GOLDSBOROUGH news
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ECONOMIC UPDATE

The last financial year ended positively for the Australian Sharemarket and has continued on fairly strongly since.

The market was mainly driven higher by stocks in the material sector.

A number of mining stocks have reported stronger growth and iron ore exports are at an all time record following mine expansions that have been completed by the major producers in Western Australia.

The reporting season is well under way with most companies to formally announce their earnings for the six or twelve months ending 30 June 2014 to the market and many are positive about the future.

The Reserve Bank of Australia (RBA) has continued to hold the cash rate steady at 2.5%. The RBA continues to see moderate growth in consumer demand and strong demand in housing construction. The RBA has acknowledged that given the Australian dollar remains high by historical standards this is offering less assistance in achieving balanced growth.

After two or more years of excellent returns, it is unlikely we will see a similar return for this financial year. There are also some doomsayers in the media who are predicting a reasonable correction in the sharemarket and a bursting of a currently perceived property bubble.

We have always encouraged investors to look long term and not to try and pick and time the markets. That so called crystal ball still does not exist.

Global equity markets also performed strongly for the financial year but recorded falls in July due to rising geopolitical risks in Russia/Ukraine and the Middle East. Equity markets also began to contemplate the consequences of an improving US economy.

JOHN OLIVER CFP®
Director
Authorised Representative
(No 227298)

Financial Considerations of Childcare

If you have a young family and you or your spouse are considering returning to work, are you actually going to be better off financially by returning to work and paying childcare?

Firstly, let me say there are non-financial reasons for returning to work, such as work satisfaction, maintaining employment, career progression etc. Similarly there are other benefits of Childcare such as social interaction etc.

The purpose of this article is to financially scrutinise how much benefit you are gaining by doing so.

With Childcare, parents are entitled to receive the Childcare Rebate (CCR) and in some cases the Childcare Benefit (CCB). The CCB is income tested whereas the CCR is not. To avoid making this Tolstoy's War and Peace, I've given a scenario with some basic assumptions:

Parent 1 earns a taxable income of $85,000
Parent 2 returns to Full Time work and earns a taxable income of $75,000.
They have 2 children under 5 years old in an Approved Child Care Centre at a cost of $95/day per child for 50 weeks a year.

Outcome: They both have good incomes which means they aren't entitled to Child Care Benefit, Family Tax Benefit A or B, or the Parenting Payment; only the CCR applies.
After the CCR is applied, Child Care costs $32,500p.a. After Tax and Medicare, Parent 2 will receive $57,578 so the amount their household gains is $25,078.

If Parent 2 didn't work, the couple would receive around $7000 pa in Family Tax Benefit A and B (including supplements).

In other words, the household is around $18,000 better off by Parent 2 working.

There are two ways of looking at this:

1. $18,000 isn't much left over for an income of $75K given the effort of working full time, the headache of getting ready for work, paying for transport to work, the hassle of leaving work if a child is sick etc.

2. Of course returning to work is worth it as the benefit is more than $18,000; if parent 2 stayed at home, their costs would be higher by using more power, possibly spending more discretionally etc.

Realistically, your taxation, Centrelink entitlements, personal budget, choice of childcare and other financial factors all need to be taken into account.

As there is no one size fits all, anyone facing this dilemma should at least do the calculation to work out what financial benefit there is and we can help if you need.

We are holding a Generation X & Y Seminar in October which discusses topics like this.

WILL CHAPMAN DipFS(FP)
Authorised Representative (311745)

Why Goldsborough?

Recently there has been considerable media coverage concerning Commonwealth Bank and Macquarie Bank financial advisors and we thought it was worth explaining where we sit with regards to this.

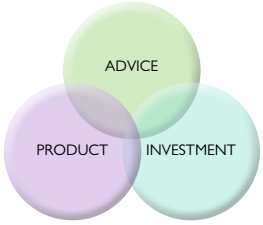
One of the reasons for this is that some clients that have Colonial First State (owned by Commonwealth Bank) and Macquarie Investments were initially concerned that their investments may have been affected.

This is certainly not the case because it was the Commonwealth Bank and Macquarie "Advice" section of their business not their "Product" or "Investment" sections that have been affected.

As an example, clients with Colonial First State's First Choice product are not affected. Similarly, you will not be affected if you have a Macquarie (eg Macquarie Income Opportunity) or Colonial First State (eg Colonial First State Diversified Fixed Interest) investment option within that product or any other product, like OnePath.

The following diagram indicates how there can be a problem with an integrated model. If the Advice, Product and Investment sections are ultimately owned and controlled by one entity then conflicts of interest can occur.

The Institutional Way



The Goldsborough Way

At Goldsborough, we believe that by separating the three functions you, the client achieve the best possible outcomes.

GLENN TODMAN CFP®
Director, Authorised Representative (227295)

TOP 3 REASONS WHY
I don't like employer super

I read that employers are actively encouraging employees to bring their own devices (phones and laptops) into the workplace, this is great and demonstrates the progressive nature of these employers. So why is it then that some employers insist on determining the super fund that you are locked into? In 2005 we all supposedly earned the right to choose our own super fund, yet certain employers were exempt from offering choice.

Employees working under a State or Federal award and certain industrial agreements are excluded from choosing their super fund and I have some serious issues with this.

Here are my top 3 reasons why this situation is unacceptable:

1. Insurance: Your default insurance cover in your employer super is most likely inadequate. For instance the minimum death and disability cover for a 35–39 year old is $35000...hardly a nest egg, and income protection is usually limited to a maximum benefit of 2 years. If you rely purely on employer super for insurance, you expose yourself to a risk. Why? Well let's say you leave your employer for a change in your career. After your employer contributions cease, your insurance may end without notice. No option to continue the cover elsewhere — it just stops. This is a pretty big problem if you've had a change of health that would prevent you from getting cover elsewhere. The best insurance policies are non-cancelable and guaranteed-renewable.

2. Limited estate planning: Some super funds — Super SA for example — will not let you nominate a death beneficiary. Why can't a consenting adult choose who will receive their death benefit (e.g. children) rather than a super trustee having discretion to only pay your current partner or Estate? Do they not understand that families are invariably complicated?

3. It's not theirs: Your super has absolutely nothing to do with your employer, except for their requirement to contribute a percentage of your income. Your employer is not the one that needs to live off it for 30-odd years. Nor do they suffer if investment decisions are poor. In this age of electronic contributions there is no basis for an employer to claim it's too expensive to contribute to multiple funds. After all they regularly pay to multiple bank accounts.

CRAIG KIRKWOOD ADFP
Authorised Representative (401525)

Only 42% of you could answer these 3 questions

How do your rate your understanding of money? Do you 'get' the concepts of rate of return, inflation and risk?

A 2013 Study focussed on three questions to identify the level of financial literacy in Australia. The same three questions have been used around the world to help compare the level of financial literacy in different countries. The study found 42.68% of people were able to answer all three questions correctly. See how you go....

1 Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow.

(a) More than $102
(b) Exactly $102
(c) Less than $102?

2 Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, would you be able to buy.

(a) More than,
(b) exactly the same as, or
(c) less than today with the money in this account?

3 Do you think that the following statement is true or false? 'Buying shares in a single company usually provides a safer return than buying units in a managed share fund.'

(a) True or
(b) False

These questions come from a study on financial literacy titled Financial Literacy and Retirement Planning in Australia. The study found levels of financial literacy similar to comparable countries, with the young, least educated, those not employed, and those not in the labour force most at risk of having poor financial literacy.

Financial literacy is important and all Financial Planners have a role to play to improve the level of understanding of money in the community. Goldsborough participates in this education process by providing free seminars (see Upcoming Seminars), through our newsletters, blogs on our web site, a regular 5AA radio segment and articles in The Advertiser and Sunday Mail.

People sometimes ask me, what are we doing to teach children about money in school. If you'd like to know more about what we, as a country are doing to educate children and adults about money please check out www.financialliteracy.gov.au

OK, here are the answers to the questions: (1) More than $102, (2) Less than today, and (3) False. How did you go?

LACHLAN HARVEY CFP®
Authorised Representative (227293)

Home Care as an Alternative

It is time to shift some of the attention back to Home Care Packages.

As part of the Government's Living Longer Living Better aged care reforms the Residential Aged Care component has stolen the lime light as these changes where introduced more recently on 1 July 2014, whereas the Home Care Packages program was introduced much earlier on 1 August 2013.

Upon an Aged Care Assessment Team (ACAT) assessment a determination will be made for an appropriate home care package to be provided. The packages are offered across four levels providing a range of services depending on your individual needs.

These services can include any of the following;

Transport for shopping or appointments
Social support by taking you shopping, banking or just providing company for a chat
Domestic assistance for household jobs like cleaning, clothes washing and ironing
Personal care assistance with bathing, showering, dressing, hair care, and going to the toilet
Home maintenance for minor general repairs and care of your house or garden
Home modification ie installing safety aids, ramps and support rails
Nursing care where a qualified nurse comes to dress a wound or provide continence advice
Food services such as providing meals at a community or day centre, preparing and storing food and delivering meals to your home
Medication, help in taking your medications

The services are accessed in what is called a Consumer Directed Care basis. This is where the individual sits down with the provider and chooses the types of care and services they need. They also determine how and when the care is delivered and by who. They will be provided with a personalised budget showing the amount provided under their package and where it is being spent.

All this comes at a cost and the government will ask for a contribution to that cost on a means tested basis. The new income tested care fee is based on a recipient's Centrelink assessed income. The fee is capped and cannot exceed the recipient's cost of care.

There is no minimum age to access home care, it is based purely on the need for care and although the number of home care packages available is on the rise there may be a waiting list. The waiting list will be determined by the local provider, based on the number of each type of package required and what they have available. Your place in the waiting list is not a first in best dressed scenario, priority is given to those who have a higher level of need within each of the 4 levels of care package.

To start a claim for a home care package we recommend you contact My Aged Care on 1800 200 422 to locate an ACAT or follow the link http://www.myagedcare.gov.au/service-finders#block-finder-assessment-finder-assessment. From the ACAT assessment recipients are referred to their local providers.

SAM MARTIN CFP®
Authorised Representative (252676)

SUPERANNUATION
An ongoing *investment*

Have you ever taken the time to consider that superannuation is an investment that (almost) lasts a life-time?

From the time we get our first pay, we start accumulating superannuation. However, its not until later in life that we really begin to see the benefits and having superannuation becomes an issue. Most people look toward retirement and have a bucket list, however ticking off all the items on this list can be held back by a lack of funds. So, how can you take control of your superannuation at those various stages of life and fulfill your bucket list of dreams?

Teens: Pick ONE superannuation account

Working as a teen means crazy hours, intermittent employment and often not great income. Job-hopping can also give rise to the potential for a number of different superannuation accounts. A good way forward is to pick one superannuation account on your first day of work and then stick with it. Employers are required to offer a choice of funds, and if you have one going keep using it.

Late 20s/30s: Maximise your investment

While promotions and pay rises might be on your mind at this stage of life, remember that now is the time to invest and take risks. This might mean beginning to contribute a little of any pay rises to superannuation and consider a more aggressive, or growth-oriented, portfolio. You still have a long time to go before you can access your super and so should be more comfortable with taking some more risk. Remember, the rewards can be great.

Now is also the time to make sure that you protect your greatest asset — your ability to earn an income. Securing life insurance (death, total and permanent disablement, trauma and income protection) is relatively cost-effective. It also means that you are protecting yourself and your family in the event of a significant accident or illness

In your 40s: Are you on track?

Now is the time to begin to take stock and understand where your money is going. It is also critical to know whether you are looking like having enough money for retirement. Now might be the time to engage the services of a professional financial planner, and begin to build a relationship with that person. Some recent research (by ASFA) indicated that a typical couple needs about $58,000 per annum for a comfortable lifestyle and $33,500 for a modest lifestyle. For singles these figures are about $42,500 (comfortable) and $23,400 (modest).

In your 50s/60s: Call an Expert

If you have not already built a good working relationship with your financial planner then now is the time to do so. You should make sure that your risk levels in your superannuation portfolio are correct and steps are being taken to develop a portfolio that will provide income in retirement. Look to make sure that all debt is paid down and maximise your superannuation contributions.

Retirement: set a plan and stick to it

Retirement can be an exciting time, full of potential and opportunity. Remember though that it is not like winning the lottery — funds need to be managed professionally and appropriately. Now is not the time to overspend, remembering that longevity risk is very real. Maintain a healthy budget, enjoy the savings you have accumulated and remain active.

All of Goldsborough's advisers are able to assist at the varying 'life-stages'. Feel free to contact us and see how we can help. if you are at the early stage of your working life, or know someone who is, I recommend attending our Gen X & Y Seminar on 21st October as a starting point (see seminar bookings later in this issue).

BRENTON MIEGEL
CFP®
Authorised Representative (227297)

Goldsborough is a referral based business

The biggest compliment any client can give us at Goldsborough is the referral of a friend, relative or business associate who could benefit from our services.

As an indication of our appreciation for the referrals that we receive from our clients, we have instituted a quarterly draw where the names of the referring clients for that quarter are put in a box and one is drawn out.

The winner of the draw receives a
$100 shopping voucher!

We have pleasure in announcing the winners of our 'Referrers Award' for the June quarter are* John and Ruda Braendler — *congratulations, your voucher is on its way.

Client Testimonial Award Winners

We were pleasantly surprised by the number of quality, heartfelt client testimonials that we received following the July 2014 Newsletter.

Our independent panel of judges is pleased to name **Bob & Cheryl Huff** as the winners of this award, and recipients of a $250 Westfield Gift Card.

Bob and Cheryl commented that along their journey through retirement they "have felt secure and supported" and "trust the people at Goldsborough to give us the current information and lead us through decision making without pressure." Congratulations to both Bob and Cheryl.

in House

At the end of September we bid farewell to our General Manager, ***Barry Dixon***, who is retiring after 17 years with Goldsborough. Barry is one of the behind the scenes people at Goldsborough who clients rarely get to meet but is pivotal to their overall experience. He has been responsible for maintaining a team of staff who enjoy working together and doing the best we can for our clients. He has looked after our marketing, the client events we run, HR and all things related to our office accommodation and is always on the ball to keep things running smoothly

Everyone at Goldsborough wishes Barry well in his retirement and thank him for his supportive and loyal management over the years.

Susie Vincent *CEO*

ifa Awards 2014

We are proud to have been named as one of 6 national finalists for the 'Best Client Servicing Firm' award at the recent ifa Excellence Awards. The ifa Excellence Awards are an industry first and are the only industry awards dedicated exclusively to boutique and non-aligned financial advisers. The awards recognise the very best operators in categories that count.

In early August a team of Goldsborough staff attended the Awards lunch in Sydney and while we missed out on the award itself, the experience of mixing with some of the most successful and influential independent financial planning groups in Australia was fantastic. We will be working hard over the coming months to build on our client service philosophy in the hope of bringing home the award in 2015.

New Website *launching soon*

We are excited to be launching a new fresh look for the Goldsborough Website in the coming months, with added functionality and better searching capabilities.

While we are a referral based business, a large percentage of new clients now come via the Internet, with traffic coming from smart-phones, tablets and laptops, and our new website will allow us to maximise on that opportunity.

One of the most exciting features of the new site will be the ability to subscribe to "Blog Alerts" — you can nominate which categories of Blog posts you want to receive and how often you receive these notifications.

UPCOMING seminars 2014

TUE 14 OCT
TUE 11 NOV

2.30pm and 6.00pm

Retirement & Redundancy

A must for those approaching retirement, taking redundancies or experiencing income difficulties in retirement

Goldsborough can help relieve your financial worries.

NEW in 2014

TUE 21 OCT

7.00pm

Gen X & Y Seminar

Our new OXYGEN seminar will focus on the financial planning issues for those in the 20–40 year age group See our website for further details.

TUE 28 OCT

6.00pm

Aged Care Information Evenings

Bookings essential

Telephone 8378 4000

or online at

www.goldsborough.com.au