

Banking giant HSBC conducts survey on retirement funds

SHOOT YOUR ADVISER

Australians short on retirement funds

Around 60 per cent of Australians admit to being unprepared to stop working and expect to run-out of superannuation and cash savings half-way through their retirement.

A survey of 1000 Australians, conducted by banking giant HSBC, found workers expect to be forced to rely on the government pension when their retirement savings run dry after an average of just 11 yrs.

And in a worrying development for future government budgets, 56 per cent of Australians have never

saved for their retirement outside of their superannuation.

HSBC head of wealth management Graham Heunis said "people need to start saving earlier otherwise the budget pressure will be huge in 20 years."

The most recent research shows that the average Australian male has just under \$200,000 in superannuation while women have only \$112,000. And Australians expect 30 per cent of their retirement income to come from the pension, 20 per cent from superannuation, 14 per cent from cash

savings, 11 per cent from property and eight per cent from shares and investments.

Mr Heunis said Australians tended to focus on short-term savings goals, with 53 per cent prioritising on saving for things like a holiday over retirement.

The survey results come amid speculation about possible changes to the superannuation system in the Gillard Government's Budget in May.

Taken from an article written by Stephen McMahon from news.com.au on 21 February 2013.

Have you ever felt the urge to shoot your financial adviser? Now is your chance. Refer a friend to meet with Matt and you receive two passes for paintball with Matt and the team. You may never get an opportunity like this again...! Paintball must be held before

April 2013, so help a friend start the new year off in the right way by coming to see Matt.



OFFICE UPDATE

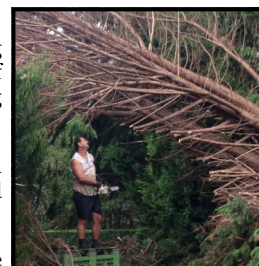
Welcome back.

We hope that you all enjoyed your Christmas break as much as we did. Matt kept himself busy catching mud crabs and a snapper nearly as big as his kids (!) and then showed off his cooking skills so that he and his family could eat them....after treating the mud crab to a beer of course! (see photo to right). Stephen also spent some time, be it limited, in the kitchen over the break, as his mum went away for a week and left him to fend for himself. It was a case of 'learn to cook if you want to eat'....and he is proud of his achievements, which can be seen in the photo below left.



We were fairly lucky with the storm that tore through South East Queensland. The worst of the damage was to Kate's shade sail (refer below middle photo) which was torn from the roof (and produced a nice wet puddle on her son's bedroom floor!) and to the winery where Matt's wife Tanya works. Matt took a day off work to help out at the winery....although we think that Matt + chainsaw = bad combination.

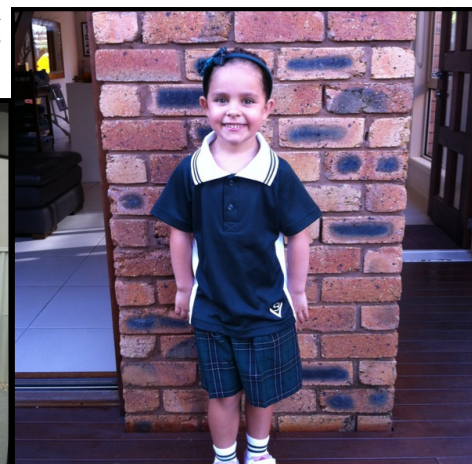
Jaime's eldest daughter Liberty (refer below right photo) started Prep in January and is enjoying learning sight words such as 'the', 'can' and 'look'. She only has two issues with school—the lack of 'free' time and the fact that she has to keep her shoes on all day. She has a definite dislike of being forced to confine her feet for 6 hours, much like her mum!



We are all studying hard again. Kate has passed the third module of her Advanced Diploma thus completing this qualification and is now considering whether to undertake an elective module on derivatives, managed funds and margin lending. Jaime and Stephen have commenced the third (and final!) module of their Diploma and are looking forward to a break once it is finished.

We've also been working hard on our new website and hope that it will be live in the next few weeks. We will let you know once this happens and welcome any and all feedback and suggestions for content.

In sport, Kate is now allowed unlimited running as long as the knee holds out. She has hit a top distance of 1.5km to date and now has only 19.6km left before she can run another half marathon! Jaime has been focused on commencing her running training for the start of the running season and Stephen is focused on his AFL training with a training match coming up in the first weekend of March. As such the beep test has been neglected however word around the office is that it will be run in March before Easter to ensure a printable result for the next newsletter!



TOPIC OF THE MONTH

Borrowing within a SMSF to purchase property

Why do it? Many people are unable to generate a sufficient deposit to purchase direct property, as well as surplus cash flow (to pay for a negatively-gearred property) and have difficulties borrowing from banks.

Providing the Trust Deed and Investment Strategy of the Fund are suitable, the fund can invest in any asset it chooses, including direct property. SMSFs can also borrow for this purpose, providing the loan is a limited recourse loan for investment purposes, held through a trust (explained below).

How does it work? The favoured method is via an instalment trust which allows the SMS to purchase a property and repay the limited recourse loan by instalments. The property is held in the trust for the life of the loan. If the SMSF defaults on payments, the lender's rights are limited to the property in the trust only. The fund's loss is then limited to the equity in the property, and the instalments payments made thus far.

What types of property can an SMSF purchase? An SMSF can purchase any direct property (via auction or private sale) provided it is not purchased from a related party. Property cannot be transferred in-specie from related-party ownership.

Additionally, the purchase of direct property via an SMSF must be for investment purposes only and you cannot receive any other benefit, such as using it as a holiday home.

Business real property can also be purchased via auction or private sale, but unlike residential property, there are no restrictions regarding related party ownership, including in-specie transfer.

Thing to consider. Depending on the total funds available within your SMSF, purchasing direct property may reduce your ability to diversify your portfolio. Lack of diversification can then impact your retirements savings if your property does not perform in line with expectations.

Additionally, direct property often produces less than 5% income return. This may not be an issue whilst the members are still in the accumulation mode, however it is worth considering if the members are retired or approaching retirement, as the property may reduce the fund's cash flow and limit the fund's ability to make minimum pension payments, as required by legislation.

Also, property cannot be sold off 'bit by bit' like units held in share can, which can often lead to a forced sale and limited liquidity.

For more information regarding borrowing with an SMSF to purchase property, please contact Matt on 0488 117 993.



"When I lose weight, I always gain it right back.
It's the same for losing money, right?"

"Money is the opposite of the weather. Nobody talks about it, but everybody does something about it"

Rebecca Johnson

LEGISLATIVE CHANGES

Household Assistance - Pensioners

CLEAN ENERGY SUPPLEMENT

Pensioners will be eligible to receive household assistance of an amount that is expected to cover price rises resulting from a carbon price. Pensioners will receive the equivalent of a 1.7 per cent increase in the maximum rate of the pension. This is an increase of up to \$338 for singles and \$225 for each eligible member of a couple a year. Part-rate pensioners will receive the same rate of increase as full pensioners. The increase will be delivered as a new, permanent and tax exempt Clean Energy Supplement, which will be paid in line with pensioners' regular payment cycles from 20 March 2013.