GFM Wealth Advisory

TRADE SECRETS

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SMSF Specialists | Investment Management | Financial Planning | Accounting

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WHAT A GREAT RECOVERY FOR AUSTRALIAN INVESTORS

By Tony Gilham

We're at the 6th anniversary after the low point in the Global Financial Crisis (March 2009), and over the last 3 years, Australian investors have well and truly recovered all of their losses, with 3 years of bumper returns through to December 2014.

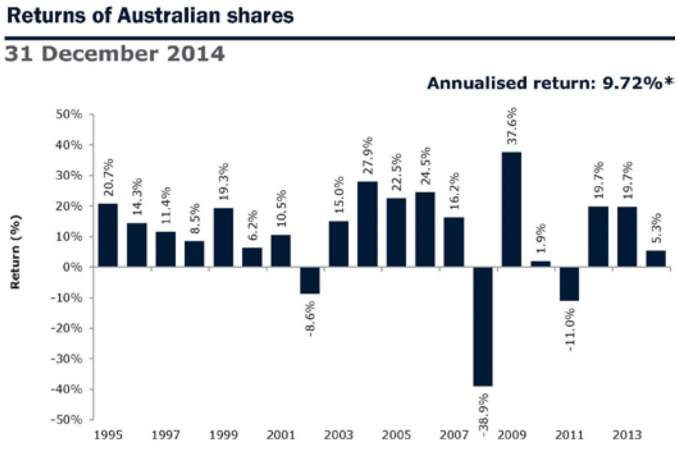
Total of returns for the 3 years between January 2012 and December 2014 have been:

15.14% pa	Australian shares (S&P/ASX200 Accumulation Index)
24.78% pa	International shares (MSCI world ex Aus NR AUD)
21.85% pa	A-REITs (S&P/ASX200 A-REIT Accumulation Index)
3.06% pa	Cash (90 day Bank Bill Swap Rate)
6.45% pa	Government Bonds (Composite Bond Index)

International shares have been boosted by the significant decline in the AUD over the last 3 years, and A-REITs have also produced very impressive returns, but remember, they were sold off savagely during the GFC.

And if you think that's a great return from Australian Government Bonds, yes it was, but it's all over. The Bond rate at the end of December was only 2.73%, and it's now down to a very skinny 2.40% pa.

Below is a chart on the Australian Sharemarket for the 20 years through to 31 December 2014.



Past performance is no indication of future performance.

Some observations:

- 2014 was a pass for Australian Shares at 5.3%, but was preceded by 2 bumper years at 19.7% each.
- Over the last 20 calendar years, there have only been 3 negative years, 2002, 2008 (GFC) and 2011. 2008 was the 2nd worst year in Australia in 100 years.
- Yes 2008 was a very nasty year, but if you look at the graph, for the 5 years preceding that, the market put on 160.7%.
- And the most important number is the annualised return over the last 20 years at 9.72% pa. In other words, if you invested 20 years ago, and held your position, then the average market return was 9.72% pa. Putting that in numbers, $100,000 invested on 1 January 1995 was worth $639,317 on 31st December 2014.

  And the last 20 years certainly isn't above average for the Australian sharemarket. In fact most 20 year periods have produced double digit returns between 10% and 12% pa, so if anything, the last 20 years was slightly subdued.

  As at 20th January 2015, the dividend yield on the top 20 stocks on the ASX averaged 4.94%, which is considerably better than the best 12 month term deposit rate at 3.25%

UPCOMING SEMINAR – TUES 24TH MARCH 2015 AT 7.15 PM : "LOOKING UNDER THE BONNET" – MAGELLAN GLOBAL FUND

By Mai Davies

Our first evening seminar for the year will be held on Tuesday 24th March 2015 at 7.15 pm at Riversdale Golf Club.

Many of our clients are investors in the Magellan Global Fund and would find this session of great interest and extremely worthwhile. Our special guest presenters on the night are:

- **Nikki Thomas**, CFA – Head of Research and Portfolio Manager at Magellan
- **Alan Pullen** – Head of Financials
- **Ted Alexander** – Head of Healthcare

Investors in the Magellan Global fund would be well aware of the stunning returns of the fund over the last 5 years. For the year ending 31st December 2014, the fund returned 14.55%. Over the last 3 years the fund has returned 26.31% p.a. and over 5 years 17.78% p.a.

The beauty behind the Magellan fund (other than the spectacular returns) is that its investment philosophy is quite simple. Magellan, firstly attempts to identify sustainable global investment themes. They then aim to find outstanding companies at attractive prices within these global themes. The Magellan portfolio is rather concentrated holding 25 stocks. During this session "deep level" detail will be explored on particular stocks within the portfolio to give you a high end understanding of the way Magellan goes about its investment process.

Invitations with the full details will be going out shortly and if you would like to attend, please save the date.

ALLEN & JILL BROAD: CLIENTS OF GFM SINCE 2004

By Paul Nicol

Allen and Jill have kindly written the article below on their working life, retirement and the relationship they have had with our company – we greatly appreciate their contribution to this edition of Trade Secrets.

Jill and I have been clients of GFM since June 2004.

Jill was a primary school teacher, later working in the inner suburban/disadvantaged schools rising to Assistant Principal. Jill took voluntary retirement in 1994 and then for about 10 years worked as a part time teller in the ANZ followed by a few years as a relief teacher.

I worked at Commonwealth Serum Laboratories for 32 years in various areas such as amino acid analysis, electrophoretic serum fractionation, and research into various venoms from Australian venomous creatures with Struan Sutherland, production of antivenens and antitoxins, and production of quality control material for use as standards in commercial auto analysers, retiring in 1990.

We are now in our early to mid-seventies, have no children and enjoy travelling especially to non main stream countries.

We both play golf (Jill - Kew; Allen - Riversdale) and I enjoy bike riding, skiing (NOT snowboarding!) and tennis.

Jill used to ski and play tennis, but knee replacements have put a stop to those activities.

How did we get involved with GFM?

The circumstances of our joining GFM is rather interesting.

I'm a member at Riversdale Golf Club and was playing at the same time as the GFM Corporate Golf Day was in progress.

Usually, the Corporate people do not offer members a drink from the circulating refreshment cart.

On this day it was different, the cart driven by 2 lovely girls stopped (later to be identified as Mai and Witi) and they offered us refreshments which were gratefully accepted.

Later in the bar, the girls came in and one of my playing group, who, being a ladies man, immediately asked the girls to join us and the conversation started by asking them what firm they were from.

It turned out that they were from GFM and I asked questions about transferring privately held shares into a Super fund.

They said that it would be best if I had an obligation free appointment with their financial advisors to further explore this.

The interview was duly arranged with Tony and Paul and to cut a long story short, a strategy to achieve this in the most tax efficient and timely manner was extremely professionally presented. We were impressed with their clarity and deep understanding of the situation and the staging of the strategy to minimise tax implications.

We immediately took up the advice and strategies to affect the transfers and to set up a Self Managed Super fund.

One slight concern we had was the responsibilities of a SMSF trustee seemed to be extremely onerous for a lay person with no schooling in this area. These concerns were conveyed to Paul Nicol, our advisor. He put all our doubts to rest as GFM would handle the technical issues on our behalf. This was a great relief and we have been with them ever since - secure in the knowledge that we are in extremely good and competent hands.

We view GFM predominately as financial planners specialising in Self Managed Super Funds - providing recommendations and dealing with portfolio management. They now offer additional services such as SMSF tax returns etc. which really make it easy for us to operate our SMSF totally in house.

We have always found it a pleasurable experience dealing with the GFM Team as ALL the staff greet their clients by first names and are very familiar with their interest, family etc.

We are completely comfortable with the recommendations we receive either at our annual review or throughout the year as they are well thought out, in our best interests and clearly explained. This stems from the time taken to get to know their clients, their investment objectives, interests and tolerance to risk.

Without this background information, sound financial advice to enable reaching your objectives would be impossible.

The best thing we have experienced as clients is the structuring of our portfolio to provide consistent returns even in depressed markets, which enables capital preservation even after the annual pension draw down.

Our relationship has strengthened over the years as we are secure in the knowledge that we are in good hands. I am able to have a few games of golf together with Paul, Patrick and Tony which further strengthens the relationship.

Our advice to those who are in a similar position to us, or family and friends looking for financial advice is to seek independent specialised financial advice as there are too many pitfalls out there to catch the unwary. We have no hesitation in recommending GFM to family and friends who are in need of financial/superannuation assistance

GOVERNMENT ON TRACK TO DELIVER FINANCIAL ADVISER REGISTER

By Bryan Meehan

The Federal Government is fully committed and on track to deliver on it's enhanced, industry-wide public register of Financial Advisers by March 2015.

The register of Financial Advisers will enable investors, employers and ASIC to verify the credentials of Financial Advisers and be confident that they are appropriately qualified and experienced.

The Register of Financial Advisers will include:

- The Adviser's name, registration number, status and experience
- The Adviser's qualifications and professional association memberships.
- The Adviser's licensee, previous licensees/authorised representatives and business name
- What product areas the adviser can provide advice on
- Any bans, disqualifications or enforceable undertakings
- Details around ownership of the financial services licensee and disclosure of the ultimate parent company where applicable

The Financial System Inquiry report, handed down in December 2014, recommends that all financial advisers undertake a yearly national examination in order to test the level of their skills and competence, and this was backed up by the Parliamentary Joint Committee on Financial Services that also recommended that all future Financial Advisers have a mandatory degree minimum qualification in a financial discipline.

In early December 2014, ASIC Chairman Greg Medcraft, implored the Federal Government to introduce national testing for Financial Advisers while revealing his personal heartache for the victims of bad advice. He said:

"It's absolutely appalling and it's something that we've got to do something about. As Australians retire they want to be able to go to an adviser that they know is incentivised to look after their interest and no-one else's interests."

A key industry group said that the proposed changes to Financial Planning Education Standards was a bid to ensure that the major banks and other financial institutions wouldn't be able to continue to sell in house investment products under the guise of "Advice" via their thousands of under-skilled advisers.

If you want to work in the investment industry in the United States, you need to pass the "Series 7" exam. It's a 6 hour test with 260 questions and requires a 70% pass mark – with only two thirds of people qualifying.

By contrast, it's harder to become a hairdresser in Australia than to qualify as a Financial Planner. Before you pick up a pair of scissors and can work in a salon, you'll need to complete a 10 month Certificate III course and spend at least 200 hours training under a qualified hairdresser.

But if you want to advise people about how to invest their life savings, you simply need to finish an RG146 compliant course, which can be done in 8 days if you are focused on getting it done quickly.

It is something that Greg Medcraft is determined to change. He believes a Series 7 style national exam for Financial Planners is "critical", to lift standards in the beleaguered industry, which has been beset by controversy in the wake of numerous financial planning scandals, predominantly at the big institutionally owned adviser groups.

We wholeheartedly agree that minimum education standards, a detailed register of Financial Advisers in Australia and annual testing of their competency standards is mandatory.

AUSTRALIA'S TAX SYSTEM (PART III) : SUPERANNUATION

By Patrick Malcolm

In our last edition of Trade Secrets we continued our series on Australia's tax system with a focus on investing in a tax effective manner. In this edition of Trade Secrets we are focusing on the substantial tax benefits of contributing and investing in superannuation to save, or possibly even completely eliminate tax.

When you invest in super, earnings are generally taxed at a maximum rate of 15%. A low tax rate means your money can grow faster than investments that are taxed at a higher rate. The tax rate payable can be reduced with the use of dividend imputation credits and the capital gains tax (CGT) discount provisions. Capital gains get a one-third discount which means the effective tax rate on realised capital gains is only 10%, where the investments have been held for at least 12 months.

Furthermore, no tax is payable in an account based pension or transition to retirement pension on earnings from assets used to fund the income payments, including interest, dividends, rent and realised capital gains.

Also, when you reach age 60 or over, all the benefits you receive from a taxed super fund are tax-free.

However, to get the most out of super you need to understand how the rules work and use them to your advantage.

Depending on your circumstances, there may be some other great incentives -like claiming a tax deduction for your own contributions or receiving a co-contribution from the Government.

Salary Sacrifice:

If you're an employee, you may want to sacrifice some of your pre-tax salary, wages or a bonus payment into your super fund. By using this strategy, you could pay less income tax, and make a larger after-tax investment for your retirement.

Salary sacrifice involves getting your employer to contribute some of your pre-tax salary, wages or a bonus payment directly into your super fund.

There is a distinct advantage in salary sacrificing into super as opposed to paying tax at marginal rates, especially for high income earners. Put simply, the amount you sacrifice into super will generally be taxed at 15%, not your marginal rate (which could be up to 49%). Please note that individuals with income above $300,000 will pay an additional 15% tax on concessional super contributions. We like to refer to this as the "salary sacrifice arbitrage", which can be seen in the table below:

Taxable Income	Marginal Tax Rate	For $1,000 in Salary, you receive	For $1,000 of Salary Sacrifice, your super fund receives	Extra Benefit
$18,200 to $37,000	21.0%	$790	$850	7.59%
$37,000 to $66,667	36.0%	$640	$850	32.81%
$66,667 to $80,000	34.5%	$655	$850	29.77%
$80,000 to $180,000	39.0%	$610	$850	39.34%
$180,000 to $300,000	49.0%	$510	$850	66.67%
$300,000+	49.0%	$510	$700	37.25%

Depending on your circumstances, making salary sacrifice contributions can reduce the amount of tax you have to pay by up to 34% and enable you to have a larger investment for your retirement.

Before you make salary sacrifice super contributions, you should make sure you don't exceed the concessional contribution cap.

In 2014/15 the concessional contribution cap is $30,000 for those aged 48 or under on 30 June 2014 and $35,000 for those aged 49 or over. Please note that concessional contributions include all contributions from an employer, which includes both the superannuation guarantee and salary sacrifice.

CASE STUDY: THE COST OF NOT GETTING GOOD FINANCIAL ADVICE

By Patrick Malcolm

Michael and Glenys (not their real names) were referred to our firm recently as Michael was about to turn 55. They were both financially "savvy" enough to understand that once Michael reached 55 there may be tax advantages available to him through his superannuation as they had previously spoken to friends about Transition to Retirement (TtR) pensions.

Michael and Glenys had owned a very successful small business for a number of years but recently sold out of it. Through conscientious saving and the successful sale of their business, Michael had just under $1,900,000 in his private super fund of which $380,000 was unrestricted non-preserved and $950,000 was a "tax free" component. They carried no debt, had savings in Glenys's name of about $400,000 outside superannuation in regular bank accounts and Michael worked on a part time contract basis for the company that purchased their business on a package of $115,000 per annum, inclusive of the 9.5% superannuation guarantee.

It was immediately clear that Michael and Glenys had built sufficient assets to meet their retirement income needs of $75,000 per annum. This meeting was not a question of longevity of funds accumulated for retirement, rather to see if we could assist to explore their planning opportunities now that Michael was about to reach 55. Michael planned to work for the next five years to age 60 whilst Glenys was enjoying being the home bearer after working very hard in the business.

We explained to Michael and Glenys there was a range of strategies they should consider including:

Strategy 1

- **That Michael start to salary sacrifice some of his income into superannuation to reduce personal income tax**

For any income above $80,000 that Michael salary sacrifices, the "tax arbitrage" for salary sacrificing is 38.21%. Put another way, by taking this part of his salary as pay, Michael is 38.21% worse off, excluding the small amount of interest that Michael and Glenys earn for these funds in the bank. It is a no brainer.

The concessional contributions cap is $35,000. We recommended to Michael that he promptly arrange for this amount to go into his private super fund this year.

In short, between age 55 and 59 the personal tax saving of Michael's salary sacrifice was going to be $34,687.08 (based on only paying 15% tax on the salary sacrifice contributions rather than his marginal tax rate).

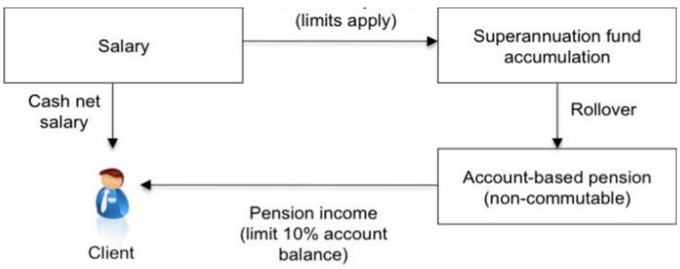
Strategy 2

- **At age 55 converting Michael's super into a Transition to Retirement Pension (TtR)**

As Michael and Glenys quite rightly pointed out, they still need to live and by making the maximum concessional contribution this financial year from his income, they would not have enough income to live. To allay these fears we developed a strategy to ensure they still have the same level of disposable income as before the salary sacrifice arrangement commenced.

Many understand the value of starting a TtR pension in that there is limited access to tax advantaged pension payments. Michael has access, should he wish, to between 4% and 10% of the member value each year whilst having a TtR pension.

In 95% of cases these TtR Strategies are a recycling of funds as below. We ask individuals to salary sacrifice aggressively whilst at the same time drawing tax advantaged pension payments. The individual ends up with exactly the same level of cash flow in their back pocket but through the tax savings of salary sacrifice they end up with extra in super.



In Michael and Glenys' case however, it was not quite that simple. Based on a super value of $1,900,000, at a minimum pension drawdown of 4%, Michael would be required to draw down $76,000 as a minimum pension payment, much more than he needs. Worse than that, as Michael was not yet 60, these pension payments whilst tax advantaged, still attracted tax that would detract from the benefit of the salary sacrifice strategy. In fact, we were able to calculate that Michael's personal income tax would be $9,120 on the minimum pension payment in the first year.

This combined tax on pension payments of $9,120 was a major detraction for Michael and Glenys as they could see no sense in drawing these payments. They did not need them to live, he could just use cash held outside super. What they were unaware of is that in the accumulation phase super fund earnings are taxed at up to 15%, whilst in the pension phase the tax on earnings is zero.

Through some rather sophisticated numbers we were able to work out that the difference in tax on his super fund earnings by being in the pension phase rather than the accumulation phase would be $12,141.

Naturally Michael and Glenys could see the sense in his super being in the pension phase.

But it gets better than that....

One item that Michael and Glenys were not aware of was that Michael had unrestricted non preserved benefits in his super fund of just over $380,000. As Michael was about to reach age 55, withdrawal of his unrestricted non preserved benefits after 55 would attract zero (0%) tax. So in short, instead of taking the minimum taxable pension payment each year, we simply recommended that Michael take his annual minimum pension payment as a lump sum withdrawal of his unrestricted non preserved benefit which also sufficed as a pension payment.

It could not get any better for Michael and Glenys. **By being in the pension phase his super fund investments attracted no tax, but better than that, the minimum 4% drawdown could now be taken tax free, rather than the $9,120 in tax on pension payments being paid.**

The table below illustrates the aggregate benefit in tax savings that we were able extract for Michael and Glenys in the first year alone:

Tax Saved on Pension Payments	$ 9,120.00
Tax Saving on Salary Sacrifice	$ 6,937.42
Tax Saving on being in the Pension Phase	$ 12,141.00
Total Saving	$ 28,198.42

Strategy 3

- **That Michael and Glenys draw their cash flow shortfall from their savings outside super rather, from their super pension payments, and they re-contribute all their pension payments back into superannuation**

As mentioned earlier Michael was now going to salary sacrifice to reach the concessional contributions cap of $35,000 this Financial Year. Michael and Glenys required Michael's entire $115,000 remuneration package to live so our salary sacrifice recommendation was going to put a hole in their cash flow.

In order to ensure the same cash flow prior to commencing the salary sacrifice arrangement, we recommended that Michael and Glenys draw on their tax free savings outside of super to make up the cash flow loss rather from their pension payments.

Simply, as the minimum pension payments Michael will be taking are significantly higher than the amount they are salary sacrificing, by taking these pension payments and re-contributing back into super, we were not depleting Michael's super value. Michael and Glenys's aim was to preserve what they had built in super.

Whilst complex, this example of Michael and Glenys was a perfect example of the potential cost of not getting good advice. Naturally, they were very pleased.

STAFF PROFILE: JACQUI UMALI

By Paul Nicol

Jacqui joined Gilham Financial Management (now GFM Wealth Advisory) on 2 July 2007 as an administrative assistant in our very busy Self Managed Superannuation Department. Needless to say Jac has been a wonderful acquisition to our business in the time she has been with us. We are certainly all looking forward to her induction into our 10-year employee club in July 2017!

For all of the clients that have met Jac at our seminars they would realize what a bright personality Jac has. Jac is always happy, and her communication and assistance to all clients in her day to day role is of an extremely high standard. If you have ever been fortunate to receive personal written correspondence from Jac, you will realize she has the most amazing neat handwriting!!

As an SMSF Senior Administrator, Jac is an extremely hard working employee, with outstanding organizational skills and a very high knowledge of the many tasks she performs on a daily basis. Jac is heavily involved in the preparation of our quarterly report process for our Self Managed Superannuation and Private Investment Management clients. Jacqui also works closely with the advisers implementing client recommendations.

Jac is extremely popular with all staff members and we are indeed very fortunate to have such a great team of employees who all enjoy each other's company.

Here's a quick Q and A with Jac, with some things that you may not know about her:

Q. Favourite city or country you have visited?

A. There are too many to choose from. Spain (the country as a whole), New York, Amalfi Coast, Vienna, the many islands of the Philippines... Like I said, it's very difficult to choose only one!

I feel so fortunate to have had the opportunity to travel. I really enjoy experiencing different cultures and learning the history of the places I visit.

Q. Favourite food/drink?

A. I spend a lot of time catching up with friends over lunch, dinner and drinks. We tend to stick to our favourite spots. Lately, we've been going to a lot of Asian restaurants. Vietnamese food is probably the favourite at the moment. Nothing beats PHO in Box Hill or Victoria Street.

Q. Little known fact about yourself

A. I can play the flute. I started lessons in year 7 and was part of the high school flute ensemble. I completed Australian Music Examinations Board exams (theory and practical). Every now and then I get the flute out, old sheet music and play a few songs.

Q. What effect has working in a financial advice company at such a young age had on your savings habits and financial goal-setting?

A. When I joined GFM at the age of 21, my first "real" job, I had very little knowledge about the industry. Working in a financial advice company has taught me so many invaluable tips and skills to apply to my own life in order to reach certain goals like buying my first car, going on a 4-month overseas trip, purchasing an apartment, and hopefully it carries through to retirement! Without the guidance and exceptional knowledge of the staff at GFM, I'm not sure I could have achieved all of my goals thus far.

Q. What sports do you follow?

A. I watch quite a number of sports. I follow the English Premier League (Arsenal), Formula 1 (Fernando Alonso fan), men's tennis and I recently renewed an interest in the NBA. Thank goodness for Foxtel!

Q. Best part of working at GFM

A. Everyone at GFM is dedicated to providing the highest level of advice and service to our clients. Seeing it from all levels [of staff] motivates each of us to strive for the best. Having almost half the staff with 10 years + service at GFM shows stability and many have developed strong professional and personal relationships.

INVESTMENT OPPORTUNITIES IN AUSTRALIAN "SMALL CAP" SHARES: QUARTERLY BUSINESS LUNCH

By Mai Davies

We held our first Quarterly Business Lunch for the year on Investment Opportunities in Australian "Small Cap" Shares on Monday 16th February 2015 at Riversdale Golf Club. This was well attended by 87 clients who are investors in the fund and the feedback was excellent.

Our special guest presenter was Nick Greenway, Investment Manager for the Ironbark Karara Australian Small Companies Fund.

Australian Small Companies or "small cap" stocks, are classified as those companies listed on the ASX and in size order, ranked between 100 and 300 of the approximate 2,200 listed on our sharemarket.

Most investors focus their attention on the top 20 or 30 stocks on our sharemarket, and basically ignore the opportunities presented by some of the fastest growing companies in Australia. And many of these small cap companies are thriving businesses, and not necessarily very small. The largest company in the S&P/ASX Small Ordinaries Index has a market capitalisation of $4.2 billion, and the average size company in the Index is almost $700 million.

There are great opportunities in the small cap part of the market, because most of the large broking houses don't bother to do much research on these smaller companies, naturally concentrating their efforts on probably the top 50 stocks, and a skilled small cap investment manager that is prepared to do their own research, can often uncover some excellent opportunities.

The depth of understanding of the companies they invest in, and the background research undertaken by Nick and the Ironbark Karara Team sets them apart from the average small cap manager. There is no element of luck involved with the very impressive track record of this Fund, just pure hard work and skill.

Nick's presentation provided a very good insight as to how a professional small cap fund manager develops an investment process that works. He covered the following:

- Market outlook for small Australian companies over the coming 12 months
- Why good small cap managers can consistently outperform the market average
- An overview of some of the preferred stocks held within the Ironbark Karara portfolio
- Why successful, small cap companies can grow much faster than their large cap cousins
- Those companies that are growing strongly even though the Australian economy is slightly subdued
- An insight into the investment processes and analytical framework of the Ironbark Karara Investment Team

Nick talked openly on the more attractive stocks held in the Ironbark Karara portfolio, and why he thinks they will continue to deliver good results.

If you didn't attend the session and would like to discuss this investment with your adviser either now or at an upcoming review meeting, please give Mai a call on 9809 1221.

CHRISTMAS CARDS & CHARITABLE DONATIONS

By Mai Davies

For 18 years, instead of sending Christmas cards, we have donated a comparable amount to charities. This initiative is well supported by our clients.

This year we have had the most nominations of charities so far and have made a donation to each of them.

The 2014 money has been donated to the following charities as nominated by our clients:

- RSPCA
- Ovarian Cancer Research
- National Stroke Foundation
- Lymphoma Australia
- Greendale Wildlife Shelter
- Possible Dreams International
- Wheel Chair for Kids Inc.
- Buy a Bale – supporting drought affected farmers in NSW, QLD & SA

SOME REASONS TO HAVE YOUR OWN SELF-MANAGED SUPER FUND (SMSF)

By Tony Gilham

There are now nearly 1.1 million SMSF members in Australia, a huge increase from only 80,000 just 20 years ago. It means that one in 14 adult Australians over age 21 is now a member of their own SMSF.

There are about 30,000 new SMSFs set up every year, and there must be good reasons as to why SMSF's are so popular with Australians, certainly those that like to have a bit of a "hands on" approach to managing their retirement assets.

There's probably 100 reasons why an SMSF appeals to those wanting to take a keen interest in their future financial security, but in this article, we'll list just 10 reasons of having your own SMSF.

1. See the assets.

With your own fund, you can see exactly where your money is invested. And whether your fund loses 10%, makes 6% or a bumper return of perhaps 20%, you can see exactly why it happened. Unlike public offer super funds, you really can't see what's going on under the bonnet, and whether you get a good return or a bad return, you don't really know why.

2. See the costs.

With your own SMSF, you can very clearly see the costs. If you're buying shares or property, investing in managed funds or other types of physical investments, there are always investment and administration costs involved, and with your own fund, you can see those. With a public offer super fund, it's very difficult to actually see and understand the costs involved.

3. Know your exact asset allocation.

Do you have a preference for high yield, blue chip Australian shares, International shares, direct property, property trusts, term deposits or any other legitimate investment asset? With your own fund, you should know exactly your asset allocation, and your personal preferences can dictate future movements in your asset allocation.

4. Invest in what you prefer.

If you have a preference for certain types of investments, then you can build your allocation towards your more preferred investments, depending on your preferences for quality, yield, stability or the types of investments that your know well.

5. Avoid what you don't like.

In a public offer superannuation fund, you probably don't know it, but the fund manager is probably investing in some things that you don't like, maybe airlines, mining companies, gambling and alcohol, or other types of businesses that you just don't like. Inside your own fund, you should know exactly what investments you're holding, and clearly, you don't have to hold any investments you don't like.

6. SMSF's don't have to make a provision for Capital Gains Tax.

A public offer fund has to set aside an amount of money for future capital gains tax liabilities, so that if a member leaves that fund, he has effectively paid his share of CGT upon leaving. But an SMSF doesn't have to make such a provision, and CGT is only ever paid on the disposal of an investment asset, and if assets are sold after the members of the fund commence pension accounts (usually after age 55) then you can completely avoid capital gains tax on the sale of assets thereafter.

7. Buy an asset from a member.

There's no reason why your SMSF can't buy an asset from you, a member of the fund. Let's say you own $10,000 worth of Commonwealth Bank shares, rather than your fund buying CBA shares through a stockbroker, it can buy them directly from you. It pays you the market value of the shares, say $10,000, and then you simply transfer the ownership from your name across to the fund.

8. Sell an asset to a member.

Some SMSF's have bought a lifestyle property, usually in a holiday resort type area, and then rented the property out, until such time as they get to retirement age, when they might sell their own property, and then use the proceeds to buy the lifestyle property from the SMSF. In this way, they can end up with their dream retirement home, and also completely avoid CGT.

9. Share ownership with other family members.

An SMSF can have up to 4 members, and so it's easier for the fund itself to buy larger assets, as the fund has access to a larger pool of money.

10. Borrow to invest.

Since 2007, SMSF's have been allowed to borrow money to "acquire an asset", and this has proven to be quite popular, especially in relation to property investments. But there is speculation now that the ability to borrow might be scaled back or restricted in some way at some time in the future.

In conclusion:

As we said at the start, there's a number of reasons to have your own SMSF, and we've simply outlined just 10 of them here. SMSF's are proving very popular with Australians who are keen on taking every advantage they can in order to maximise their long term financial security.

CONCESSION CARDS AVAILABLE TO OLDER AUSTRALIANS

By James Malliaros

Concession and Health Care cards can help you access cheaper health care services and medicines. There are a number of different concession cards available with the main purpose of providing cardholders access to the Pharmaceutical Benefits Scheme and Medicare services at a discounted rate.

The type of concession or health care card you can claim will depend on:

- The type of income support payment you receive
- Your age
- Whether you have dependents and
- Other requirements

There are different types of concession and health care cards available, with the the majority issued by the Commonwealth Government. Each card has its own eligibility requirements and concessions.

Pensioner Concession Card

A pensioner concession card is available to those receiving one of the following income support payments from Centrelink - Age Pension, Carer Payment, Disability Support Pension, Newstart Allowance, Youth Allowance or Parenting Payment (single).

Cardholders can access Australian Government health concessions and get help with the cost of living by reducing the cost of certain goods and services. A Pensioner Concession Card entitles you to reduced cost of medicines under the Pharmaceutical Benefits Scheme as well as bulk billing for doctor's appointments (at your doctor's discretion) and more refunds for medical expenses through the Medicare Safety Net.

You may also be entitled to various concessions from state and territory governments and local councils, such as a reduction on property and water rates, energy bills, public transport fares and motor vehicle registration.

It is important to note that the concessions associated with the Pensioner Concession Card differ in each state and territory and vary between local councils.

Commonwealth Seniors Health Card (CSHC)

You may be eligible for the CSHC if you have reached age pension age but do not qualify for an income support payment. Eligibility for the card is subject to an income test that includes adjusted taxable income and deemed amounts from account based income streams (commenced from 1 January 2015). The income test thresholds are:

	Annual adjusted taxable income
Singles	$51,500
Couples (combined)	$82,400
Couples (combined who are separated due to ill health)	$103,000

This card gives older Australians access to cheaper prescription medicines under the Pharmaceutical Benefits Scheme as well as bulk billing for doctor's appointments (at your doctor's discretion) and cheaper out of hospital medical expenses through the Medicare Safety Net.

It also gives card holders concessional rail travel on Great Southern Rail services such as The Indian Pacific, The Ghan, and The Overland, and in some instances, extra health, household, transport, education, and recreation concessions that are offered by state, territory and local governments and private businesses. These providers offer concessions at their own discretion, and the availability of these concessions may vary between states and territories.

Low Income Health Care Card (LIHCC)

You may be eligible for a Low Income Health Care Card if you are a low income earner and meet the LIHCC income test. The income test is based on the income received for the 8 week period ending on the day you lodge your claim and the card must be renewed every 6 months. Once you have qualified for the card the income test thresholds increase for renewal testing purposes.

	Qualifying (Income in an 8 week period)	Ongoing (Income in subsequent 8 week periods after qualification)
Single, no children	$4,192	$5,240
Couple combines, no children	$7,248	$9,060
Single, one dependent child	$7,248	$9,060
For each additional child, add	$272	$340

The card is not subject to an assets test.

A LIHCC entitles you to cheaper medicines under the Pharmaceutical Benefits Scheme and you may also be entitled to concessions offered by private companies and state and territory government and local council concessions. These include reductions in energy, electricity and water rates, health-care costs, including ambulance and dental and eye care, public-transport costs and educational fees. The availability of concessional entitlements may vary between states and territories.

Health Care Card

Provides help with the cost of prescription medicine under the Pharmaceutical Benefits Scheme, Australian government funded medical services and access to state, territory and local government concessions.

A Health Care Card is automatically issued to those in receipt of the following payments from Centrelink - Newstart Allowance, Sickness Allowance, Youth Allowance, Partner Allowance, Parenting Payment (partnered), Widow Allowance & Carer Payment.

Seniors Card

In addition, each Australian state or territory offers a Seniors Concession Card with varying concessions depending on the issuer. In Victoria, the Seniors Card provides benefits from various state based businesses and discounted public transport travel. To be eligible you must be over 60 years of age, fully retired or employed for less than 35 hours per week.