



# GOLDSBOROUGH

GOLDSBOROUGH FINANCIAL SERVICES

# news

ABN 89 064 640 142

AUSTRALIAN FINANCIAL SERVICES LICENCE NO. 225330

120 Greenhill Road Unley South Australia 5061 Phone (08) 8378 4000 Facsimile (08) 8373 4544  
Email: mail@goldsborough.com.au Website: www.goldsborough.com.au

JUNE 2014

Page 5  
**WIN**  
\$250 shopping spree!



## ECONOMIC UPDATE

Like many of you, there are times when I experience *de ja vu!*

The way that the Australian economy, share market and interest rates are going in 2014 seems to be *de ja vu* with what happened in 2013, and to a lesser degree in 2012.

Interest rates remain at record lows, and look like doing so for the foreseeable future. Since August 2013 the official rate, as implemented by the Reserve Bank of Australia (RBA), has been at 2.5%. Most economists are suggesting that this is likely to remain the official rate for some time, especially if inflation remains within the RBA target range of 2%–3%. Inflation is currently at 2.9%, and forecast to hover at around this for some time to come.

One of the major indicators of the Australian economic performance is its GDP or Gross Domestic Product. This is a measure of the goods and services produced by an economy within a certain time frame. In effect, it is a measure of economic growth. In Australia, GDP is currently at 3.2% with it forecast (by the RBA) to be at about 3% at the end of 2014. The Australian economy has shown positive GDP for over 20 years now and this is one of the reasons why we survived the shocks of the GFC relatively unscathed.

The Australian share market continues to recover from the lows that were caused by the GFC. With the ASX200 currently at about 5,500, there is still a long way to go to get to the November 2007 peak of 6,873. Share market growth

seems to be across most major sectors, including the banks, mining, consumables, industrials and property. In recent months energy, telecoms, health care and utilities have all been strong performers. Whilst I do not believe that anyone can accurately predict where the share market will be at any point in the future, the recent positive trend shows no sign of slowing.

Many global share markets, and indeed many global economies, are showing signs of sustained growth. This includes the USA, UK and other European countries. Even the Japanese share market is again showing signs of growth! Much of this is on the back of improved consumer confidence.

As always, your Goldsborough adviser is available to discuss your individual portfolio and how investment markets can influence it.

BRENTON MIEGEL  
CFP®  
Authorised Representative  
(227297)



# Goldsborough Budget Update

For a full report please go to our website [www.goldsborough.com.au](http://www.goldsborough.com.au)

It was acknowledged that the 2014 Budget was a tough budget and the Government will have its work cut out to get many of the proposals through the senate.

There were no major changes affecting superannuation and financial services in general. In this article I will highlight some of the proposed changes that may affect you. You should note that the list is not exhaustive and if you would like further details either contact your adviser or visit our website.

## 1. Income Tax

Tax rates will remain unchanged from 1 July 2014

### a) Temporary Budget Repair Levy

This levy of 2% will apply to taxable income above \$180,000 for 3 years from 1 July 2014. The Fringe Benefit Tax (FBT) rate will also increase from 47% to 49% from 1 April 2015 to stop high income earners using FBT to avoid the levy.

### b) Dependent Spouse Tax Offset

Abolished from 1 July 2014

### c) Mature Age Worker Tax Offset

Abolished from 1 July 2014

## 2. Superannuation

### a) Superannuation Guarantee (SG)

Increased to 9.5%pa from 1 July 2014 until 30 June 2018. It will then increase 0.5%pa until it reaches 12%pa in 2022/23

### b) Non-Concessional Excess Contribution Tax

If a person contributes more than their cap (which has inadvertently happened to some clients) then from 1 July 2013 the contributions can be withdrawn with the earnings taxed at their marginal tax rate

## 3. Social Security and Family Payments

### a) Age Pension

Age Pension age to rise to 70. Currently it is 65 but rising to 67 with a further rise proposed to age 70. You would need to be born after 1 January 1966 for age 70. If you were born between 1 July 1952 and 1 January 1966 then you qualify between age 65 and 70. For example, if your date of birth was 14 February 1959 you are eligible when age 67.5. There are tables available to help work out when you are eligible.

### b) Commonwealth Seniors Health Card

Refer John Oliver's article

### c) Disability Support Pension (DSP)

DSP recipients will be limited to leaving Australia for 4 weeks from 1 January 2015. Under 35's will be subject to a compulsory activities assessment.

### d) Family Payment Returns

There are a number of changes that effect the Family Tax Benefits and Supplements. If you are in receipt of benefits, how many children you have and your income may affect your payments. If it does, we recommended that you seek clarification.

**It is worth noting that most of the changes do not come into effect until 1 July 2015**

If you have any questions please contact your adviser or visit our website for more details.

GLENN TODMAN CFP®  
Director  
Authorised Representative (227295)



# WHAT IS Asset Allocation?

I was recently asked “What is Asset Allocation?” by a client who understands investments but not necessarily what is important when building a portfolio.

In fact, just “investing” can be the easy part; it’s understanding what to buy, sell or hold based on what you already have that can make or break an investment portfolio.

Most of us understand the concept of not having all our eggs in one basket and “diversifying” spreads the risk across our portfolio. Only exposing yourself to one asset class (i.e. Shares or Property) means that you can be in for a bumpy ride if that asset class becomes unfavourable.

Therefore, we use Asset Allocation to determine or influence the risk and volatility of the portfolio. The challenge is to work out how much we put in (or Allocate) to each asset class and this depends entirely on you and your attitude to risk. We use a Risk Profile Questionnaire to better understand how much risk (or volatility) you can accept before you lose sleep at night. There’s no right or wrong answers to the questionnaire, it simply reflects how comfortable you are taking risks.

So in simple terms, your risk profile helps us work out how much of your investment should be allocated to each asset class. From there we can make strategic decisions about what actual investments are suitable for you. We can then work out what investment return is realistic which translates into how much your portfolio will be worth in the future.

I could get technical and explain different types of Asset Allocations such as Strategic, Technical or Dynamic but perhaps give us a call to discuss further in person.

The important part about asset allocation is that it’s the main driver of how you should be invested. Over time, if you’ve become more conservative or more of a risk taker, then we can make adjustments to your portfolio to reflect this. The Questionnaire only takes a few minutes but can mean in the long term you sleep better at night and are satisfied that your investments are right for you.



WILL CHAPMAN DipFS(FP)  
Authorised Representative (311745)

# Health Care Card CHANGES

I wrote some months ago about the proposed changes to the assessment of Allocated Pensions for Centrelink (please refer to our last newsletter). Since then the legislation has been passed.

In short after January 1st 2015 if you were to commence an Allocated Pension from your super it will be subject to the deeming rules for income test purposes. This is opposed to the current rules where a deductible amount (or non assessable amount) is applied and any income drawn over that amount is counted as assessable income.

Those changes will not affect everyone. If you have substantial assets then it may always be that the assets test applies and even if your fund is deemed it would not change the assessment. If you already have an Allocated Pension in place then you remain under the current rules. Remember however that if you change your fund after this year it will trigger the new rule.

The unfortunate unintended consequence of the new rule is if you have a Nominated Beneficiary on your fund it will not continue under the current rules for your spouse after you pass away but if you have a Reversionary Beneficiary nomination it will.

As an extension to this and what came as a surprise in the recent Federal Budget was that the assessment of Allocated Pensions will also change for those not on an age pension but holding a Commonwealth Seniors Health Care Card (CSHCC).

If you are not on an age pension but have taxable income less than \$80,000 pa for couples (\$50,000 for singles) you are currently entitled to the CSHCC. The income you draw from an Allocated Pension is totally tax free and not included in the assessment for the CSHCC.

From January 2015 any new Allocated Pension will be assessed for the CSHCC in the same way it is assessed for the age pension, that is the balance will be deemed and the assessed amount added to other taxable income.

This could have an impact on those who have other income and are close to the thresholds. At this stage it is our understanding that funds still held within the accumulation phase (ie. superannuation) will not be assessed. It will be worth reviewing your position and taking action if necessary before the end of this year. Those with Allocated Pensions in force will be exempt from the new rules.



JOHN OLIVER CFP®  
Director  
Authorised Representative (No 227298)

# AGED CARE *Keep or sell the family home?*

We are now only a few weeks away from the start of the new Aged Care rules and as we draw nearer some elements are increasingly coming under the spotlight by the new Federal Government and the media. One of the more intriguing aspects of the new rules is the level of benefit received when deciding to keep and rent out the family home as opposed to selling and investing the proceeds.

Whether to keep or sell the family home isn't always just a financial decision. Emotional and practical considerations often out-weigh any financial implication. For instance, some clients don't have the support network for the preparation and ongoing maintenance required to rent out a house.

To illustrate with an example take Frank, he is a single homeowner approved for residential aged care. His finances are as follows;

- \$700,000 Home
- \$100,000 Bank account
- \$550,000 Advertised accommodation cost (paid)
- \$5,000 Contents

	Sells House	Keeps & Rents House
Income from investments	\$27,301	\$2,976
Net rental income	\$0	\$23,334
Age Pension	\$3,749	\$21,913
Total Inflow	\$31,050	\$48,223
Basic daily care fee	\$16,973	\$16,973
RAD/DAP	\$550,000 RAD <sup>1</sup>	\$545,000 RAD/ \$332pa DAP <sup>2</sup>
Means tested free	\$24,661	\$11,041
<b>Total outflow</b>	<b>\$41,634</b>	<b>\$28,346</b>
<b>Surplus/Deficit</b>	<b>\$(10,584)</b>	<b>\$19,877</b>

Note: 1) Accommodation cost paid as a Refundable Accommodation Deposit (RAD)

2) Accommodation cost paid part as a Daily Accommodation Payment (DAP)

From the table you can see two main benefits when keeping and renting the house.

One, the Age Pension increases significantly. There has been no change to the rule here. The house when rented is currently excluded from Centrelink assessment and will continue to be under the new rules. As long as you pay part of the accommodation cost as a Daily Payment.

Two, the means tested fee reduces. Currently care fees are based on assessable income only, so with the introduction of the means tested care fee and the inclusion of assessable assets the difference in fees when deciding to keep or rent the house will become more pronounced under the new rules. The reason for this is that only a capped amount (\$144,500) of the homes value is included for assessment when it is retained and rented out compared to its entire value if you were to sell and invest the proceeds.

This example has been used to highlight the differences between selling or keeping and renting the family home, for a more detailed explanation please attend one of our regular Aged Care Information seminars or contact your financial adviser.



SAM MARTIN CFP®  
Authorised Representative (252676)

It always gives us pleasure to introduce you to new Goldsbrough team members and there have been several additions since the last issue of Goldsbrough News.

We welcome our new Life Risk Adviser, Craig Kirkwood. Craig joined us in May and brings with him extensive experience working with risk insurance strategies for personal and business arrangements.



Craig Kirkwood

We also welcome two new Adviser Assistants, both bringing considerable industry experience to our support team. They are:

Kim Keller, who is providing support to Glenn Todman, Sam Martin and Will Chapman.



Kim Keller

Valeska Farrow, who is providing support to John Oliver, Lachlan Harvey and Brenton Miegel.



Valeska Farrow

# Client Testimonial Competition

This is your chance to **WIN** a shopping spree on us!

Firstly, a big thank you to those clients who have taken the time to share a little of their life story in past issues of the Goldsbrough News for the benefit of others.

We have been pleased and encouraged by the positive feedback we have received from these stories. It seems that we human beings love to hear stories of other people's successes, failures, fears and aspirations. Imagine you're on the brink of a major change in your life, such as retirement — how heartening it would be to hear from someone who has just been through the same experience, the doubts, financial concerns, lifestyle changes and come out the other side with a clear vision for the future.

If financial planning has made a positive contribution to your life then we want to hear your story...

**Tell us in 200 words or less how financial planning, or your financial planner, has had a positive influence on your life and you will be in the running for a \$250 shopping voucher of your choice.**

*The winning entry will be chosen by an independent judge and announced in the next edition of the Goldsbrough News.*

*By submitting an entry you acknowledge that Goldsbrough may use your comments for testimonial purposes in future.*

Email or post your entries to our General Manager by Friday 1 August 2014

bdixon@goldsbrough.com.au

or

General Manager, Goldsbrough

120 Greenhill Rd Unley 5061

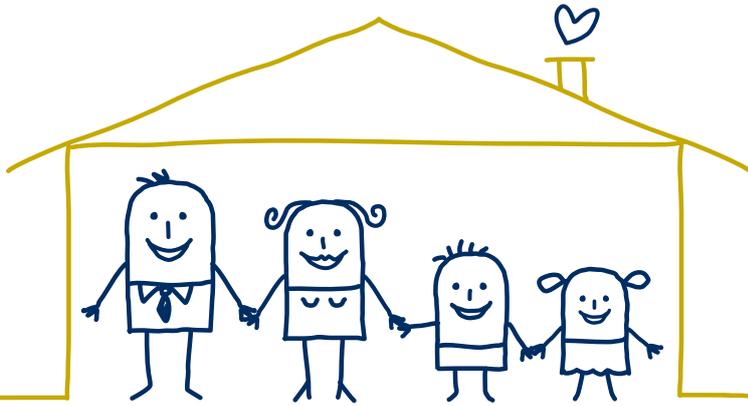
LACHLAN HARVEY

CFP®

Authorised Representative

(227293)





## Estate Planning

Estate Planning is a very important part of Financial Planning, however people often put it off because it is too difficult to arrange.

To assist with this we have arranged for a Solicitor, **Brian Paris from Wallmans Lawyers** to be available in our office on the second Friday each month to answer your questions and prepare documents to meet your Estate Planning needs.

Phone our receptionist Chris on 8378 4000 or speak to your adviser to make an appointment with Brian.

### 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 March quarter are Russ and Darleen Haw — congratulations, your voucher is on its way.**

## UPCOMING seminars 2014

TUE 12 AUG

TUE 9 SEP

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.

Bookings essential

Telephone 8378 4000

or online at

[www.goldsborough.com.au](http://www.goldsborough.com.au)

## NEW in 2014

TUE 22 JUL

TUE 28 OCT

6.00pm

### Aged Care Information Evenings

Bookings essential

Telephone 8378 4000

or online at

[www.goldsborough.com.au](http://www.goldsborough.com.au)

#### Disclaimer Statement

This newsletter contains general advice only and should not be relied upon as a substitute for financial product advice. None of the information takes into account the investment objectives, financial circumstances or investment needs of any particular investor. You must therefore assess whether it is appropriate, in the light of your own individual circumstances, to act upon the relevant information. It is advisable that you obtain professional independent financial advice before making any investment decision based on the information provided.

If you do not wish to receive future editions of this newsletter please phone Freecall 1800 633 630 or email [mail@goldsborough.com.au](mailto:mail@goldsborough.com.au) and request that your name be deleted from the distribution list.