, your spouse would only receive the first \$100,000 of your estate and one-third of the balance, with the remainder divided between your children. If there were no children living the estate would be apportioned to your surviving relatives. This situation may be the total opposite of what you intended.

Remember: your estate is comprised of everything you have acquired during your lifetime, and its allocation should be only based on your personal wishes and those you want to benefit from it. Only a properly-drafted will can achieve this objective.

It is estimated that at least 50% of all Australians do not have a will, so you can see that if you are in this category, you are not alone, but in view of all the expense, tax and other complications involved in administering an intestate estate, it is our hope that you will address this situation without delay.

Another problem that arises is when a person has a will but because of the passage of time or of life-changing events

that will is out of date. Many situations such as the death of a spouse, divorce, remarriage, the arrival of grandchildren etc. can affect the validity of the original will, and it is vital that you have your will checked at least every five years to ascertain whether or not it is still effective and still reflects your wishes.

Accordingly, as a special offer to our valued clients we are offering the services of Anthony Bull to provide, at our expense, a review of your existing will or discuss with you the process of making a new one. As well as being one of our financial planners, Anthony is a former barrister and has had more than 15 years experience in estate planning matters, which we believe are a vital link in the financial planning process. We therefore strongly urge you to avail yourself of this offer.

Apart from your will, we recommend that all of our client consult us in relation to the provision of Powers of Attorney, either financial, medical, or guardianship. These documents are essential to provide the person of your choosing with the power to make decisions for you if you become ill, are injured, or lose mental capacity.

The consequences of not having a current will or powers of attorney can be disastrous. *

Frank Blundell

End of year tax strategy**SPOUSE SUPER CONTRIBUTION**

You may qualify for a tax offset of up to \$540 if your spouse has earned less than \$13,800 in assessable income plus reportable fringe benefits and you contribute to their super.

You can receive an 18% tax rebate on the first \$3,000 of spouse contributions you make.

Joanne is a highly paid executive. Her husband, David, stays home and looks after their children. David receives less than \$10,000 income from investments, so Joanne contributes \$8,000 to boost his super fund. She will receive the maximum tax offset of \$540 — a direct saving on her personal income tax liability. *

This is the quarterly magazine of:
**Investwell with
Financial Lifestyle Managers Pty Ltd**

Level 2, 552 Lonsdale Street,
Melbourne, Victoria 3000
Phone: 03 9642 1266

plan@investwellfp.com.au
www.investwellfp.com.au

***You don't need to be wealthy to invest.
You need to Invest Well to be wealthy.***

Federal Budget 2010-11

Budget overview

The Treasurer has delivered a "no frills" Budget that contains neither pre-election spending splurges nor hard decisions about spending cuts.

Some of the measures that affect individuals and businesses highlighted in the Budget and the Henry Tax Review are outlined below.

Personal taxation

Personal Tax Rates

The current and proposed personal tax rates and thresholds for resident individuals (excluding the 1.5% Medicare Levy) are:

2009-10 Income range (\$)	Tax rate (%)	2010-11 Income range (\$)	Tax rate (%)
0-6,000	0	0-6,000	0
6,001-35,000	15	6,001-37,000	15
35,001-80,000	30	37,001-80,000	30
80,001-180,000	38	80,001-180,000	37
180,001 +	45	180,001 +	45

From 1 July 2010, the low income tax offset will increase from \$1,350 to \$1,500, allowing individuals to earn up to \$16,000 without having to pay income tax (up from \$11,000 in 2007-08).

Sample Tax Payable Outcomes (excluding Medicare Levy)

Taxable income (\$)	Tax 2009-10 (\$)	Tax 2010-11 (\$)	Benefit p.a. (\$)
62,000	12,450	12,150	300
100,000	25,450	24,950	500
200,000	64,850	63,550	1,300
300,000	109,850	108,550	1,300

Tax Discount for Savings

Individuals will be eligible for a 50% tax discount on up to \$1,000 of interest earned from 1 July 2011 on:

- Deposits with authorized deposit-taking institutions, bonds, debentures and annuity products; and
- The above investments where held indirectly via trusts or managed funds.

Standard Deductions

To make managing tax affairs easier, individual taxpayers will be entitled to an optional standard deduction of \$500 from 1 July 2012. This will increase to \$1,000 from 1 July 2013. Where the individual has expenses in excess of the standard deduction, they will be able to continue to claim those expense when lodging their tax return under the existing rules.

Medical Expenses Rebate Threshold

The medical expenses tax offset threshold will be increased from \$1,500 to \$2,000 with effect from 1 July 2010. The threshold will also be indexed to CPI from 1 July 2011.

Superannuation

Co-contribution Matching Rate

The superannuation co-contribution matching rate will be permanently maintained at 100%. The co-contribution matching rate was meant to increase to 125%, with a maximum co-contribution of \$1,250 and to 150% from 2014/15, with a maximum co-contribution of \$1,500.

Year Ending	Govt. co-contribution (%)	Max. Govt. co-contribution (\$)
30 June 2009	150	1,500
30 June 2010	100	1,000
30 June 2022	100	1,000
30 June 2012	100	1,000
30 June 2013	125	1,250
30 June 2014	125	1,250
30 June 2015	125	1,250

The superannuation co-contribution thresholds are normally indexed annually. The current threshold to be eligible to receive the maximum superannuation co-contribution is \$31,290. The current threshold where no superannuation co-contribution is payable is \$61,920. The superannuation co-contribution thresholds will not be indexed for the next two income years and frozen at current levels.

Terminal Medical Condition Benefits

At the moment various benefits paid out can be claimed as a tax deduction by the Superannuation Fund Trustees (e.g. death benefits, permanent incapacity benefits). This tax deduction will be extended to include the payment of terminal medical condition benefits.

As mentioned in the Government's response to the Henry Tax Review :-

- The Superannuation Guarantee ("SG") rate will increase gradually from 9% to 12% from 1 July 2013.
- The SG contribution age limit will increase from 70 to 75 from 1 July 2013.
- A Government super contribution of up to \$500 p.a. will be made for people earning up to \$37,000 p.a. from 1 July 2012 to effectively refund contributions tax.
- The concessional cap for contributions to superannuation will be reinstated to \$50,000 p.a. from 1 July 2012 for people aged 50 or over with super balances below \$500,000. *

Domestic equity markets and recent events

Remain focused on the long term

Global equity markets have faced a turbulent month, with Australia being no exception. Since reaching a 12-month high in mid-April of 5001.90 points, the S&P/ASX 200 has fallen nearly 14% to a mark just above 4300 as at Friday 21 May 2010. The downward trend has accelerated in the past weeks and you may be feeling less confident as a result of the uncertainties facing the Euro zone and the impact of proposed government regulatory changes both domestically and abroad.

It's important to remain focused on the long term

Despite the rise of the Greek debt crisis earlier this year and a volatile equity market, global economic data has continued to improve, with companies globally reporting solid results. This is positive for long-term equity market returns.

Unfortunately, whilst the implementation of the European Union (EU)/International Monetary Fund (IMF) support package for Greece has been positive, the long-term viability of the Euro Zone remains a concern (please refer below). As a result, it is expected negative sentiment in the medium term will create more headwinds than tailwinds and the market will remain highly volatile. This has been evident with global equity markets falling 7-10% in a week around mid-May.

The Australian equity market is being driven by a global macro environment which is displaying mixed signals.

Euro zone uncertainty

- The announcement of the 750 billion euro bail out of Greece had a positive impact on markets but lacked the detail needed to give the market long-term confidence that European powers are working together (note that the German parliament is voting on their portion of this package).
- This lack of coordination means the long-term viability of the EU remains a concern and if there is an eventual break up, the debt issues faced by Greece will spread globally as a result.
- Even if the rescue package is successful, severe concerns remain around what effect the burden of repaying \$1.3 trillion will have on an economic recovery in Europe.

In the US

- Increasing both consumer and business loan defaults continue to put pressure on financial institutions in the US and as a result have impacted investor confidence.
- An ongoing battle to reduce double digit unemployment rates continues. While recent figures have shown a slowdown in the rate of jobless claims, US unemployment is currently at above average levels, which has led to lower consumer confidence and spending.
- Proposed financial regulatory reforms could further

restrict earnings potential from large US banking and investment firms, leading to additional short term volatility as valuations are re-established.

Whilst we remain cautious of the Euro zone issues outlined above, we see this adjustment as potentially leading to opportunities for the Australian market. We expect the Australian economy will continue to grow in the 2011 financial year. This will also contribute to market opportunities. Specifically, these opportunities will involve companies where the underlying trend and momentum for earnings is positive.

So what is the outlook for the various asset classes?

Australian shares

We expect Australian equities to deliver a total return of around 18% (including grossed-up dividend) over the next 12 months. Equity portfolios should be biased towards cyclical and growth stocks during this stage of the market cycle, as a better equity earnings outlook will be the primary driver of the market.

International shares

Our analysis of the broad economic backdrop (including capital flows, market sentiment, equity earnings yield relative to bonds and markets' risk appetite) points to further global equity market gains in the short term. We expect around 12% gains for unhedged global equities with country, sector and stock rotation important at this stage of the economic cycle.

Diversified property

We expect this sector will generate around 12% returns over the next 12 months. The risk of anaemic growth in the Real Estate Investment Trust (REIT) sector could continue, but we expect better returns in the global listed property market due to the diversification across regional, country, sector and stock-specific opportunities.

International bonds

The estimated total return on fully hedged currency international bonds is around 8% over the next 12 months. This is relatively better than domestic bond and cash returns. However, we expect short-term under-performance due to bond yields rising.

Australian bonds

Our outlook for domestic bonds is negative in the short term. We expect bond yields to rise, taking the 10-year bond yield towards 6.5% and then decline towards 6.0% during anticipated equity market weakness. The Australian credit market, although attractive, lacks sufficient liquidity to offer efficient diversification. The value-add through active portfolio management is limited when compared with

Domestic equity markets and recent events cont'd . . .

international fixed income markets. We expect the Australian sovereign yield curve to flatten over time as official interest rates continue to rise. We expect Australian bonds to return around 4.0% over the next 12 months.

Alternative assets

We anticipate returns of around 17% from this sector through nimble and active strategy implementations. A good blend of both directional and relative value strategies needs to be used throughout the year. Long/short equities, long/short credit, convertible arbitrage and other relative-value strategies should all fare well during periods of moderate financial market volatility.

Commodities

We anticipate returns for this asset class of around 16% with supply/demand imbalances and geopolitical uncertainty combining to keep key commodity prices elevated for some time. ✱

Source: Product & Research Team, Securitor Financial Group Ltd

Underinsurance . . .

. . . remains a problem

Smaller families; living longer; the perception that insurance is expensive; growth in super - all are factors contributing to a decrease in the level of life insurance in the last 10 years, according to a recent IBIS World Report.

It's estimated that it costs Australian taxpayers more than \$250 million a year to support the additional social security payments made to beneficiaries of people who were underinsured. Although many people with life insurance through their super fund may think it provides sufficient cover for their death or disablement, generally this is not the case and they tend to be underinsured.

The report identifies a need for insurers to improve consumers' knowledge and understanding of their insurance products and continue to take steps to simplify them, if they are to successfully bridge the underinsurance gap.

Talk to us if you think you may be underinsured or want to discuss your insurance needs. ✱

PENSIONS ON THE RISE

On 20 March 2010, pension payments increased by \$29.20 for singles on the maximum rate, up to \$701.10 per fortnight. Couples on the maximum rate saw an increase of \$44 per fortnight, up to \$1,057.

Although deeming rates (used to assess income you receive from financial investments) increased from 2% to 3% on investments up to \$42,000 for singles and \$70,000 for couples and from 3% to 4.5% on greater amounts, the income and assets cut-out amounts also increased.

If you previously missed out because your income has been too high, these changes could mean you now qualify for a part pension. Even if you only qualify for a pension of just \$1, you could receive associated benefits such as reduced public transport fares and cheaper prescription medicines.

We can help you work out if you're eligible.

Disclaimer:

Material contained in this publication is a summary only and is based on information believed to be reliable and received from sources within the market. It is not the intention of Frank Blundell, Louise Parker, Michael Russell, Ben Crowe, Anthony Bull, Heidi Schwegler or Investwell with Financial Lifestyle Managers Pty Ltd (IFLM) (ABN 71 131 424 550) that this publication be used as the primary source of readers' information but as an adjunct to their own resources and training. No representation is given, warranty made or responsibility taken as to the accuracy, timeliness or completeness of any information or recommendation contained in this publication. Frank Blundell, Louise Parker, Michael Russell, Ben Crowe, Anthony Bull, Heidi Schwegler and IFLM will not be liable to the reader in contract or tort (including for negligence) or otherwise for any loss or damage arising as a result of the reader relying on any such information or recommendation (except insofar as any statutory liability cannot be excluded). This publication has been prepared for general information and not having regard to any particular person's investment objectives, financial situation or needs. Accordingly, no recommendation (express or implied) or other information should be acted on without obtaining specific advice from an authorised representative. Past performance is not indicative of future performance. For legal and taxation matters, we recommend you seek advice from a suitably qualified professional.

Disclosure:

In the event of any person subscribing for any financial services referred to in this publication, such subscription may result in Frank Blundell, Louise Parker, Michael Russell, Ben Crowe, Anthony Bull, or Heidi Schwegler receiving a commission, fee or other benefit or advantage. Precise details of any such benefits can be obtained from Frank Blundell, Louise Parker, Michael Russell, Ben Crowe, Anthony Bull, or Heidi Schwegler who are authorised representatives of Securitor Financial Group Ltd ABN 48 009 189 495 AFSL 240687.



Frank Blundell, Louise Parker, Michael Russell, Ben Crowe, Anthony Bull, and Heidi Schwegler are Authorised Representatives of

Securitor Financial Group Ltd ABN 48 009 189 495 AFSL No 240687
Level 7, 530 Collins St, Melbourne VIC 3000

