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Lifewealth
Financial Strategies

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Our Christmas newsletter gives us the opportunity to wish our clients and colleagues a Merry Christmas and a Happy New Year

We also reflect on the past 12 months which have seen the investment markets reach significant low points and fortunately, the beginnings of a recovery. Since early March when the markets were at their low point they have recovered around 30% of their losses of the past 18 months.

The global financial crisis has touched most investors in a negative manner however the general consensus is that the worst is now over. Clearly there is still a long way to go as government stimulus packages begin to have less impact on the world economies, governments introduce more stringent financial regulation and the developed world learns to save more and to reduce debt.

At Lifewealth we have aimed to participate in the current market rally while at the same time focusing on investment strategies that reflect the uncertain times. Our efforts have as you would expect been totally directed toward helping you our clients manage the repercussions of the GFC.

Despite the GFC we have had a great deal of cause for celebration. During the year Sophie has given birth to a baby boy, Natasha was married in February and James was married in March, Ken has become engaged, Andrew has moved on to a new career with the police force and we have welcomed Stephanie Laing and Kaila Battams to our team.

Unfortunately our strategy in Brisbane had to be revised when John Cowen was head hunted by one of the big four banks. We are pleased to have retained our Brisbane based clients who have accepted that we successfully manage clients all over the world.

We wish you and your family all the best for the festive season and for a happy, safe and prosperous year in 2010 and we thank you for your continued support.

Thank You!

We would like to thank you most sincerely for the support you have given us during the past 12 months. We believe the greatest evidence that we are delivering on our commitment to our clients is your referrals.

Once again this year our business has grown principally through your referrals of family, friends and colleagues. This has allowed our firm to succeed through a difficult time for all businesses.

As a result of your referrals we have continued to provide assistance in the areas we specialize and we believe we have done so with the appropriate care and responsibility.

This has included advice on retirement planning, redundancy, self managed super, insurance, tax planning and business structuring.

Our team at Lifewealth wishes you and your families a very happy and safe Christmas and a successful and prosperous year in 2010.

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FINANCIAL PLANNING INDUSTRY

The downturn in financial markets affected everyone, particularly those of us with share market investment and superannuation. Unfortunately the downturn has once again highlighted that not all in our industry are appropriately focused on their clients' needs. The impact was particularly severe for the clients of a number of high profile groups that attracted widespread publicity.

We believe the enquiry into the financial planning industry that followed was most welcome. In our view clients should not have to endure either aggressive financial planning or trailing commissions without receiving any services. Unfortunately we're not sure the enquiry is going to stop either of these blights on our industry.

All we can do at Lifewealth is maintain our integrity and continue to put our clients first in all our dealings. We are totally committed to protecting our clients' interests as best we can. We do this by ensuring your wealth management strategies reflect your goals and your attitude to taking risks. We are also committed to a fully disclosed and free of conflict fee arrangement that is agreed with our clients in advance.

Neither you nor your friends and colleagues should settle for anything less than the highest level of integrity and disclosure when seeking the services of a financial planner.

ECONOMIC COMMENTARY

What a difference a year makes. This time last year we were all fearful we may have been witnessing the end of capitalism as we know it. Fortunately those dire predictions were not forthcoming and we seem to have averted Armageddon. Only time will tell whether we are now in full recovery mode or still facing headwinds!

Based on attendance at the most recent briefings our broad economic view is maintained with the following being the key thoughts:

- While the broader equity markets have rallied strongly over the past six months we still face uncertain economic times;
- The uncertainties particularly relate to the major developed world economies. The key expectation appears to be for weak economic growth and a slow recovery in the developed world.
- Expectations for weak economic growth are in turn based on the expected impact of lower consumer spending, an inevitable consequence of high unemployment particularly in the US and consumers choosing to reduce their historically high debt levels.



- The government stimulus packages appear to have worked in the short term however experts point to the growing government debt and budgetary deficits as future drains on consumer spending. It is evident that governments in the developed world will need to cut spending and/or increase taxes to fund the eventual repayment of debt and balancing of their books.
- The markets appear to be pricing in a sustainable economic recovery that we and many commentators believe remains extremely uncertain.

TAXES – UNEXPECTED SURPRISES

From our experience, most people can handle paying their taxes when expecting it. What upsets people more are unexpected surprises regarding their tax liability. To lessen the likelihood of this happening to you we list typical unexpected surprises:

- **Employee Share Scheme Income**

Where employees obtain shares, options or rights in companies they work for, which is below the market value, tax is normally payable on this. This can be particularly hurtful where the share price in the company has subsequently dropped below the market price when the employee acquired the shares – a frequent occurrence after the Global Financial Crisis.

- **Capital Gains Tax – Depreciations and Capital Allowance Write Back**

In Australia we have now had capitals gains tax for 25 years, and most people are aware when they sell at a gain tax is often involved. The gain is often perceived to be the difference between the disposal proceeds and the cost of the asset. However, it is often not appreciated that depreciation and capital allowances claimed on rental properties have to be added back and therefore increase the capital gain of the property.

- **Excess Contribution Tax**

The government and society generally encourage contributions to superannuation funds to provide for retirement. However, the ATO have released a newsletter titled "Super Contributions – Too much super can mean extra tax". Concessional contributions to super funds are taxed at 15%. However, there are caps on the level of contributions that can be made. If these caps are exceeded excess contributions tax of 31.5% is charged on the excess contributions over the cap limit. It is very important to note that from 2009/2010 financial year the caps have been halved. For individuals 50 and over the cap is now \$50,000 (previously \$100,000) and \$25,000 (previously \$50,000) for other people. Concessional contributions are super contributions claimed as personal tax deductions and all employer contributions.

There are also non-concessional contribution caps (generally \$150,000 per year), which will also be subject to excess contributions tax if exceeded.

We would like to conclude the year with a couple of pleasant surprises some of our clients have enjoyed.

- **Franking (Super Fund)**

Refund of franking credits on dividend. Entities can receive taxation refund without paying tax in the first place! This generally applies to low income earners who receive dividends. This can be a particularly attractive return for small Self Managed Super Funds, especially if they are paying pensions.



- **Additional Tax Deduction – Business Asset**

Taxpayers may be able to access a one off tax deduction to purchase eligible tangible depreciating assets. For a small business the additional tax deduction is 50% of the asset cost. To get this benefit the asset must be ordered by 31st December 2009 and installed and ready to use by 31st December 2010. Normal depreciation deduction benefits also apply to the asset. The asset can include motor vehicles if they are principally used for business purposes.

Tax Return Reminder

A few clients have not yet completed their 2009 income tax returns.

If you are to receive a refund then it is in your interest to complete the return and if you owe tax you could be charged interest as a result of being late.

On our website, www.lifewealth.com.au, you will find a Lifewealth Tax checklist that can be used to gather all of your relevant financial information.

If you need assistance with your financial and taxation affairs, please don't hesitate to make an appointment with one of our tax advisers.

We look forward to hearing from you.

SAVE OUR SUPER

In the recent Federal budget, the government reduced the concessional contributions amount Australians can pay into super. This change puts a 'cap' on annual contributions of \$25,000 for people under 50 and \$50,000 for people 50 and over. The higher cap for over 50s only applies until 2012.

With many Australians seeing their superannuation balances fall in the wake of the recent investment market downturns, some investment industry bodies have expressed their concern that the government's proposal would prevent older members from contributing more into super to make up for market movement.

Their suggestions include:

- Removing employer superannuation guarantee (SG) contributions from the concessional contributions cap
- Allowing members to carry forward any unused concessional contributions caps for 10 years before they retire
- Keeping the higher cap for members over 50

It's hoped that the government will take note of industry concerns: any future changes to the super regime should aim to maintain confidence in the super system.

SECURE YOUR FUTURE

At Lifewealth we believe risk management is as important for our clients and their families future security as wealth management. We now have the licence and in house skills to not just ensure your insurance strategies are appropriate but we can now implement them personally.

Consider this: if something happened to you which hindered your ability to earn an income, how far would that set you and your loved ones back? Depending on your age, the cost wouldn't be measured in thousands of dollars – it's more likely to be in the millions. Your ability to continue to earn an income is by far your most valuable asset. It's what makes your lifestyle possible. If your income stream stopped suddenly, you may find that you:

- are unable to service your debt
- can't pay for your children's education
- disrupt your partner's work, as they support and care for you
- jeopardise your retirement plans by cutting off your income prematurely.

In addition, you're likely to incur additional expenses, such as rehabilitation and hospital care. Fortunately at Lifewealth, we have a number of insurance solutions that could work for you and give you peace of mind in times of personal crisis.

If the unthinkable were to happen, we'd have you and your loved ones covered. We can now access a range of insurances designed to safeguard your financial future. The major areas are:

- **Life Protection** – pays a lump sum if you die or are diagnosed with a terminal illness.
- **Total and Permanent Disablement Protection** – TPD Protection pays a lump sum if you become totally and permanently disabled due to sickness or injury.
- **Salary Continuance/Income Protection** – replaces up to 75% of your monthly income if you become disabled through sickness or injury and are unable to work.



- **Trauma Protection** – pays a lump sum if you are diagnosed with a terminal illness or on the first occurrence of suffering one of the specified medical conditions.

There are many other insurance covers available where we can provide assistance:

We strongly suggest that you review your personal risk cover by contacting your Lifewealth adviser – they'll be able to tailor an insurance package that will provide you and your family with confidence that, no matter what life throws at you, your financial future is secure.

Reality check – facts and figures

It's all too easy to assume you won't ever be affected by a long term illness, a total or partial disability or even premature death, but these statistics provide food for thought.

Did You Know

- Around 50% of Australians aged over 30 will suffer a major illness that can lead to long term disability and long term loss of income¹.
- More than 85,000 new cases of cancer are diagnosed in Australia every year²
- There are 28,000 hospital admissions for heart attacks every year³
- There are 21 accidental deaths in Australia each and every day⁴

¹ National Centre for Social and Economic Modelling, 'Income and Wealth Report,' Issue 4, March 2003.

² Australian Institute of Health and Welfare and the Australasian Association of Cancer Registries 2003. Cancer in Australia 2000

³ Epidemic of coronary heart disease and its treatment in Australia, September 2002 – Australian Institute of Health and Welfare

⁴ Australian Bureau of Statistics; Causes of Death December 2003. Cat. No.3303.0.

Commitment to our clients

Lifewealth's mission is to focus on our clients' interests, as if they were our own; and to offer a holistic suite of financial services to enhance our clients' wealth, protect their families, and give them peace of mind as they reach their financial and lifestyle goals. We aim to have our clients feel confident that they are being supported by a team of dedicated professionals, who consider integrity, honesty and reliability of paramount importance.

In return, we believe we will be rewarded with loyalty and appreciation for our effort and commitment.

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