Robertson deRooy associates FINANCIAL SERVICES

May 2015

Client Briefing Invitation

Friday, 12 June 2015
9.45am for 10am start
Wallis Lake Room
CLUB FORSTER

Opportunities in Global Markets

Our guest speaker is **Ian Carmichael—Investment Analyst at Platinum Asset Management**—who will talk to us about opportunities in Global Markets. In doing so he will cover the major macro-economic issues facing the world at this time and focus on some of the key themes and companies in which Platinum currently invests. With China moving away from its investment–driven growth, and the ramifications for resources demand (and for the Australian dollar) this is a particularly important time for Australian investors to be thinking about their overseas exposure.

"After years of great domestic returns, Australian investors should surely now be asking have things changed and whether they have enough foreign share exposure."
Kerr Neilson, Managing Director, Platinum Asset Management, 17 December 2014

Over the past 21 years Platinum has developed a strong record of investing in global equities from Sydney, delivering more than twice market returns in the flagship Platinum International Fund since inception, and with great achievements across all its regional and sector funds.

In addition to a Federal Budget update, we will also have **Simon Brislane from Centrelink** providing us with a post budget update– outlining **important changes** which may impact you.

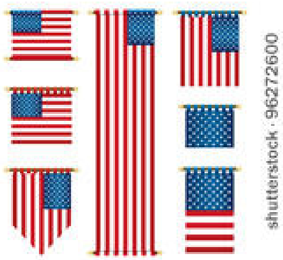
In the light of the **Reserve Bank's 11th consecutive cut** in interest rates to 2% we will also revisit some of the real issues currently facing investors including the impact of continuing low interest rates on your income and how to find the right balance for you

The briefing will run for 2 hours and will include a break for light refreshments—as always please feel free to bring a friend along. To assist in our planning please advise if you will attend by phoning us on 6555 6433 or emailing us at adviser@robertsonderooy.com.au by **5pm Tuesday 9 June 2015**.

Economic Snapshot May 2015

The Reserve Bank (RBA) disappointed financial markets in April when the cash rate was left unchanged at 2.25%. This contributed to an underperformance of interest-rate sensitive assets such as bonds, bank shares and AREIT's (Australian Real Estate Investment Trusts), while the $A rose back to the US$0.80 level.

However, on 5 May the RBA cut the cash rate to a new record low of 2.0% - citing low inflation, soft business investment and the need for further currency depreciation. This is now officially the lowest rate since the RBA was established in January 1960. Home loans are also at their lowest point in history as a consequence.



Softer economic data out of the US led analysts to revise down their expectations of interest rate increases by the Federal Reserve, which in turn helped push down the US$. However, the Federal Reserve said it regards the weak first quarter data as transitory and heavily influenced by adverse weather conditions. Many believe it remains on course to start lifting interest rates this year – but note that it continues to be very careful about how it conveys this message to the markets.

The combination of a softer US$ and moderate expectations of US interest rate increases helped emerging market stocks outperform in the month. Conversely the weakness of growth worried many and global markets stuttered to an inconclusive month with modest declines in equities and bonds.

Tensions over the situation in Greece increased as loan repayment deadlines approach. The pugnacious Greek Finance Minister seems to have been sidelined by the Prime Minister for the next round. The world remains in an unknown environment with geopolitical posturing and debt repayments and we can only assume volatility is a likely outcome.

The eventual closing down of quantitative easing (money printing) programs across the globe means we enter a period where the underlying earnings of corporations and the general economic wellbeing of nations determine growth. However the balancing act in recent years has been asset growth inflation [driven by the stimulus programmes] reducing the level of debt.

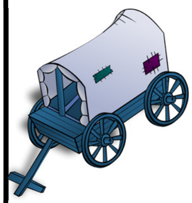
The world has not been in this position before, the debt issue hasn't really been tackled, and inevitably volatility will always be present. Importantly, the path for global recovery is present and underway.

What this means for portfolios is sensible allocation to secure unleveraged assets and broad diversification across sectors and economies. Portfolio returns over time will outperform cash - but with the proviso that paper losses arise from time to time.

Staff developments

We are very sorry that Lyn Finnie has decided the time has come for her to retire. Over the past 14 years Lyn has been an integral part of our business—initially when we were Forum Financial Services and now as Robertson de Rooy. During that time she has provided extremely valuable and efficient support, guidance and help to Jeff, Marcus, our team, and our many clients.

Lyn will be leaving us on 12 June– the day of our client briefing.



Lyn has been a great asset to our business, but with two bouncing newborn granddaughters to enjoy and plans to travel with her husband John, we would like to acknowledge her many loyal years of service by wishing her all the best for a long, healthy and memorable retirement.

We are very fortunate to have Lee Brassell joining us on a full time basis. Lee previously worked for many years at Forum Financial Services in Taree—remaining in Taree following Jeff and Marcus' purchase of the Forster office in 2004 (subsequently renamed Robertson de Rooy). We look forward to Lee commencing with us once again.

In other developments we are pleased that now that her son Harry is a year old Jenny Forrest has returned to work with us two days a week, and that Gill Weston, who was covering for Jenny's absence, has joined us permanently, working three days a week.

2015 Federal Budget—12 May 2015

In the lead up to the recent Federal Budget, there was ongoing debate and speculation about the measures the government might take to manage the deficit. Issues previously regarded as being untouchable such as negative gearing, dividend imputation and the GST, were thrown into the mix. However no changes have been announced to any of these areas, with the welfare area gaining most of the attention.

The following provides some details of the more pertinent announcements made—but please keep in mind that the budget will have to pass the Senate and until such time the changes are not legislated.

Superannuation

◊ The Treasurer reiterated that there will be 'no new taxes on superannuation under this Government', affirming there will be no changes to preservation ages or taxation of superannuation, such as a tax on pension earnings or an increase in contribution-related taxes.

Early access for people with terminal Illness

◊ The Government will increase the life expectancy period for patients with a terminal illness to 24 months from 1 July 2015, providing earlier access to superannuation benefits. Access will be granted where patients obtain certification from two medical practitioners that they have a life expectancy period of less than 24 months, rather than 12 months at present.

Pension indexation changes not proceeding

◊ The Government has decided not to proceed with the proposed 2014-15 measure to link pension increases to inflation only. Instead, Indexation will continue under current arrangements by the higher of increases in the Consumer Price Index or the Pensioner and Beneficiary Living Cost Index and benchmarked against Male Total Average Weekly Earnings.

Deeming and Income Test threshold changes not proceeding

◊ The Government will not proceed with the 2014-15 measures to reset the deeming thresholds and change the indexation of the pension Income Test thresholds and deeming thresholds. The deeming thresholds remain $48,000 for singles and $79,600 for couples, and the pension Income Test thresholds and deeming thresholds will continue to be indexed annually to CPI.

Changes to Centrelink Asset Test Thresholds from 1 January 2017

	Assets Test Threshold for full pension (20 March 2015)	Assets Test Threshold for full pension (1 January 2017)	Asset Test threshold for part pension (20 March 2015)	Assets Test threshold for part pension (1 January 2017)
Single, homeowner	$202,000	$250,000	$775,500	$547,000
Single, non-homeowner	$348,500	$450,000	$922,000	$747,000
Couple, homeowner	$286,500	$375,000	$1,151,500	$823,000
Couple, non-homeowner	$433,000	$575,000	$1,298,000	$1,023,000

From 1 January 2017, the Assets Test taper rate will increase from $1.50 to $3.00, effectively reversing the 2007 decision to halve the taper rate at that time. The taper rate governs how much of the fortnightly pension payment is lost for each additional $1,000 of assets above the lower threshold.

Entitlements are calculated under both the Asset Test and the Income Test - with the rate payable being the LOWER of the two.

Pensioners who lose their pension entitlement on 1 January 2017 as a result of these changes will automatically be issued with a Commonwealth Seniors Health Card or a Health Care Card (for those under Age Pension age).

Cap on defined benefit pension income deduction

The proportion of income that can be excluded from any Income Test (the deductible amount) will be capped at 10% from 1 January 2016. Presently, some defined benefit members can reduce their assessable income, by up to half in some cases, by having a large proportion of their superannuation income excluded from the pension Income Test. Recipients of Veterans' Affairs pensions and/or defined benefit income streams paid by military superannuation funds are exempt from this measure.

Aged care—Rental income exemption removed

The rental income exemption under the aged care means test, for aged care residents who are renting out their former home and paying their aged care accommodation costs by periodic payment, will no longer apply. This applies to new residents entering aged care from **1 January 2016**. It is a common strategy to rent out the former home, and pay for accommodation cost by periodic payment, to receive an indefinite exemption for the former home under the Age Pension Assets Test. Advisers will now need to consider the impact the rental income will have on aged care fees.

Small business—Tax cuts

From the 2015-16 financial year, the Government will reduce the company tax rate to 28.5% for companies with aggregated annual turnover less than $2 million. Companies with an aggregated annual turnover of $2 million or above will continue to be subject to the current 30% rate on all their taxable income. The current maximum franking credit rate for a distribution will remain unchanged at 30% for all companies, maintaining the existing arrangements for investors, such as self-funded retirees.

Five steps to consider before entering an Aged Care home

If the need for residential aged care is nearing, following these five steps will help you make a smoother transition.

1. Get your eligibility assessed

Before you can enter an aged care facility and receive Government support, your health situation must be assessed by the Aged Care Assessment Team (ACAT). The assessors are generally health professionals such as doctors, nurses and social workers who specialise in aged care. This is a free service that can be done at home or in a health centre or hospital. The purpose is to determine whether you are eligible to move into residential care, or can access a range of care services that would enable you to stay in your home longer.

More information about ACAT assessments can be found on the Australian Government's My Aged Care website: **http://www.myagedcare.gov.au/eligibility-and-assessment/acat-assessments**.

2. Find a suitable facility

Once ACAT has determined whether you are eligible for residential aged care and the care services you may need, it's a good idea to visit a few facilities. The My Aged Care website has an 'Aged Care Homes Finder' tool that enables you to locate and contact aged care homes in your preferred area.

Each facility is different, so visiting a few will help you to decide which one is the most suitable for you. Not all aged care homes will be able to meet your care needs. Also, some provide higher standards of accommodation and broader food choices, which generally come at a higher cost. These are called 'extra services' facilities.

3. Work out the cost

While the Australian Federal Government provides some funding for residential aged care facilities, those who can afford it are expected to contribute to the cost of their care. The four different fees you may be asked to pay include:

- an **accommodation payment** – for your accommodation in the aged care facility, which may be paid as either a lump sum, regular instalments or a combination of lump sum and instalments
- a **basic daily fee -** which will usually be payable by all residents and is a contribution towards daily living costs, such as nursing, personal care and meals
- a **means-tested care fee** - which is an additional contribution towards the cost of care that you may need to pay depending on the assessment of your income and assets, and
- an **extra services fee** - which may be payable if you choose a higher standard of accommodation or additional services and it varies from place to place.

4. Seek advice

Moving into residential aged care can be a financially challenging time. However, obtaining financial advice can help reduce a lot of the stress by helping you to:

- determine which fees may be payable
- implement strategies that could reduce your care costs and/or increase social security entitlements
- ascertain whether care at your preferred facility is affordable for you
- In conjunction with your solicitor or other legal professional, a financial adviser can also help you to ensure your estate planning affairs are addressed. Issues that may need to be considered include:
  - selling, renting, retaining or transferring ownership of your family home
  - nominating a person to maintain and/or rent your home on your behalf
  - reviewing your enduring power of attorney
  - reviewing your Will (including the benefits of including provisions in your Will that establish a Testamentary Trust upon your death), and reviewing your superannuation death benefit nominations.

5. Apply for an aged care home

Once you've decided the type of care you want and can afford, and your estate planning affairs have been taken care of, it's time to apply with an aged care home. To do this, you will need to complete an application form with the relevant aged care home of your choice.

You may find that a place in your preferred aged care facility is not available. In case that happens, it may be a good idea to lodge an application with a few places and ask to go on the 'waitlist'. You can apply to as many places as you'd like and the facility will let you know if your application has been accepted.

If you are offered a place, you must be given a copy of the Accommodation Agreement before you move in. This agreement sets out the key terms and conditions and it should be reviewed by a legal professional. You must sign the agreement and decide how you will make the accommodation payment within 28 days of entering the facility.

The Department of Human Services (DHS) may also ask you to complete and lodge a 'Request for Combined Assets and Income Assessment'. DHS will then use the information to determine what, if any, means-tested care fees you may need to pay.

Eligibility for the Government Super co-contribution

You will be eligible for the super co-contribution if you can answer *yes* to **all** of the following:

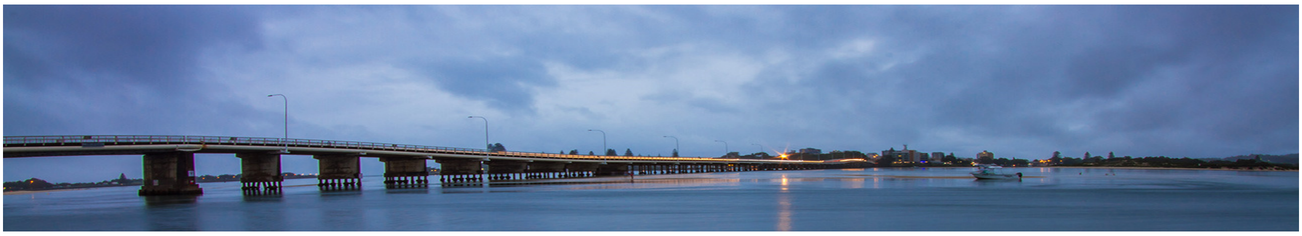
- you made one or more eligible personal super contributions ($1,000) to your super account during the financial year .The maximum co-contribution is $500 and is payable when total income is under $34,488.
- you pass the two income tests
  - ◊ your total income for the financial year is less than the higher income threshold ($49,488 for 2014-15)
  - ◊ 10% or more of your total income comes from eligible employment-related activities or carrying on a business, or a combination of both
- you were less than 71 years old at the end of the financial year
- you did not hold a temporary visa at any time during the financial year (unless you are a New Zealand citizen or it was a prescribed visa)
- you lodged your tax return for the relevant financial year.

You are not entitled to a super co-contribution for personal contributions you choose to claim and have been allowed as a tax deduction.

Income includes

- employment and business income (including partnership distribution), any reportable fringe benefits amounts, any reportable employer super contributions and any other income.

For more information please speak with your Adviser.



We hope that you have enjoyed our Newsletter. Should you have any questions regarding its content or would like to provide suggestions for future topic inclusions, please let us know.

For further information about our team as well as the latest news, market updates, financial calculators and previous newsletters visit our website at ***www.robertsonderooy.com.au***

Suite 11, 41 Wharf Street
Forster NSW 2428
Ph. 02 6555 6433
Fax. 02 6555 3022
Email: adviser@robertsonderooy.com.au

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