Prepare FOR LIFE

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RROW
FOCUS ON WEALTH

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SHIFT TO SHARES

Over the last couple of years, a lot of Australians have been wary of risk when investing and have invested in cash or term deposits. But the latest figures show that shares have outperformed cash and property, so is it time to think about different investment options?

The Reserve Bank of Australia has reduced the official interest rate several times and it is now as low as it was in 2008 at the height of the GFC when businesses such as Lehman Brothers were collapsing. Mortgage holders have been rejoicing, hoping that the banks will pass on some of the interest rate cuts.

Meanwhile, investors with significant cash or term deposit holdings have been experiencing lower returns.

CASH AND TERM DEPOSITS

With the interest rates so low, six month term deposit rate are now sitting at less than 4 per cent. This has fallen significantly from the high of 2008 when they were around 9 per cent. This means that people who are relying on cash or term deposits to provide income or returns have not had as much discretionary income as they would have liked. The predictions are that interest rates will continue to fall, and if this happens, returns from cash and term deposits are going to continue to fall as well.

PROPERTY

Over the last couple of decades, property was a significant way to generate great returns, but after the GFC confidence fell and there were a lot of forced sales. Over the last 10 years, property has only returned 5.5 per cent*. One of the major deterrents right now is that with the taxes and levies on purchasing a property, the cost of buying is around 6 per cent of the purchase price*. Some experts are predicting property growth to slow even more going forward, saying that the late 90s boom was a once in a lifetime high.

SHARES

Over the last five years the share market has been pretty low, it is down a third from their highs in 2007, but when you look at the ten year return rate of shares it has returned 8.7 per cent, which looks pretty good.*

SO WHAT SHOULD YOU DO?

The key is to look at diversifying across cash, shares and property. You need to understand the historical information, your appetite for risk and where you are in the investment cycle. By balancing long and short term investments with your objectives you will be on the path to success.

We would love to talk to you about the different options to find one that suits your needs.

Source | IOOF
* http://www.news.com.au/money/investing/shares-still-beat-property-and-cash-analysis-finds/story-e6frfmdr-1226545416014

TWENTY **FOURTEEN**

S U R V E Y I N G   T H E   L A N D S C A P E ?

2014 promises to be a year of change, full of potential changes to the financial industry.

Here are just a few of the possible challenges:

Inquiries

The "Son of Wallis" review of the financial services sector is due to commence this year. This is expected to have a far-reaching impact on the financial services and banking industries and as such the panel will consider ways of making more productive use of everyday Australians' savings throughout the broader economy. The superannuation sector, with in excess of $1.7 trillion in assets, is expected to feature significantly in the inquiry.

Unlegislated taxation measures

In November 2013, the Government announced that it had reviewed the backlog of 92 unlegislated taxation and superannuation measures. Of these, 18 initiatives will proceed, whilst seven measures will not. The remaining measures will be undergoing various levels of scrutiny. The seven measures not proceeding include:

- The cap on self-education expenses;
- Changes to fringe benefits tax affecting company and salary sacrificed cars; and
- Taxation of earnings supporting superannuation pensions.

Mining Resource Rent Tax

Legislation to repeal the mining tax was introduced to Parliament in late 2013. As a consequence, two aspects of superannuation will be affected, subject to the eventual passing of this legislation. These are:

1. Abolition of the low income superannuation contribution (LISC), effective from 1 July 2013. The LISC was introduced from 1 July 2012 and provides a government superannuation contribution of up to $500 for people earning less than $37,000 per annum. The contribution is, in essence, a refund of contributions tax paid in respect of concessional contributions made by or on behalf of such people.
2. The pausing of the legislated increase in superannuation guarantee (SG) contributions. The current rate of SG contributions of 9.25% will apply, not only to the 2013/14 financial year, but also for 2014/15 and 2015/16.

SuperStream, MySuper, SuperMatch, lost super and intra fund advice

With around $17 billion currently in lost superannuation, the Government has been keen to reunite Australians with their lost superannuation. With the introduction of MySuper and SuperMatch, you can expect to see a lot of activity from retail and industry funds as they seek to provide services to their members in the superannuation consolidation space. This will have a potential direct and indirect effect on financial advisers.

SuperStream will impact on SMSFs from 1 July 2014 in respect of certain employer contributions, and from 1 July 2015 in respect of rollovers of superannuation benefits, to SMSFs.

Superannuation and SMSFs

There are a number of issues on the landscape that have the potential to affect superannuation in general and Self Managed Superannuation Funds (SMSF) in particular. Some specific aspects that need to be kept in mind include:

1. Limited recourse borrowing arrangements

Back in 2010, the Cooper Review recommended the government review LRBAs "in two years". There was a lot of media coverage during 2013 that focussed on potential concerns about SMSFs investing in direct property, property "spruikers" targeting SMSFs, misinformation around SMSFs investing in NRAS properties and the like. A number of industry bodies have been calling on the Government to review LRBAs with the view of clarifying their position.

2. Deeming of income for account based pensions

Legislation was introduced to Parliament in late 2013 that would see new account-based pensions being subject to deeming for Government income support purposes (i.e. pensions and allowances).

The proposal is that account-based pensions commencing 1 January 2015 will be subject to deeming, however earlier account-based pensions may also be affected where the member has not been receiving or does not qualify for income support benefits prior to 1 January 2015.

3. Concessional contribution caps

Last year we also saw the introduction of a transitional concessional contribution cap of $35,000 for people who were aged 59 or older on 30 June 2013. This will extend to people aged 49 and older, from 1 July 2014.

This provides an excellent opportunity for those eligible to have additional amounts contributed to their superannuation under a salary sacrifice arrangement, or as personal deductible contributions for the self-employed.

Prior to the election, the present Government stated they would make no adverse changes to superannuation. We are continuing to closely monitor developments in the superannuation arena and will provide updates as any changes are announced and/or implemented.

Aged Care

Significant changes are planned for people accessing aged care (at home and residential aged care services) from 1 July 2014, including:

1. The distinction between High Care and Low Care to be removed;
2. Accommodation Bonds and Charges to be replaced by a Refundable Accommodation Deposit, Daily Accommodation Payment, or a combination of both;
3. Income Tested Daily Fee to be superseded by a Means Tested Daily Fee that takes into account both a resident's income and their assets;
4. The introduction of Annual and Lifetime Caps on fees.

How can we assist you?

If you would like any additional information on these legislative changes and discuss how we can help you plan for your future, contact us today!

Source | Peter Kelly & Mark Teale
Centrepoint Alliance Limited

YOU CAN AFFORD LIFE INSURANCE

In 2010, a study by Lifewise found that **95% of families didn't have adequate levels of insurance**. The typical Australian family will need to cope on half or less of their income as a result of underinsurance.

Understanding their finances are one of the main reasons Australians fail to protect themselves and their families. Here is how you can afford the premiums:

INSURANCE THROUGH SUPER

Did you know that you can pay your insurance premiums through your super? This may assist you with paying insurance premiums when you have a low disposable income.

OTHER WAYS TO PAY FOR COVER

You can make contributions to your super fund and gain tax benefits:

- If you're eligible to salary sacrifice to super, you can have premiums paid from pre-tax dollars. And because your super fund may be able to claim a tax deduction for the premiums, you may not need to pay tax on the contributions.
- If you're self-employed, making a personal contribution to super from after-tax income to cover premiums lets you claim a personal tax deduction.

YOU COULD ALSO:

- Take advantage of tax offsets of up to $540 by making a super contribution to your low-income spouse.
- Make personal contributions to super, and if eligible, qualify for a Government co-contribution of up to $500.

BE AWARE

- A benefit payment under superannuation is paid to the fund trustee. The trustee will only pay benefits to you or your beneficiaries if you meet a superannuation condition of release.
- Tax on death benefits is determined by who receives the benefits. You may need to ensure a binding death nomination is in place so that benefits are paid to those intended.
- Paying premiums from superannuation may erode your retirement funds so think about topping up your super fund when you're able.

To take the first steps to getting the right cover for you, call us today!

Source I AIA

Arrow Focus on Wealth

Arrow's Financial Adviser Steve Culpitt says, "We focus on assisting clients - families and individuals - protect their lifestyles and grow wealth without feeling like they could lose it all at the drop of a hat. We do this by identifying ever changing financial goals and objectives, and then offering tailored, strategic solutions."

Arrow is dedicated to providing the appropriate solutions for families, individuals, businesses and its employees. Steve and his wife Janet share one vision - to help our clients make enlightened and informed decisions - because they firmly believe that "the greatest satisfaction comes from knowing you've made the right choice."

Arrow bring Financial Planning Essentials back to basics for everyone, using a baseball game analogy , The Game of Money.

1st base – is creating and maintaining strong Financial Foundations; moving onto

2nd Base when starting and wanting to accumulate wealth; from that onto

3rd Base when planning retirement; and

Home Run is Retiring in style with the lifestyle you planned and aimed for.

Planning Essentials :

1. Making Smart Decision about money,
2. Achieving financial goals,
3.Clear picture of where you are now,
4. Clear picture of where you want to be,
5. Strategies and actions to get there ,
6. Review to make sure you stay on track

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