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2005 WINTER NEWSLETTER

Welcome to our mid year update on news you can use. Since the last newsletter investment markets have been on a roller coaster ride due largely to fears that inflation may become a problem in the United States of America. Fortunately at the time of writing the markets appear to be getting back to normal.

Where to Retire!

Clients will be aware that we are the authors of the book '*Where to Retire in Australia*'. We are pleased to announce that from the 1st of June the totally revised second edition will be available in all good bookstores across Australia. We can also take orders over the internet at www.where2retire.com.au.

The book is now published by Explore Australia the group that publishes a range of lifestyle related publications such as Explore Australia Camping, and Explore Australia in a 4WD. The book now provides details on 44 locations across Australia that are attracting the attention of retirees on the move. The book has excellent maps and a good selection of photographs making it a good travel guide for those who are planning to travel within Australia. Interestingly we sell a growing number of books to expatriates and people planning to come to Australia to retire.

Really useful information that could save your life

How to survive a heart attack when alone. The Rochester General Hospital advises that if you feel your heart beating improperly and you start to feel faint, do not panic. Start coughing vigorously. Take a deep breath before each cough. Deep breaths get oxygen into the lungs and the coughing movements squeeze the heart and keep the blood circulating. You then need to seek medical attention as soon as possible.

When do Centrelink check the value of shares and managed funds?

Every March and September the value of shares and managed funds are reviewed. They are also reviewed each time a pensioner buys or sells shares or units. Pensioners who participate in dividend re-investment plans should ring Centrelink every time new shares or units are issued. A pensioner can contact Centrelink at any time to request a revaluation.

As a general rule we advise pensioners to avoid dividend re-investment plans because of the need to continually ring Centrelink.

How probate affects life insurance payouts

Clients would be surprised how often a term life insurance payout is held up for a protracted period because the insurer is waiting for probate (proof that the will is genuine). There are three possible ways in which these delays can be avoided:

- Providing for the transfer of the policy proceeds in your will
- Nominating a 'Section 48' beneficiary for ordinary life insurance, and
- Having a Binding nomination for life insurance held in a superannuation fund.

Qualifying for a UK pension

To qualify for a part pension males need to have worked in the UK for 11 years, and females 10 years. It is a little known fact that people living outside of the UK can make voluntary contributions to bring them up to the minimum qualifying period or to boost their pension entitlement.

As an example, a woman who has worked in the UK for nine years can make a retrospective contribution for one year, and receive 25% of the full UK pension paid for life.

Clients who may be able to take advantage of these arrangements can contact the International Pension Centre at Care@thepensionservice.gsi.gov.uk A useful local contact is www.BPIA.org.au

Superannuation Choice

Clients will have read that choice of superannuation fund legislation becomes effective from the 1st of July (although a large number of employees will not have choice due to the nature of their enterprise agreement, or public service style superannuation arrangements). The Association of Superannuation Funds of Australia (ASFA) have developed a series of 13 useful fact sheets that are available at www.superannuation.asn.au

The Australian Taxation Office (ATO) website contains the standard forms that taxpayers will need to use when exercising choice. The ATO website is www.ato.gov.au

We urge clients to carefully consider their insurance arrangements as well as investment performance before making any changes. One area often overlooked is that many of the large superannuation funds offer life insurance and disability cover without medical tests.

The Australian Securities and Investment Commission (ASIC) have placed useful data regarding long term investment on their website at www.fido.gov.au/super

Did you know?

According to Hong Kong investment expert Marc Faber the USA uses 28 barrels of oil per capita, South Korea and Japan use 17 barrels per capita and the Chinese use just 1.7 barrels per capita. What this means is that Asia with a population of 3.6 billion people use less oil than the US on a population of 295 million people. There is no doubt that Asian oil consumption will double. The question is how long will it take?

Source: BT Better Investor magazine.

Linking Thinking

We are working on a series of short seminars to help clients and their friends who want to 'Retire Bizzi'. There are a growing number of people who want to stay active while being semi-retired. The first session will help identify potential business or hobby activities that fit with an individuals personal values and goals. The second session will help people turn their business concept into the makings of a viable business or hobby.

We are working with two experienced trainers who have spent years running workshops and mentoring programmes. We are looking for people who would like to join the pilot programme that we plan to launch in September. Please contact us at owen.weeks@lifestylematters.com.au if you would like to participate in this exercise.

One of the great benefits of joining this programme will be the ability to network with like minded people while learning new skills. We are currently working on the design of seminar workbooks and support material. We have not decided on times and venue arrangements.

What to do before the 30th of June

Investors who have benefited during the year from a taxable capital gain should review their portfolio and look at any unrealised capital losses that could potentially offset the taxable capital gain. Capital losses that have arisen during the financial year are carried forward unless they can be offset against taxable capital gains.

Investors should remember that Capital Gains Tax does not apply to the principal residence, motor cars and certain personal use assets.

Capital Gains Tax is paid at the taxpayers marginal tax rate so it is better to realise any gains in a period of reduced income.

Keep working while drawing on your superannuation

From the 1st of July taxpayers who have reached their preservation age (for most people this is age 55) will be able to boost their income by drawing on part of their superannuation. New legislation provides that taxpayers will be able to rollover funds into a non-commutable allocated annuity or pension. The word non-commutable means that the income stream cannot be converted into a cash lump sum at any time in the future.

These new arrangements provide much greater flexibility for those who want to scale back their work load and perhaps ease into retirement gradually. There are several potential issues relating to Reasonable Benefit Limits (RBL's) and how much an investor should place in this style of income stream. Clients are urged to discuss any plans they might have regarding the use of non-commutable income streams with us before placing funds in this type of income stream.

It is when you sell that counts

One of the most difficult investment decisions faced by property, share and managed fund investors is, *when is the right time to sell?*

Individual investors need to consider their short and long term investment goals, and place this into context with taxation implications, current market conditions and the specific outlook for the investment under consideration. Some of the reasons why investors decide to sell an investment might include:

- Changing investment landscape
- A change in the risk attached to a particular investment
- Disappointing company results
- The emergence of better investment opportunities
- Changes in economic conditions such as interest rate rises
- Opportunities to receive better income including franked dividends
- The current valuation is unlikely to be exceeded for some time.

One fact that often escapes many investors is that many of the shares that are traded on the stock exchange are being sold for reasons that have little to do with the underlying merits of a particular share. Shares could be sold as part of the winding up of a deceased estate, a divorce, people moving overseas, company re-organizations, winding up of trusts etc.

Disclaimer

This newsletter is for general information only. Tax, Social Security and Investment Laws change frequently and may affect different persons in different ways. You should not act solely on information in this newsletter.