THE COUNT REPORT

Count wealth accountants®

Road map for retirement

RETIREMENT

To make the most of your retirement, you not only need to plan your financial strategy with your Count Financial Adviser, you also need to put together a lifestyle strategy.

At retirement age you are likely to still have 30 years to live, so what are you going to do throughout these years? Retiring to a seaside town is a wonderful beginning, but it's exactly that – just a beginning. Heading to the local golf club and getting to work on the garden might take up a total of one day a week.

Those who experience a truly satisfying retirement say it happened that way because they planned it to be so. Long before their retirement began, they figured out what the next stage of their life should include in terms of work, volunteering, education, social life and travel – and they made sure they had something planned for every single day. Once they had their 'lifestyle', rather than just their

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AUTUMN 2012 ISSUE NO. 107

A message from the CEO

David Lane

Welcome to the first issue of The Count Report for 2012.

As the new CEO of Count Financial, I'd like to reassure you that your relationship with your Count Financial Adviser will remain unchanged. While Count's ownership has changed, its goal of providing Count financial advisers and their clients with outstanding support remains.

Your financial adviser remains as committed as ever to you and will continue to provide you with the same high quality service and advice that they have always done. Understanding your financial needs and circumstances, and devising financial strategies tailored to you will continue to be their number one priority.

As you'll probably agree the New Year is a time when most people take stock; to re-evaluate their lives and set new goals. You may be planning for the longer term and the best way to prepare for retirement. Or perhaps, you are planning for the shorter term and what to expect in 2012. Whatever your plans, we have some inspiring stories to help you along the way.

In 'Road map for retirement' we look at how an enjoyable retirement can be reached not only through a successful financial plan but also by creating a lifestyle plan. Our case study this issue profiles the expertise and cooperation that exists within the Count network and how having a financial adviser can help provide you guidance. In 'Market update' we hear from Stephen Halmarick, Head of Investment Markets Research at Colonial First State on the state of the markets. And lastly in ''Window of opportunity' we outline the proposed changes to the Federal Government's super co-contribution scheme and what you need to do before the end of this financial year to take advantage of the opportunity.

Thank you for your continued support of your Count Financial Adviser.

Best wishes

David Lane
Count Financial Chief Executive Officer

Devising financial strategies tailored to you will continue to be their number one priority

An economic update

from Stephen Halmarick
Head of Investment Markets Research, Colonial First State

The big three...

What have been the major economic events of the past few months?

1. One step forward, two steps back in Europe

Europe continues to make news, with further initiatives by European Union (EU) leaders, however this was not enough to stop credit rating downgrades by Standard and Poor's.

EU leaders announced two major initiatives to help stabilise EU sovereign debt markets: a new 'fiscal compact'; and measures to enhance the European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM).

The 'fiscal compact' aims to strengthen the fiscal and governance regime surrounding the euro area and imposes a new fiscal rule on Member States. As a result it is expected that general government budgets shall be balanced or in surplus – this is when the annual structural deficit does not exceed 0.5% of nominal GDP – otherwise automatic sanctions will be imposed. No specific details are available as yet.

The permanent bailout fund – the ESM – will be brought forward to July 2012 and, together with the EFSF, will have a combined limit of €500 billion. Additional funding of €150 billion by the EU has provisionally been committed for the International Monetary Fund (IMF). While these measures are a further step in the right direction there is not, as yet, a comprehensive solution to the debt and economic problems in Europe.

However these measures were not enough to stop Standard and Poor's downgrading nine EU countries. Importantly France and Austria were downgraded to AA+ from AAA and the EFSF also lost its AAA credit rating. While these moves were largely expected by financial markets it does raise the possibility of higher funding costs for these countries and signals the large amount of work still to be done to stabilise the delicate situation in Europe.

2. US data improves

In the US, political negotiations also took centre stage, with the focus on the extension of payroll tax holiday and long-term unemployment benefits. Only a two-month extension was agreed to, with negotiations due to resume early in 2012 for a full-year extension.

Otherwise, US economic data continued to surprise on the upside, particularly labour market and manufacturing data. Initial unemployment claims reached the lowest level since July 2008 and the unemployment rate fell to 8.6%. Employment creation remains weak, however, and will be a focus for financial markets in 2012 to signal that a stronger economic recovery is underway.

3. Easing monetary policy in China with a slowdown in growth

In China, monetary policy was eased through a lowering of the reserve requirement ratio for banks from 21.5% to 20.0%. This was the first easing since October 2008. It is expected any easing in policy in 2012 from China will be gradual, with the policy focus based on the Central Economic Work Conference to be 'proactive fiscal and prudent monetary policies', indicating 'growth stabilisation' policies rather than control over inflation. Inflation in China has continued to ease, down to 4.1% pa to December. GDP growth has also slowed, down to 8.9% pa from 9.1% pa. It is expected these themes will continue in 2012 and allow for a gradual easing of policy.

In Australia

In Australia, GDP data for the September 2011 quarter was released with growth of 1.0% over the quarter and 2.5% over the year. The dominant source of growth during the September quarter was capital expenditure and household consumption. The mining and construction industries recorded growth of 5.0% and 3.7% over the quarter, respectively. Employment data continued to show signs of weakness with 6,300 jobs lost in November and the unemployment rate rose to 5.3% from 5.2%. Consumer confidence fell by 8.3% in December on offshore news, while business confidence remained flat over the month.

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Road map to retirement

'life', figured out, they then spoke with their financial planner to ensure they'd be able to afford to do what they planned.

Such a lifestyle strategy is necessary not just to stave off the boredom that sometimes characterises retirement but also to ensure a healthy sense of self. As a mother or father of young children, a manager of staff, a breadwinner or a provider, a person naturally has a positive sense of purpose, a feeling of being needed and of making a difference. In retirement such self-image creators are often removed. So making a detailed lifestyle plan for retirement is healthy and positive on a number of levels.

Work

From now until 2020, says the Australian Bureau of Statistics, the number of persons aged over 50 in Australia will increase by over 22 per cent[1]. According to the Department of Education, Employment and Workplace Relations (DEEWR) in their publication 'Ageing and the Barriers to Labour Force Participation in Australia'[2], by 2050 the number of people aged over 50 will have increased by over 80 per cent, compared to a growth of just 35 per cent in the 18 to 49 age group. This implies, says DEEWR, a greater role for mature age Australians both economically and in society more generally.

Attitudes towards retirement age are fast changing as we approach a top-heavy aged population. Not only are federal and state governments appreciating the importance of a shift in thinking about retirement age, but individuals are finding it more attractive to work on into later life.

This does not necessarily mean staying in the same full-time job. It's simply about exploring options such as part-time work, consulting, job sharing or somehow otherwise utilising the talent and knowledge that a person has built up over the years.

Volunteering

It's often around retirement age that Australians finally realise the enormous satisfaction that comes from volunteer work. Whether it's helping out in the State Emergency Service after a storm, taking care of families of sick kids at a Ronald McDonald House or reading to children at your local school or library, unpaid work delivers priceless value to the volunteer.

The trick to a successful career as a volunteer is actually learning to say 'no'. Figure out exactly how much time each month you'd like to give to an organisation.

Education

It's rare to find a retiree who has never dreamed of doing something completely new with their life – whether it's taking up professional photography, writing a novel, renovating a house, learning to cook authentic Thai, practising yoga or building furniture. Retirement is the perfect time to turn dreams into reality.

There is a wide range of educational choices available, from university degrees to local short courses. Some can be mixed with other hobbies such as travel, others might even involve job placement. Whichever way the course works, a good education or re-education, will keep your mind sharp and young as you discover new knowledge and skills.

Mentoring

It is a common urge, near the end of one's career, to want to share one's knowledge with others. There has never been a better time to develop a mentoring relationship as so many mentoring networks exist. Organisations such as the Australian Youth Mentoring Network and the Australian Women's Mentoring Network are always on the look-out for great talent looking to give time to up-and-coming industry stars.

But the first port of call should always be one's own employer who is likely falling over themselves to hold on to some of your knowledge after retirement.

Travel

Probably the most popular option on the 'retirement lifestyle strategy' – travel – requires, time, funds, energy and organisation. Your financial planner can help ensure the money is in place, but only you can look after the other aspects.

Probably the most popular option on the 'retirement lifestyle strategy' – travel

Work out exactly how often you'd like to travel, where you'd like to travel and what level of comfort you'd like to travel in – with entire suites available on certain long-haul aircraft these days, an air ticket can cost more than a caravan!

Some retirees can successfully mix travel and work, whether it's on an organised job exchange or simply consulting within a region that is not as advanced in your specific field of expertise.

Family and friends

Finally, plan to be around both family and friends. Don't necessarily depend on your family alone for social interaction – with their increasingly busy lives, your kids may not be as available to provide help and support as you might have been for your parents.

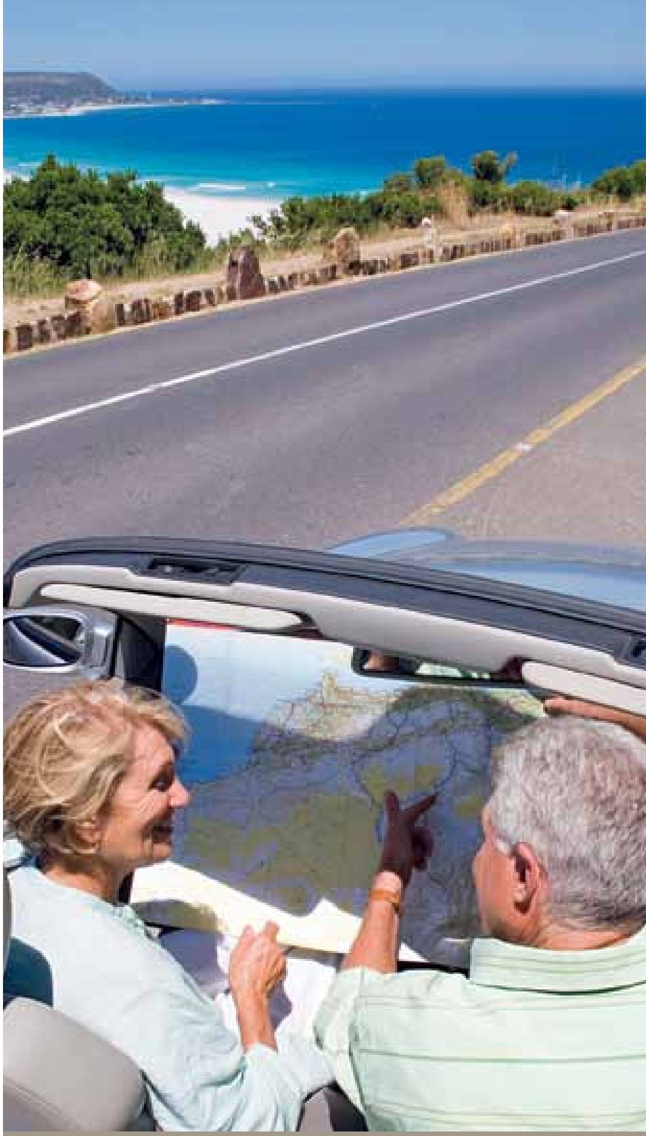
Regular, diarised get-togethers with friends as well as planned opportunities to make new associations, such as in Probus groups run by Rotary, are important to work into your strategy and schedule, to avoid becoming alienated from the greater community.

Adding it up

Once you have a lifestyle plan in place, you'll need to ensure you can afford it and work out how much money you'll need. A number of online calculators are available that can give you a rough idea, however, a visit to your Count Financial Adviser will provide you with more information and a choice of options – including investments and income streams – that can help you determine the best way to fund your ideal retirement lifestyle.

1. Australian Bureau of Statistics (ABS) 2008, Population Projections, Australia, 2006 to 2101,(Series B projections), Canberra, ABS.

2. National Seniors Productive Ageing Centre 2011, Ageing and the Barriers to Labour Force Participation in Australia, Consultative Forum on Mature Age Participation, DEEWR, Canberra.



Useful contacts

Australian Women's Mentoring Network:
visit www.womensmentoring.com.au
or call (08) 6161 0396

Australian Youth Mentoring Network:
visit www.youthmentoring.org.au
or call (02) 9085 7172

Older workers:
visit www.olderworkers.com.au for a job board for mature age jobseekers

Open Universities:
visit www.open.edu.au for a list of university and TAFE courses offered by distance education

Probus:
visit www.probussouthpacific.org
or call toll free 1800 630 488

Volunteering Australia:
visit www.volunteeringaustralia.org
for details of your state centre and volunteering ideas

The key piece of advice I give to insured clients is that they should call their financial adviser if they are diagnosed with a serious health condition.

Ian Satill

CASE STUDY

Anatomy of a life insurance claim

For many Australians, the 2011 Queensland floods shone a spotlight on the 'experience' of making an insurance claim. While not identical, this issue is equally pertinent to clients who protect their financial circumstances through life, disability, and medical trauma policies.

So, how do Count financial advisers and their clients fare in their claims experience with life insurers?

To obtain a perspective from the 'coal-face', we spoke with Count Financial Advisers Manish Sundarjee (Kidmans Partners) and Ian Satill (Curo Financial).

In 2010/11, two clients of Kidmans Partners were diagnosed with cancer. Ian Satill, as Kidmans' Wealth Protection partner, managed the claims.

Manish explains: "At Kidmans Partners we focus on our strengths such as our corporate tax services, and financial advice in areas such as investment, superannuation, and strategic advice. However when it comes to offering our clients advice on Wealth Protection, we have partnered with fellow Count Member Ian Satill from Curo Financial."

Ian: "Many fellow Count practices employ their own Wealth Protection specialists. However, some, such as Kidmans Partners, choose to partner with us, as this is our area of expertise."

On the morning of Friday 19 November, Manish received a call from a client who was diagnosed with oesophageal cancer and was given eight to ten months to live. Ian recalls "He had life insurance of $1.16 million that was undertaken 18 months ago, so we knew he was eligible to

My client and his wife were naturally ecstatic and extremely grateful for the incredible service that they had received.

Manish Sundarjee

claim under the terminal illness benefit. From that point Curo Financial took over and contacted the client immediately."

Even with adviser assistance, a terminal illness claim normally takes about three months to settle. This is in part due to the insurer's need to conduct due diligence, including sourcing medical reports which can take up to 12 weeks to arrive.

Manish: "Needless to say, this was an extremely stressful time for my client. Medical expenses, repayment of debts, and stoppage of their work income bring financial matters to a head. The emotional impact alone is often too much for a client to deal with a claim on their own. Unnecessary delays can have a material impact on their circumstances, further adding to their stress. I was very glad that Ian's services were available to my client."

Aware of the potential for delays, Ian immediately contacted the head of claims at the insurer. "We have a longstanding relationship with their team, and because of our experience we were able to suggest alternatives which were acceptable and met their due diligence needs."

By Wednesday 24 November, Ian submitted all the required information on behalf of the client, and the Head of Claims notified Curo Financial of their intention to accept the claim. The next day, a payment of $1.16 million was made to the client's bank account - four working days after the client notified Manish of his cancer diagnosis.

Manish remembers: "My client and his wife were naturally ecstatic and extremely grateful for the incredible service that they had received. Their financial security was now assured and they could focus on personal and medical matters instead."

So, is this high level of claims service repeatable – or was it a one-off experience?

Ian: "Life insurers have legitimate questions that need to be answered, which unfortunately can cause delays. Despite this, in 2011 we managed claims totalling more than $3 million across three insurers and all were paid within seven working days of speaking with the client.

The key piece of advice I give to insured clients is that they should call their financial adviser if they are diagnosed with a serious health condition. Managing your claim without your adviser's guidance can be a daunting experience, particularly when you have a number of pressing issues to deal with."

Window of opportunity

Take advantage of maximising your super co-contributions before 30 June 2012

The super co-contribution scheme is a popular initiative where the Federal Government helps eligible individuals boost their super savings. By making an additional contribution to your superannuation fund the government will match up to 100% of your after tax contributions to a maximum of $1,000. To be eligible you must earn at least 10% of your income from employment or self-employment.

Changes to the scheme

The Government has proposed halving the co-contribution from July 1 this year. The proposed reduction will be made by reducing the maximum benefit from $1,000 to $500 and halving the matching rate from $1 to $0.50. The changes mean the upper income threshold where you are entitled to at least a partial co-contribution will reduce from $61,920 to $46,920.

The Government claims they are reducing the co-contribution due to the introduction of another initiative to increase superannuation balances commencing 1 July 2012 - the low income super contribution.

The low income super contribution refunds the 15% contributions tax on concessional superannuation contributions such as salary sacrifice and superannuation guarantee. This refund will benefit those earning less than $37,000 and will be automatically paid into their superannuation fund. The Government estimates that the low income super contribution will benefit approximately 3.5 million people.

Similar to the super co-contributions scheme, you must earn at least 10% of your income from employment or business income to be eligible for the low income super contribution scheme.

Case Study

The following case study demonstrates the advantages of making an after tax contribution this financial year to maximise the co-contribution:
Amanda has salary and investment income totalling $44,000. In 2011/12, as she earns more than $31,920 her co-contribution entitlement reduces by 3.33¢ for every dollar she earns over $31,920, cutting out at $61,920.

If Amanda makes an after tax contribution of $1,000 before 30 June 2012, she would be entitled to a maximum co-contribution of $597.74, as follows:
$1,000 – (($44,000 - $31,920) x $0.0333) = $597.74

In 2012/13, due to the reduction in the maximum co-contribution, Amanda would be entitled to $97.74, as follows:
$500 – (($44,000 - $31,920) x $0.0333) = $97.74

What should you do next?

If you are eligible for a super co-contribution, it's vital that you make an after tax contribution before 30 June 2012 to take advantage of this window of opportunity. Speak to your Count Financial Adviser today.

CONTACT YOUR COUNT ADVISER AT:

Looking after your financial life

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